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Notice of Annual General Meeting

Notice is hereby given that the sixty–sixth Annual General Meeting of the GSB Co-operative Credit Union Limited will be held on Wednesday April 27, 2011 at the Knutsford Court Hotel, Blue Mountain Suite, 11 Ruthven Road, Kingston 10, commencing at 2:00 p.m.

Registration will begin at 12:30am

O'Neil Grant
Secretary

Agenda

Ascertain quorum

Call to Order

National Anthem

Notice convening AGM

Prayer

Tribute to deceased members

Welcome

Apologies for Absence

Confirmation of Minutes of the 65th AGM

Board of Directors' Report

Reports:

Treasurer's & Auditor's
Distribution of Net Surplus
Fixing Maximum Liability for Loans & Deposits
Nomination of Auditors
Credit Committee
Supervisory Committee

Delegates to the League's Annual General Meeting

Observers to the Caribbean Conference of Credit Union's AGM

Election (See Nomination Committee Report)

Resolutions

New Business

Adjournment

Minutes of the 65th Annual General Meeting

April, 28, 2010 • GSB Co-operative Credit Union

The Chairman, Mr. Michael Roofe, welcomed those present and noted that that there were 269 members registered. The meeting was called to order at 1:10 P.M. The National Anthem and the prayer of St. Francis of Assisi were sung by Mr. Roy Thompson.

At the invitation of the Chairman the notice of the meeting was read by the Board Secretary, Mr. O'Neil Grant, and this was followed by prayer led by Mr. Maurice Coke, Manager of Information Technology. The meeting then observed a moment of silence to honour the life and work of members who had made the transition since the last Annual General Meeting.

The Chairman extended a warm welcome to members and guests in attendance and directed their attention to the Parliamentary rules set out on pages 106 to 107 of the Annual Report.

Apologies for absence were tendered by the Board Secretary after which the Chairman introduced the Board of Directors, members of the Supervisory and Credit committees and management. The Chairman then advised the meeting that three directors Mr. Cuthbert Miller, Mr. Fitz Cameron and Mr. Courtney Lodge were retiring and had not offered themselves for re-election and publicly paid tribute to them.

CONFIRMATION OF MINUTES OF SIXTY -FOURTH AGM

On a motion moved by Mrs. Yvonne Soares, retired Civil Servant and seconded by Mr. Michael Fray of the Ministry of Finance and Public Service. The minutes of the Sixty-fourth Annual General Meeting were taken as read.

Subject to the following corrections:

Paragraph 4 page 6, Delegate to JCCUL, Mr.Michael Burke was nominated by Ms.Patricia Graham of the Ministry of Agriculture and Fisheries and seconded by Ms. Novelette Daley, retired Civil Servant and was unanimously elected.

The minutes were confirmed on a motion moved by Mrs. Millicent Russell-Brown of the Ministry of Labour and Social Security and seconded by Mr. Damion Austin of the Kingston Technical High School.

BOARD OF DIRECTORS' REPORT

There being no referral sheet the report of the Board of Directors was taken as read on a motion moved by Mrs. Yvonne Soares, retired Civil Servant and seconded by Dr. Leo-Paul Powell of the Kingston Public Hospital.

The Chairman then presented the Directors' Report after which he invited questions from the floor.

Mr. Michael Burke congratulated the Board for its business casual dress code and the appropriateness of the AGM's theme.

Mrs. Barbara Hall, retired Public Servant, asked about the requirement to hold permanent shares in the credit union and what would happen to those members who had not taken up the offer to buy shares. The Chairman assured her that the doors were still open to those members who wish to retain their membership in the Credit Union and that management had taken the appropriate steps to ensure that this was done but some members remained delinquent.

Mrs. Yvonne Soares, retired Civil Servant, complimented the Credit Union on the production of the Annual Report, and in particular its size. Dr. Leo-Paul Powell of the Kingston Public Hospital also congratulated the Board and the membership for what had been a very good performance considering the storm in the

Minutes of the 65th Annual General Meeting (Cont'd)

financial marketplace. He noted , however, that the delinquency ratio had gone from 3.6% to 5.9% and enquired if the directors had considered how they were going to integrate into their credit assessment the new credit scores that are going to be coming on stream.

The Chairman thanked Dr. Powell and concurred with him that there was some merit in using credit scores but stressed that GSB would look at the quantitative and qualitative aspects of credit in the credit assessment process so as not to disenfranchise members who wanted to borrow funds from GSB.

Ms. Samaria Christian of the National Works Agency enquired about the implementation of the telephone service.

Mr. Garfield Sang explained that GSB would be outsourcing its call center to Fulgram Solutions which was based at Oxford Terrace, Kingston 5 by July 1, 2010.

Mrs. Beverley Coley (retired Civil Servant) wanted to know if GSB had any special provisions for senior citizens. The Chairman responded and said GSB was looking at special rates, comfortable buildings and other plans which are currently in the developmental phase The report of the Board of Directors was adopted on a motion moved by Mrs. Barbara Hall ,retired Public Servant and seconded by Ms. Joan Foster of the Department of Correctional Services.

AUDITOR'S REPORT

Mr. Carey Metz of Deloitte & Touche read the Auditor's Report. The Auditors gave an unqualified opinion on the audited Financial Statements.

TREASURER'S REPORT

Upon a motion moved by Mrs. Barbara Hall and seconded by Mrs. Susan Stephenson-Tulloch of the Department of Correctional Services, the Treasurer's Report was taken as read.

The Assistant Treasurer, Mr. Vencot Wright, delivered the Treasurer's Report and addressed the distribution of the surplus, the fixing of the maximum liability and the nomination of the auditors.

After a wide ranging discussion on the Treasurer's report several motions were invited and carried.

The Treasurer's Report was adopted by Mr.Charles Jones, retired Civil Servant and seconded by Mrs. Albertha Estick, retired Civil Servant.

DISTRIBUTION OF SURPLUS

The proposed distribution of the surplus was approved on a motion moved by Ms. Avis Chuck of the Ministry of Transport and Works and seconded by Ms. Novelette Daley, retired Civil Servant.

MAXIMUM LIABILITY

After further explanation of the proposal by Mr. Wright, the setting of the maximum liability at 1150% of equity was approved on a motion moved by Dr. Powell and seconded by Ms. Novelette Daley, retired Civil Servant.

NOMINATION OF AUDITORS

Upon a motion moved by Mrs. Barbara Hall, retired Civil Servant and seconded by Mr. Patrick Ferguson of the Ministry of Water and Housing, Messrs Deloitte and Touché were nominated as the Auditors.

CREDIT COMMITTEE REPORT

Mr. Noel Francis, Chairman of the Credit Committee presented the Credit Committee Report. Upon a motion moved by Mrs. Yvonne Soares,retired Civil Servant and seconded by Mrs. Millicent Russell-Brown of the Ministry of Labour and Social Security, the Credit Committee's Report was then taken as read and, after discussion, was adopted on a motion moved by Ms. Novelette Daley, retired Civil Servant and seconded by Ms. Samaria Christian of the National Works Agency.

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Back Row (L-R) **Latanya Monteith-Housen** (Mgr. May Pen)**, Debbie Jones-McGibbon, Gladstone Wynter, Delphine Simms, Jacqueline Pingue-Smith** (DGM, WDU)

Second Row L-R **Patrice Doyley, Roxanne Byfield, Andrew Blake, La Toya Williams** (Asst. Mgr. Credit)**, Audrey Hawthorne-Brown**

Seated L-R **Shernett Morris, Paula Pusey, Amoy Virgo**

Directors
Back Row (L-R) **Leitha Geddes, Dr. Leopaul Powell**
Front Row (-R) **Leodis Douglas, Christopher Samuda**

Minutes of the 65th Annual General Meeting (Cont'd)

SUPERVISORY COMMITTEE REPORT

Mr. David Forbes, Chairman of the Supervisory Committee was invited to present the report. Upon a motion moved by Ms. Annemarie Lopez of the Ministry of Agriculture and Fisheries and seconded by Ms. Petura Lodge of the Ministry of Finance and Public Service ,the report was taken as read.

After a wide ranging discussion, the report was adopted on a motion moved by Mr. Charles Jones (retired Civil Servant) and seconded by Ms. E. Strachan of STATIN.

Delegates' Report on the AGM of the Jamaica Co-operative Credit Union League

Mr. Wayne Jones directed the meeting to the Delegates' Report on the Annual General Meeting of the Jamaica Co-operative Credit Union League. Upon a motion moved by Ms. Avis Chuck of the Ministry of Transport and Works and seconded by Ms. Joanna Pellington of the Taxpayer Audit and Assessment Department, the report was taken as read.

Mr. Jones fielded questions on the report and engaged in discussion on the issues raised after which, upon a motion moved by Mr. Patrick Ferguson of the Ministry of Transport and Housing and seconded by Ms. Samaria Christian of the National Works Agency, the report was adopted.

Delegates' Report on the Conference of the Caribbean Confederation of Credit Unions

Mr. Jones directed the meeting to the Delegates' Report on the Conference of the Caribbean Confederation of Credit Unions. Upon a motion moved by Ms. Zeta Phillips, retired Civil Servant and seconded by Mrs. Carla-Ann Roper of the Ministry of Labour and Social Security, the report was taken as read.

Mr. Jones presented the report after which upon a motion moved by Mr. Michael Burke and seconded by Ms. Mauvette Birmingham of the Betting, Gaming and Lotteries Commission, the report was adopted.

NOMINATING COMMITTEE REPORT

Mr. Christopher Samuda, Chairman of the Nominating Committee, directed members' attention to the Nominating Committee Report. Upon a motion moved by Mrs. Barbara Hall, retired Public Servant, and seconded by Ms. Joan Foster of the Department of Correctional Services the report was taken as read.

Mr. Errol Gallimore from the Office of the Registrar of Co-operatives and Friendly Societies was invited by Mr. Christopher Samuda, Chairman of the Nominating Committee, to conduct proceedings in respect of the Nominating Report.

Nomination and Election of Directors

He presented the retiring directors namely, Messrs. Michael Roofe, Vencot Wright, Cuthbert Miller, Fitz Cameron and Courtney Lodge, to the meeting and indicated that the Nominating Committee was recommending that Messrs. Michael Roofe, Vencot Wright, Edmund Jones, Leo-Paul Powell and Michael Parker be appointed to serve as Directors for two years.

Mr. Glenroy Stewart, retired Civil Servant moved that Mr. Noel Francis who had been the Chairman of the Credit Committee for a number of years be nominated to serve on the Board of Directors.

Mr. Gallimore advised that Mr. Francis could not serve on both bodies and asked Mr. Francis to stand down from one of them. Mr. Francis elected to stand down from the Credit Committee.

The motion by Mr. Stewart was seconded by Rev. Doreen Wynter.

A nomination was put forward for Rev. Doreen Wynter to serve on the board but was declined by Rev. Wynter. Nominations were then closed. Mr. Gallimore instructed the meeting to add Noel Francis to the ballot and then to tick "Yes" for only five persons.

The results of the voting were: Messrs. Michael Roofe 190; Vencot Wright 169; Edmund Jones 184; Dr. Leo-Paul Powell 181, Michael Parker 169 and

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Back Row (L-R) **Eric Heslop (GM, Finance & Admin.), Courtney Lodge (CEO)**
Seated (L-R) **Maria Morrison (GM, Human Capital), Linda Miller (GM, Operations)**

(L-R) **Jason Ferguson, Nika Duncan-Donaldson, Damion Williams, Keisha Hillary, Julian Dawson**

Back Row (L-R) **Barrington Fearon, Allison Smith, Jermaine Gardner, Novado Wynter**
Seated (L-R) **Maureen Hayden, Camille Campbell, Sadie Cooper**

(L-R) **Demar Wright, Lucien Rowe, Norman Williams, Ervin Ennis**

Minutes of the 65th Annual General Meeting (Cont'd)

Noel Francis 104. Accordingly, Messrs. Roofe, Wright, Jones, Powell, and Parker were duly elected to serve for two years on the Board of Directors.

Composition, Nomination and Election of Credit Committee

Mr. Errol Gallimore indicated that it was the recommendation of the Nominating Committee that Mr Noel Francis be appointed to serve for one year and that Mr. Quinton Masters of the National Housing Trust and Mrs. Yvonne Soares, retired Civil Servant, be appointed to serve for two years. The floor was opened for nominations. As there were no nominations from the floor, Messrs.Noel Francis, Quinton Masters and Mrs. Yvonne Soares were duly elected for the respective terms recommended by the Committee.

Nomination and election of Supervisory Committee

Mr. Gallimore indicated that the Nominating Committee was recommending Mr David Forbes, Ms. Karen Cummings, Ms. Carla Harris-Roper, Ms Asre Stewart and Mr. Dwight Sibbles for nomination to the Supervisory Committee. The floor was then opened for nominations. There were no nominations coming from the floor and so, Ms.Karen Cummings, Ms.Carla Harris-Roper, Ms.Asre Stewart and Messrs.David Forbes and Dwight Sibbles were elected for one year as proposed by the Nominating committee.

Nomination of Delegate to the Jamaica Credit Union League

Mr. Gallimore then opened the floor for the nomination of a delegate to the Jamaica Credit Union League for 2011. It was noted that Mr. Michael Burke had been nominated for 2010. Mrs. Sybil Newman, retired Civil Servant, nominated Mr. Michael Burke to serve as the delegate for 2011. The nomination was seconded by Mrs. Yvonne Soares, retired Civil Servant .The meeting approved his nomination.

RESOLUTIONS

The Chairman then invited the Secretary, Mr. O'Neil Grant to the lectern to read the resolutions to be considered, and if thought fit, passed at the meeting.

Mr. Grant directed members to the resolutions as printed in the annual report and read them to the meeting as follows:

"Resolution 1: 'Write off of delinquent loans'

Whereas the GSB Co-operative Credit Union Limited being a lending institution from time to time experiences delinquency in its loan portfolio

And whereas a number of these delinquent loan balances is less than $3000 and have been delinquent for more than two years;

And whereas efforts to collect these balances have proven to be costly and time consuming without the corresponding results;

And whereas experience has shown that in most cases the outlay to effect collection exceeds the value of the existing loan balances;

And whereas the Board of Directors of GSB has always sought to streamline the operations of the GSB;

And whereas Article 8 of the Rules of GSB Co-operative Credit Union Limited outlines the functions of the Board and Section 38 (I) makes provision as follows:

"to supervise the collection of loans to members and with the approval of the General Meeting cause bad debts to be written off the books of the society"

And whereas the Board is now of the view that it is necessary to expedite these write offs,

Be it resolved that the Annual General Meeting of the GSB Co-operative Credit Union Limited this 28th day of April, 2010 agrees that the Chief Executive Officer and the person acting in his position be given the authority to write off delinquent loan balances of less than $3000 and which have been delinquent for more than two years and that the write off be ratified by the Board of Directors at subsequent meetings.

Resolution 2: "Amendment of Article 2 Section 4"

Whereas GSB Co-operative Credit Union has always

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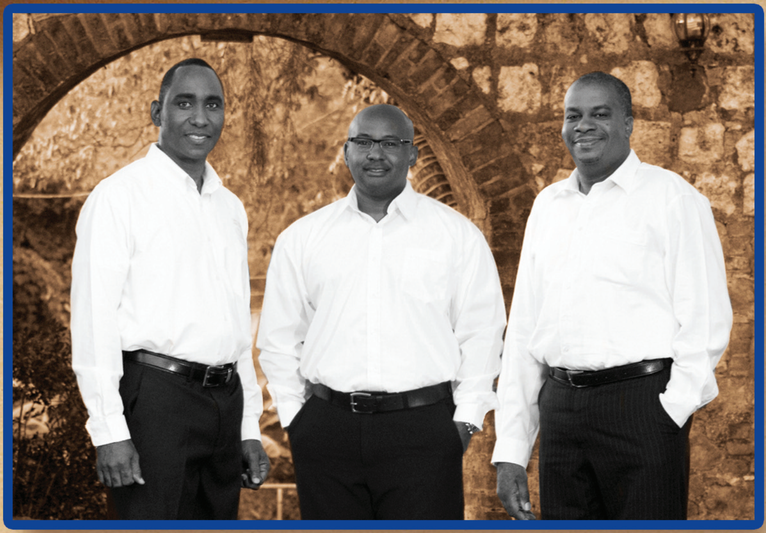
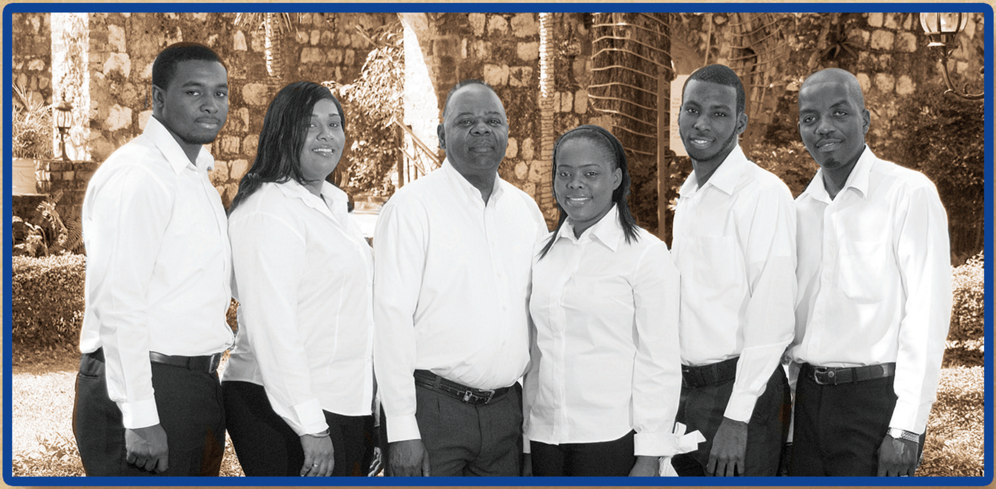


(L-R) **Directors' O'Neil Grant** (Secretary), **Michael Parker** (Treasurer), **Michael Roofe** (President)



(L-R) **Kedron Allen, Kymme-Iska Williams, Gary Cooper, Racquel Long, Rory Walfall, Carlton Brown**

(L-R) **Johnoy Nelson, Dawn Edwards, Adrian Jackson, Damion Simpson, Donnett McBean, Sheldon Christian**

Minutes of the 65th Annual General Meeting (Cont'd)

strived to be the premiere financial institution of all public sector employees and their families

And whereas membership in GSB is at present limited to categories stated in the membership bond enunciated in Article 2 Section 4 of the Rules of the Society:

And whereas the reduction of staff in the public sector due to the Government's transformation programme will significantly reduce the number of persons eligible for membership in GSB

And whereas this reduction in the recruiting base will have an adverse effect on the savings of GSB

And whereas the current wage freeze in the public sector will also impact on the level of savings in the GSB:

And whereas further restructuring of the Public Service will continue to reduce the market share of the GSB membership bond thereby further impacting the potential for growth:

And whereas it is the considered opinion of the leadership of GSB that career professionals approved by the Board of Directors of GSB and whose professions are subject to a regulatory authority and/or registered by the Government of Jamaica should now be eligible for membership in GSB. This is to include members of their establishments:

Be it resolved that the Annual General Meeting of the GSB Co-operative Credit Union Limited held this 28th day of April 2010 agrees to accept as members those persons whose professions are subject to regulatory authority and/or registered by the Government of Jamaica. This is to include members of their establishment and that Article 2 Section 4 of the Rules of GSB Co-operative Credit Union Limited be amended to include and I quote -- "career professionals and their staff as approved by the Board of Directors of the GSB and whose professions are subject to the regulatory authority and or registered by the Government of Jamaica."

After they were read, Mr. Errol Gallimore presided over the voting on the resolutions.

Resolution 1 was moved by Mr. Charles Jones, retired Civil Servant and seconded by Mrs. Barbara Hall, retired Public Servant.

Resolution 2 was moved by Mr. Charles Jones, retired Civil Servant and seconded by Ms. Avis Chuck of the Ministry of Transport and Works.

ANY OTHER BUSINESS

There was much discussion and lively debate on matters affecting the members and the Credit Union.

TERMINATION

The Chairman invited Mr. Maurice Coke; Manager of Information Technology, to offer the closing prayer and a motion for the adjournment of the meeting was moved by Mr. Edmund Jones of the Ministry of Finance and Public Service and seconded by Ms. Joan Foster of the Department of Correctional Services.

The meeting was adjourned at 5:00p.m.

Michael Roofe
Chairman

O'Neil Grant
Secretary

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Standing (L-R) **Mendel Thompson** (Mgr. KGB), **Janet Richards** (Mgr. COPU), **Emil Williams** (Mgr. Acctg. Services) *Seated* **Melissa Miller** (Mgr. NKB), **Latanya Monteith-Housen** (Regional Mgr.)

Standing (L-R) **Michelle Thompson, Rita Spence, Gayloy Kennedy** *Seated L-R* **Suzette Palmer, Arlene Blake McPherson**

L-R: **Sanique Brown, Doreen Francis, Elon Simpson, Ronalee Small, Sophia Harvey, Vivienne Walker-White**

Report of the Board of Directors
Year Ended December 31, 2010

GSB 2010: CONTINUING THE PROCESS OF TRANSFORMATION WHILE HONOURING TRADITION

The picture of conservatism of the credit union movement is rapidly changing. The need for flexibility to meet the changing needs of the times and its members is the driver of this new renaissance. The GSB Credit Union, like its counterparts in the credit union movement, is breaking with its old conservative past and is crossing the threshold into a new era of transformation while honouring tradition. GSB has evolved from a small niche player into a full-service retail depository institution offering its membership ever-expanding banking products and is now competing head-to-head with banks and other institutions in the financial services sector. In the process, GSB has remained true to its member-centric mandate.

Mr. Michael Roofe, President

FINANCIAL PERFORMANCE

The results for Financial Year 2010 reflect an approach focused on managing the GSB Credit Union to confront the challenges of a global, and by extension a national, financial crisis, as it simultaneously transforms itself into a post-recession ready organization positioned to maximize opportunities that deliver value to its member and improve the profitability of the Organization.

The 2010 net surplus of $25.897M, while is less than that of the corresponding period for the previous year, was achieved against the background of significant changes in the financial landscape and adverse economic challenges faced by the majority of our members.

The Credit Union achieved an increase of 0.8% in interest on members' loans for 2010. This was relatively flat when compared to the previous year. Our efforts to generate revenue were affected by the JDX and the negative impact of the global recession on the Jamaican economy. The latter resulted in a high level of uncertainty in terms of future outlook and many members decided use their savings instead of borrowing.

The Credit Union's total operating expenses increased by 15.7%, compared to the previous year. Headline inflation of 11% and significant cost to establish a call centre in order to provide better telephone access to our valued members, contributed to the increase.

The net interest income for 2010 increased by 6.7%; $290.8M compared to $272.6M for the previous year. The Credit Union's total assets increased by 9.4% over December 2009. The major contributors to this increase were growth in the loan portfolio and property plant and equipment. These were funded by increases in savings and deposits.

The lowering of interest rates on Government securities, the JDX program, resulted in a significant decline in the performance of the Treasury activity for the Year.

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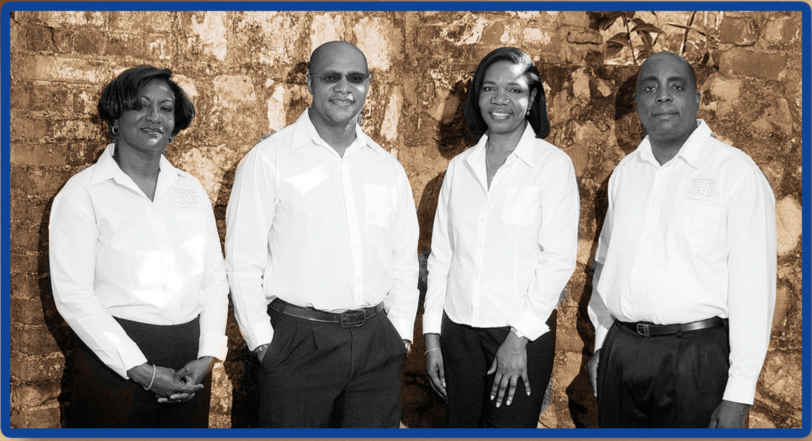


L-R **Jacqueline Pingue-Smith** (DGM), **Tony Williams** (Mgr. Mktg.), **Maxien Davis** (AGM, Credit) **Maurice Coke (Mgr. IT)**

L-R **Jewel Morgan, Melissa Brown, Carlene Coley, Monique Johnson, Almeta Johnson-White, Beverley Green-Hyatt**

Back Row L-R **Directors Ian Scarlett, Edmund Jones** (Asst. Secretary)
Front Row L-R **Directors Audrey Welds, Wayne Jones** (Vice President)

L-R **Supervisory Com., Asre Stewart, David Forbes, Carla-Ann Harris Roper, Dwight Sibblies**

Report of the Board of Directors (Cont'd)

HIGHLIGHTS OF FINANCIAL PERFORMANCE

Deposit Portfolio

The deposit portfolio (including voluntary shares) stood at $2.04 billion as at December 31, 2010 compared to $1.86 billion in December 2009. This represents an increase of over $182 million or 9.8%, accomplished in a period of global recession.

Loan Portfolio

In a recessive economic environment, we achieved an increase of 36% in our loan disbursements when, system-wide, the credit union movement saw a decline in loan portfolio value. However, our total loan portfolio, as a percentage of total assets, declined slightly to 67.23% when compared to 67.97 in December 2009.

TRANSFORMING FOR MEMBER-CENTRICITY

In 2010, GSB created and capitalized on opportunities to continue the process of transformation while honouring tradition.

TRANSFORMING MORE LIVES: EXPANSION OF GSB'S BOND

The Annual General Meeting on April 28, 2010, a historic event, occurred wherein GSB's Bond , in existence for 64 years , was expanded to include:

"Career professionals and their staffs whose professions are subject to a regulatory authority and/or registered by the Government of Jamaica."

The expansion of GSB's bond herald a new era; GSB could now positively transform even more lives through its ability to target for membership a wider cross-section of persons in the market place.

As at December 31, 2010, our membership increase by 9.14% and stood at 19,557 a net growth of 1,638 over the corresponding period in 2009.

Member Satisfaction

GSB can boast about the satisfaction level of its members. The results of the 2010 Member Satisfaction Survey indicated a 62% overall satisfaction level of the majority of members with its overall service delivery. The survey also pointed to the fact that 66.3% of the members who responded to the survey are loyal to the Credit Union and that the majority of the members (71.6%) overall, had a high regard for GSB as an institution.

New Products & Services

In 2010 GSB also focused its transformation efforts in developing and offering data-driven banking products aligned to the needs of its dynamic membership. During the Year, members benefitted from six new products and services for 2010: GSB GradPlus, GSB R.E.A.P., SuperLink (Online banking), Call Center 1-888-CALL- GSB, New and improved Telebanking service, and Town Hall Meetings.

Transforming to meet changing times and emerging customer needs occasioned by these changes was perhaps most evident in improved communication efforts. Understanding that change takes place over time, GSB's strategy was a symbiosis of traditional communication and new "non-paper" channels of communication which are cheaper, faster and more environmentally friendly.

The establishment of the GSB Call Center was a giant step in the direction of becoming more member-centric. Through the effective utilization of advanced technology more choices were provided for better communication with members through e-mail, text messaging, and the GSB website. The use of social media such as Facebook and Twitter further widened our channels of communication.

A new and exciting venture, Town Hall Meetings, was launched in 2010 and face- to-face interaction between members and the GBS's Board of Directors and management team. The meetings are interactive, informative and generally a great tool to obtain feedback from the membership on the Organization's performance, strategic

Report of the Board of Directors (Cont'd)

direction and services.

A total of three successful town hall meetings were held in the 2010 Financial Year. The final Town Hall Meeting for 2010 was held in December at The Girl guides Association with more than 270 members in attendance. Given the turnout and feedback obtained from the Meetings held in 2010, 2011 promises to deliver even more exciting interaction with members.

Credit Union Week

Credit Union Week's 2010, celebrated October 17th - 22nd, was exciting and interactive for members across our branches who were offered health services ranging from blood pressure checks, eye screening, and blood sugar testing, among other activities.

During the Week , GSB's members were treated to personal care services offered by the HEART Trust NTA's Cosmetology Division. Members were also able to view exhibitor's offerings from the National Housing Trust, Jamaica Library Service, Registrar General Department, Executive Motors, Jamaica Diabetes Association, The Office of Disaster Preparedness & Emergency Management, HEART Trust NTA's Ebony Park Academy and Digicel Jamaica Limited.

DELIVERING THE TRANSFORMATION PROMISE THROUGH OUR PEOPLE AND TECHNOLOGY

Investing in Human Capital and Organizational Development

The year 2010 was an exciting one for GSB's Human Capital and Organizational Development as particular attention was paid to creating a learning organization where team members are encouraged to be creative, to use systems thinking, and to apply double loop learning to problem solving.

A number of initiatives were carried out by the Division to support the transition to a creative and innovative GSB built on the performance of a talented, motivated and empowered team. The results of these initiatives include:

The continuous support and effective management of our Individual Development Plan (IDP) saw several team members realizing their educational and promotional goals: 7% of our team members completed their Bachelor's degrees while 63% are aggressively working towards completion and several were promoted during the year under review.

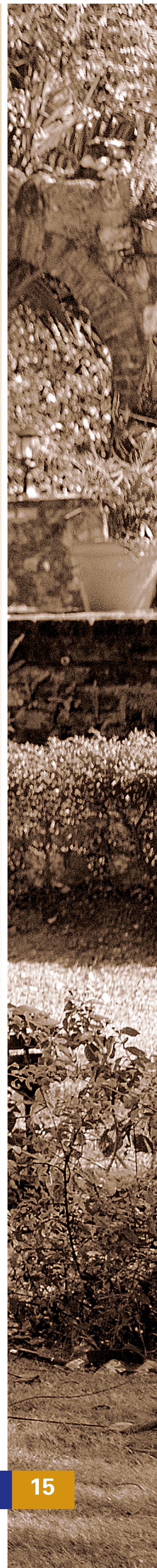
- Certification of four (4) of our team members as Customer Service Trainers (CCST) through City and Guilds and Customer Service Academy of Jamaica. These team members are now internal trainers across the organization.

- The soft launch of the "Leader in Training" program, a milestone in 2010 and an introduction to our soon-to-be-realized concept of the GSB University, designed to support our goal of creating a learning environment.

- 100% compliance on our POCA test through the use of our online Continuous Professional Development (CPD) program. Our goal is to build on this success to ensure our team members are provided with the required knowledge and skills to succeed.

- Our Reward and Recognition program continue to inspire excellence in the performance of our teams. This year the Finance and Administrative Division had no choice but to give up the coveted "Department of the year" trophy to the Information Technology (IT) unit after holding this position for three consecutive years. This program saw us having monthly, quarterly and annual rewards for team members.

These successes augur well in fostering growth, development, flexibility and responsiveness to competition as GSB continues the process of transformation while honouring tradition.



Report of the Board of Directors (Cont'd)

Town Hall Meeting held on December 10, 2010 at the Girl Guides Association Head Quarters

TRANSFORMING OUR COMMUNITIES

Transforming Lives Through Our Corporate Social Responsibility

Our commitment to putting our members at the centre of what we do is also reflected in our focus on educational support to promising young Jamaicans who are GSB members or children of members who are entering their final year of tertiary education at the undergraduate level. In 2010, Denise Dawswell, Fabian Barracks and Richard Marquis were the recipients of The Renald Mason Scholarship which we have been offering for more than a decade. These awardees, selected based on their academic performance, demonstrated financial need and their involvement in school and community activities, received close to J$500,000.

We also continued our support to communities through donations to and sponsorship of the activities of several organizations including: The Jamaica Civil Service Association , Kingston and St. Andrew Parish Churches, Rotary Club Of Downtown Kingston, Jamaica Cultural Development Commission, (JCDC), Mandeville Regional Hospital, and The Christmas Dinner Fund of the Mayor of Kingston & St. Andrew.

Information Technology

A primary focus of information technology is to assist GSB in continually seeking ways to improve service delivery channels. In March, GSB's dynamic Online Banking product, SuperLink, was successfully launched. Members are now able to access their account and perform within-account transactions from anywhere in the world. Our Telebanking service was also upgraded at the start of the year. Technology led the way for the complete renaissance of our Call Center service in July, 2010. The full utilization of digital communication and call routing methodologies, helped to ensure that the service delivered to our valued members is first rate. Cost saving was achieved through the implementation in October, 2010 of live telephone communication link to our May Pen branch using our internal PBX network. Calls between branches using our internal PBX network attracts no charges.

ELECTION OF OFFICERS

The first special meeting of the Board of Directors was held April 28, 2010 and the following persons were elected to serve:

President	-	Michael Roofe
Vice President	-	Wayne Jones
Treasurer		Michael Parker
Assistant Treasurer		Vencot Wright

Report of the Board of Directors (Cont'd)

Secretary O'Neil Grant

Assistant Secretary Edmund Jones

Executive/Finance Committee

Mr. Michael Roofe
Mr. Wayne Jones
Mr. Michael Parker
Mr. Ian Scarlett
Mr. O'Neil Grant

Credit Committee

Mr. Noel Francis
Ms. Faylene Foster
Mr. Quinton Masters
Miss Doreen Winters

Loans & Delinquency Committee

Mr. Ian Scarlett
Mr. Michael Roofe
Mr. Michael Parker

Special Loans Committee

Mr. Ian Scarlett
Mr. Michael Roofe
Mr. Michael Parker

Nomination Committee

Dr. LeoPaul Powell

Education Committee

Dr. LeoPaul Powell
Mrs. Audrey Welds

Audit Committee

Mr. Michael Roofe
Mr.Michael Parker
Mr. O'Neil Grant

ATTENDANCE OF DIRECTORS AT BOARD & JOINT COMMITTEE (MAY 2010-MARCH 2011)

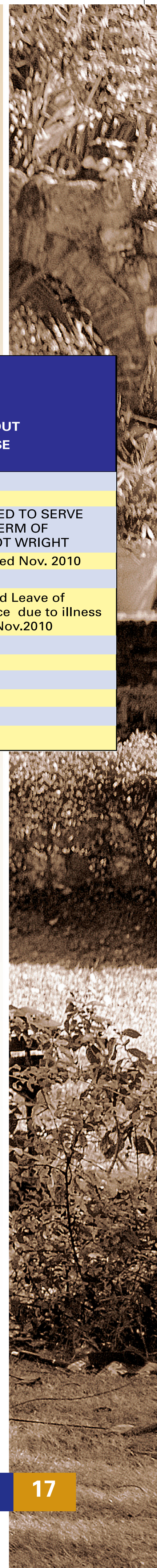
			Times Absent	
MEETINGS	TIMES POSSIBLE	TIMES PRESENT	WITH EXCUSE	WITHOUT EXCUSE
1. Michael Roofe	14	13	1	-
2. Michael Parker	14	11	3	-
3. Audrey Welds	5	4*joined Dec. 2010	1	ELECTED TO SERVE OUT TERM OF VENCOT WRIGHT
4. Vencot Wright	14	2	6	Resigned Nov. 2010
5. O'Neil Grant	14	12	2	-
6. Leodis Douglas	14	11	3	Granted Leave of Absence due to illness Dec& Nov.2010
7. Wayne Jones	14	9	5	
8. Christopher Samuda	14	13	1	-
9. Leitha Geddes	14	11	3	-
10. Edmund Jones	14	10	4	-
11. Ian Scarlett	14	12	2	-
12. Leo-Paul Powell	14	11	3	

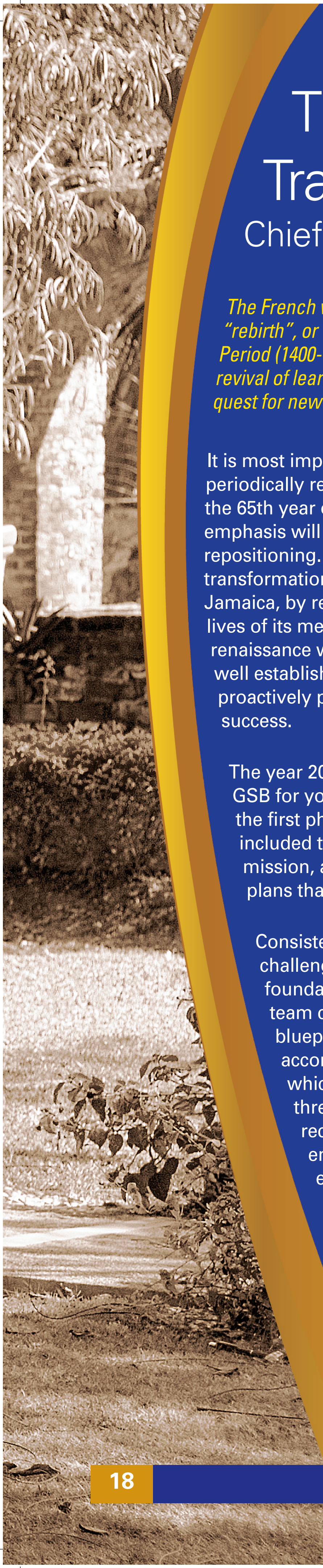
AKNOWLEDGEMENTS

I commend the Board of Directors for their sound leadership and commitment to transforming the GSB while simultaneously honouring its tradition. The Board extends heartfelt appreciation to our employees for their dedication and understanding of the difficulties faced not only by the Credit Union, but also by our members, our industry, and our nation. We look forward to their continued support.

The directors, management and employees thank all our stakeholders for their support during 2010. We extend special thanks to our members and other users of our services and give our commitment to working to continuously to improving efficiency and service delivery.

Michael Roofe
Chairman





The GSB Renaissance: Honouring Tradition…Leading Transformation!

Chief Executive Officer's Message

The French word Renaissance means "new birth", "rebirth", or "reconstruction". The Renaissance Period (1400-1600 C.E.) in Europe emphasized the revival of learning, the renewing of the mind, and the quest for new knowledge.

It is most important for every organization to periodically renew and reenergize itself. In this, the 65th year of GSB Credit Union's existence, the emphasis will be on such a rethinking and repositioning. Your GSB is on a quest to lead a transformation of the financial services sector in Jamaica, by renewing itself and transforming the lives of its members, one member at a time! This renaissance will see GSB continuing to honour well established and successful traditions, as it proactively pursues world-class strategies for success.

The year 2010, which focused on "Building GSB for you, for me, for a better future", was the first phase of the new paradigm, and included the recasting of the vision and mission, and the drafting of the strategic plans that will make the dream a reality.

Consistent with the promise of "embracing challenges in order to build on our foundation" of 65 years, the entire GSB team collectively redrafted the strategic blueprint and has already started or accomplished several of the objectives which were set for the year. The new, three-year blueprint emphasizes reconstruction plans for (1) people empowerment, (2) operational excellence, (3) stakeholder value, and (4) financial success.

PEOPLE EMPOWERMENT

The empowerment of our people is necessary, if we are to successfully lead the planned transformation. Resultantly, your GSB is committed to innovating through a talented, motivated and empowered team of staff, volunteers and members.

GSB University: In order to further empower staff, volunteers and members, and to establish GSB as a true learning organization, the team has completed the first phase of an internal "GSB University" (GSB-U). A major member-based aspect of the GSB-U is the Voluntary Consultancy Programme, which is geared towards providing hands-on business skills training and experience for GSB members. Also included in the curriculum of the GSB-U are programmes for management trainees, leaders-in-training, professional internships, and individual development.

Widened Bond: Whereas our team continues to honour our traditional members in the public service and their families, a significant part of our transformation involves reaching out to empower other Jamaicans. As such, our members, at our 64th Annual General Meeting, held on April 28, 2010, passed a resolution to extend our field of membership (our bond) to include "career professionals…whose professions are subject to a regulatory authority and/or registered by the Government of Jamaica".

OPERATIONAL EXCELLENCE

IIn an effort to systematically create and maintain operational excellence, GSB has been working at reengineering its operations.

Re-engineered Procedures: A business process review project resulted in revised member service-related policies and procedures. After acquiring the enabling technologies (our Loan Management Software, for example) and sufficiently retraining our team members in these more member-focused procedures, GSB and its members should experience greater levels of efficiency and member satisfaction. The increased cash dispensing limit (from $30,000 to $100,000) per transaction, for example, has found favour with our members.

GSB Call Centre: The member contact centre was outsourced in July 2010, and by year-end it contributed to an 87.23% increase in the number of loans disbursed to members. During this period, the call centre team received 34,076 calls, and dealt with 33,549, or 98.45% of these calls from you, our valued members.

STAKEHOLDER VALUE

At GSB, we intend to enthusiastically provide superior value to our key stakeholders. On this basis, stakeholder identification and needs analysis/satisfaction surveys were conducted on two of our key stakeholders: members and employees.

Member Satisfaction Survey/Townhall Meetings: Over 71.55% of members have a high regard for GSB; 66.3% considered themselves very loyal to GSB; over 71.4% are either somewhat likely or very likely to refer new members to GSB; and 62% are satisfied with the overall general service provided by GSB. Three SB Townhall meetings were held to get even further feedback from members. These member-based survey results are being used to drive the mentioned people empowerment, operational excellence, and stakeholder value initiatives and results.

Enhanced Products and Services: Based on members'requests, in 2010, GSB successfully negotiated and signed-off on a public-private partnership deal with the Jamaica Mortgage Bank (JMB), which provides members with access to mortgages at a market-leading interest rate of 11.95%! The GSB Unsecured Loan was increased to $300,000 per member. Motor vehicle loans were among the most attractive in the industry, at rates as low as 14%!

GSB CyberWorld: The GSB-TV has been launched and now features GSB products and services on television screens in our banking halls. Members are now able to rent advertising space (for their personal businesses, sale of goods and services, etc.) on GSB-TV. Your credit union is now featured on Wikipedia and Gleaner-Online, and we now offer non-business communication with GSB on Twitter and Facebook. Members using the GSB SuperLink, on-line banking service, have expressed general satisfaction with the convenience it provides.

Wealth Development Unit (WDU): Our members aggressively utilized our Personal Financial Service (PFS) team, and asked for the expansion of this pilot project. In response, GSB acquired a unit at the Winchester Business Centre, renovated it and converted the PFS into the WDU…complete with an extended team.

Re-branding: In order to enhance our visibility and make our members more proud of their credit union, GSB has commenced re-branding of the branch buildings.

FINANCIAL SUCCESS

Your premier financial institution, GSB Credit Union, with your continued support, will continue to consistently achieve sustainable financial success.

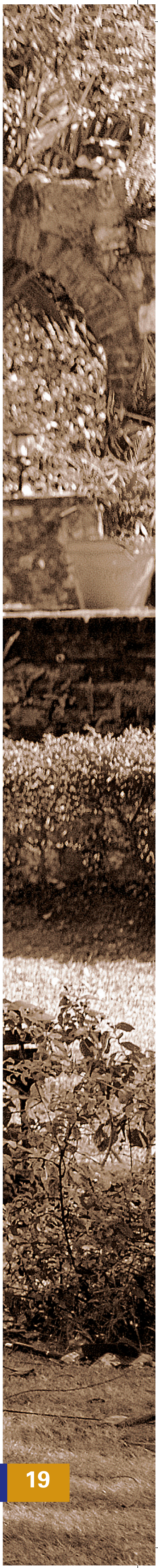
Savings: Despite tremendous challenges in the global and local economic conditions, in 2010, the GSB team achieved 102% ($209 Million) of the savings target of $204 Million.

Loans: The overall loans total for 2010 ($1.127 Billion) is $298 Million, or 35.99%, better than the $828.46 Million disbursed in 2009. The team members (including our Credit Committee of Volunteers, worked tirelessly into the nights and on weekends, oftentimes without lunch, to process the thousands of loan requests, are undoubtedly delighted to see the results of their hard work—especially the record-breaking disbursement of $176.36 Million in loans in December 2010 alone!

LOOKING FORWARD TO THE TRANSFORMATION

In 2011 and beyond, GSB will continue to focus on our members, employees, volunteers and other stakeholders' needs and interests. Your GSB will continue to honour tradition as we lead the transformation to empower people, improve operational excellence, deliver superior value to stakeholders and ensure sustainable financial success. GSB thanks all members, volunteers, employees and well-wishers for your continued loyalty and we look forward to creating even more value for you in 2011.

Courtney Lodge
Chief Executive Officer



Report for the

Credit Committee

Year ended December 31, 2010

The Credit Committee is pleased to present to the membership its report for the financial year ended December 31, 2010.

Loans totalling $1.146B were approved during 2010, an increase of 35.27% when compared to the previous year's figure. The total number of applications considered was 26,379 of which 26,326 were approved.

Our members benefitted tremendously from the unsecured lending facility which was offered at strategic periods during the year. This was particularly so during the months of August to September when the need to fund "back to school" expenses was at its highest. The high demand for this loan type was also evident during the Christmas period spanning November and December.

Loans granted in this category amounted to $382M or the 33% of the value of the total loan approved. Inclusive in this amount is the sum of approximately $50M which represented Pay Day loans.

SUMMARY OF ACTIVITIES

	2010	2009
No. of Applications Received	26,379	22,310
No. of Applications Approved	26,326	22,249
Value of Loans Requested	$1.26B	$954M
Value of Loans Approved	$1.15B	$848M

MEMBERS	MEETING HELD	MEETINGS ATTENDED	NO. OF MEETINGS EXCUSED
N. FRANCIS	50	47	3
Q. MASTERS	50	46	4
F. FOSTER	50	43	7
D. WYNTER	50	44	6
Y. SOARES	34	31	3

MEETINGS AND ATTENDANCE

The Credit Committee held fifty (50) meetings during the financial year. The table below shows each member's attendance at these meetings.

Mrs. Yvonne Soares joined the Credit Committee May 2010 replacing Mrs. Ivorine Thompson who was not up for re-election at the last Annual General Meeting. The committee expresses its sincere thanks to Mrs. Thompson for her invaluable service to the Credit Union whilst a member of the committee.

In recent times we have noticed that an increasing number of our members have fallen into what we call the debt trap. This situation is usually triggered by high credit card debts forcing members to seek what they think is the best way out only to find that they have to end up coming back to their Credit Union for help in consolidating several loans.

We just wish to take this opportunity to remind our members that we are here for them and they do not have to wait until there is nowhere else to turn before coming to us. Remember GSB has a loan to suit your every need.

Noel Francis
Chairman

Report of the Supervisory Committee
66th Annual General meeting

At the 65th Annual General Meeting of the GSB Co-operative Credit Union Limited the following persons were elected to serve on the Supervisory Committee.

Ms. Karen Cummings
Mr. David Forbes
Mrs. Carla-Ann Harris-Roper
Ms. Asre Stewart
Mr. Dwight Sibblies

The committee meets on the first Tuesday of each month to review the operations of the Credit Union, under the Chairmanship of Mr. David Forbes and Secretary, Ms. Karen Cummings. The activities of the Credit Union were reviewed to ensure compliance with all applicable policies, procedures and laws.

SCOPE OF WORK

During the tenure of the committee the following areas of operations were examined and reports prepared and submitted to the Management and Board of Directors:

* Cash Collection
* Bank Reconciliation
* Dormant & Inactive Accounts
* Disaster Recovery
* ATM Processing
* Gas & Motor Vehicle Benefit
* Value Book
* Loan Securities
* Delinquent Loans
* Treasury
* Compliance
* Savings Accounts
* Payroll
* Staff & Volunteer Loans
* Anti-Money Laundering
* Closed Accounts
* Database
* Member Allocations

OBSERVATIONS

The audit assignments performed during the period revealed that the system of internal controls was fair and there was general adherence to established policies, procedures and laws. The Board and Management continue to take steps to improve the systems and internal controls in order to minimize risk and losses in company assets.

MEETINGS ATTENDED

Ten meetings were held since the formation of the committee and as at the date of this report:

Members	Meeting Held	Meeting Attended
Karen Cummings	10	10
David Forbes	10	10
Carla-Ann Harris-Roper	10	7
Asre Stewart	10	8
Dwight Sibblies	10	6

ACKNOWLEDGEMENT

The Supervisory Committee wishes to express sincere appreciation to the members of the GSB Family for their confidence when electing us to serve in this capacity. We would also like to thank the Board of Directors, Credit Committee, Management and hardworking staff of the credit union for their support.

Let me take this opportunity to thank my colleagues and fellow Committee members for their contribution throughout our tenure.

David Forbes
Chairman - Supervisory Committee

Jamaica Co-operative Credit Union League

(The National Association of Credit Unions) Report of the Annual General Meeting 2009

The Jamaica Co-operative Credit Union League's 69th Annual General Meeting was held from May 19-22 at the Wyndham Rose Hall Resort and Spa in Montego Bay, St. James. The theme was "Managing the Challenges , Grasping the Opportunities"

One of the highlights of the 4 day event was the annual Credit Union banquet and awards ceremony which was held on Friday May 21. The guest speaker was Mr. Danville Walker, Commissioner of Customs.

CREDIT UNION AWARDS

Several Credit Unions were presented with awards. Seventeen credit unions received awards for providing 50 years and over of service to its members. GSB Co-operative Credit Union Limited was the oldest credit union with 64 years of service.

Other awards won by credit unions were as follows;

O.J.Thorbourne Award (Credit Unions with over $2billion in assets)

Winner: First Regional Co-operative Credit Union

Runner-up: Jamaica Police Co-operative Credit Union

The Renford Douglas Award (Credit Unions with assets of between $1 billion and $2 billion)

Winner: AAMM Co-operative Credit Union

Runner- up: Palisadoes Co-operative Credit Union

The Paul Thompson Award (Credit Unions with assets between $300 million and $1 billion)

Winner: NCB Employees Co-operative Credit Union

Runner-up: JDF Co-operative Credit Union

The John Peter Sullivan Award for Credit Unions with assets of $300 million or less

Winner: Petroleum Industry Employees Co-operative Credit Union

Runner up: BJ Staff Co-operative Credit Union

Some of the sectional awards won by credit unions were as follows

Highest Asset Growth JDF Co-operative Credit Union

Most Improved Net Capital/Asset Ratio – Kirkvine Co-operative Credit Union

Most Outstanding Parish Credit Union – First Regional Co-operative Credit Union.

ANNUAL GENERAL MEETING

The annual general meeting was chaired by Ms. Yvonne Ridguard who was in the final year of her Presidency.

She highlighted some of the achievements and initiatives of the League over the past year.

The Movement recorded an increase in its membership of fourteen thousand (14,000)

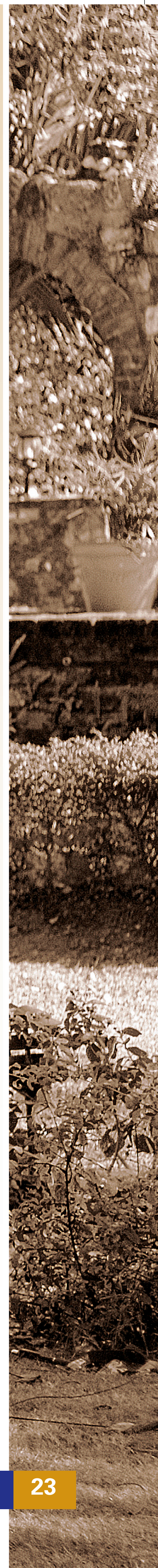
Credit Unions capital base increased from 9.90% to 10.36% of total assets

The League assisted Credit Unions to strengthen the relationship with their members by jointly hosting a number of financial fora aimed at assisting Credit Union members to develop their entrepreneurial skills

The Jamaica Co-operative Credit Union League continued its consultation with its constituents. The areas of focus for 2010 were the shared services and mergers. An update on the work of the Risk and Compliance Unit and the timeframe for completion of its current mandate extended by the membership to May of 2010

Assistance to the Movement during the year in its effort to boost youth savings through the Treasure Chest savings competition

The League continued to lobby for enabling regulations as a submission was made to the Bank of Jamaica



Jamaica Co-operative Credit Union League

(The National Association of Credit Unions) (Cont'd)

A review of the proposed amendments to the Co-operative Societies Act was also undertaken .

In a bid to cauterize the haemorrhaging arising from delinquency within the movement the League partnered with Bevertec to provide an integrated collections management system to credit unions

Continued focus was given to the area of small and micro businesses with a view to strengthening the Movement's underwriting and monitoring capacity. The partnership with the Development Bank of Jamaica resulted in the League brokering the participation of the Movement in the following schemes:

(1) Small business loans

(2) Caribbean Development Bank agricultural sector loans

(3) Credit enhancement facility for small business loans.

With respect to the establishment of a national credit bureau the League has signed off on a pilot programme with JETS to implement a Movement – wide credit bureau for ultimate participation when it becomes a reality

Approximately five million dollars ($5,000,000) was spent on outreach activities that benefited several organizations and individuals. The Victoria Jubilee Hospital received a significant part of the funds. The hospital received a mobile x-ray machine costing $3.5 million

The League's involvement in the Food Preparation and Service continued at the YMCA/ Amy Bailey Training Centre

A total of thirty nine thousand, six hundred dollars ($39,600) was disbursed for eight students from two early childhood institutions.

The League's Advocacy and Lobbying programme for 2009 sought to consolidate the work done in the previous year.

Some of the work that was continued included:

(1) Monitoring of all new and emerging legislation

(2) Establishing a close working relationship with lawmakers

(3) Educating the public, Credit Union Members and Government ministers on the unique nature of the credit union and its role and function in the Jamaican Society

The Lobby and Advocacy programme continued with the task of opening new lines of communication or enhancing existing lines. To strengthen this programme the movement was represented at events such as:

- All post- Cabinet briefings
- All meetings of both houses of Parliament
- All Quarterly Press Conferences hosted by the Governor of the Bank of Jamaica

Through a process of consultation the League developed a posture in response to the positions outlined by the Bank of Jamaica. Strong representation was made with respect to the following

- Prohibited Business
- Minimum Capital Requirement for new Credit Unions
- Cash Reserves
- Time for Compliance with the capital requirements.

The League's assets grew by $1.65bn in 2009 and experienced an increase in the institutional capital of $171.80 million. The proposed transfer of $125.37 million will bring the institutional capital to asset ratio to 9.27% .Total Income of $1.881billion and total expenses of $1.633 billion resulted in a surplus of $248 million.

DISTRIBUTION OF SURPLUS

The League's surplus was distributed as follows

	$million
Capitalized Dividend on permanent shares 20%	14.51
Cash interest on voluntary shares	18.40

Jamaica Co-operative Credit Union League

(The National Association of Credit Unions) (Cont'd)

Honoraria	2.26
Emergency Fund	2.64
CODEFCO	1.32
Gifts and Charities	1.32
Milestone Events	1.32
Institutional Capital	125.37
Total	**167.14**

The League's maximum liability was moved to $12.00 billion.

RESOLUTION

The Annual General Meeting examined a resolution to amend Rule 9(1) pertaining to share capital and liability.

The meeting was seeking to increase to one million, eight hundred and twenty five thousand, and fifty dollars ($1,825,050) the minimum share holding in the League.

The amended rule now reads:

The share capital of the League shall be unlimited, divided into shares of the par value of one dollar($1.00) each; provided that every member society shall subscribe to at least one million eight hundred and twenty five thousand and fifty dollars ($1,825,050) such shares within such time as may be agreed with the board and provided that the League in general meeting may, as the business of the League requires from time to time, increase the minimum shares that a member society shall hold."

NEW BOARD MEMBERS

The following persons were duly elected for a three year term

Mr. George Murray	St Elizabeth CCU Ltd.
Mr. Patrick Haywood	First Regional CCU Ltd.
Rev. Dr. Paul Gardner	Manchester CCU Ltd.
Captain Clifton Lumsden	JDF CCU Ltd.
Mr. Wilburn Pottinger	Marine and Allied CCU Ltd.
Mr. Barrington Whyte	C&WJ CCU Ltd.
Snr. Supt. Wray Palmer	Jamaica Police CCU Ltd.

Persons elected for a one year term were as follows

Mr. Talbert Golding	Trelawny CCU Ltd.
Mr. Karl Salmon	Westmoreland CCU Ltd.

Executive Committee

The Executive for the year 2010-2011 is as follows:

Mr. Jonathon Brown	President
Mr. Derrick Tulloch	1st Vice President
Ms. Carol Anglin	2nd Vice President
Mr. Ian Mc Naughton	Treasurer
Ms. Fay Davis	Assistant Treasurer
Mr. Clinton Pickering	Secretary
Dr. Dorothy Raymond	Assistant Secretary

Supervisory Committee

The following persons were elected to serve on the Supervisory Committee

Ms. Jacqueline Peart	St. Thomas CCU Ltd.
Mr. Lewin Baxter	UWI (Mona) & Community CU Ltd.
Mrs. Joyce West- Johnson	CW&JCCU Ltd.
Mr. Isaac Gordon	Trelawny CCU Ltd.
Ms. Sonia Campbell	Churches CCU Ltd.

This committee was asked to serve for one year.

Out-going Directors

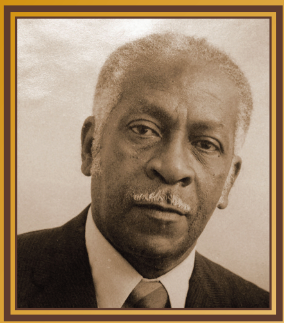
Those directors who demitted office were

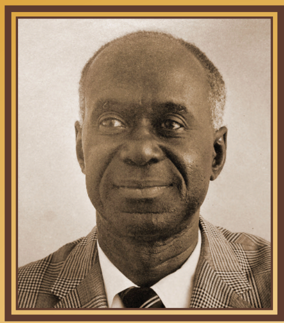
Mr. Christopher Samuda	Past President JCCUL
Anthony Young	Assistant Treasurer
Ms. Natalie Sparkes	Director
Mr. Derrick Logan	Director

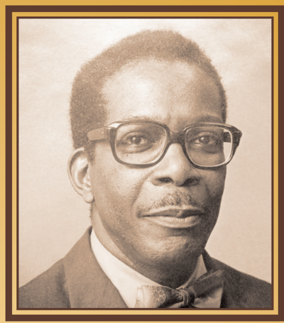
Michael Roofe

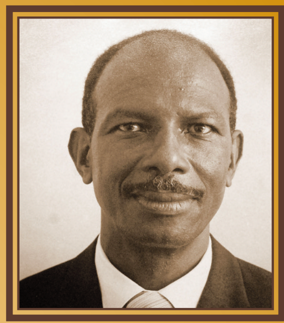
Mr. Michael Roofe

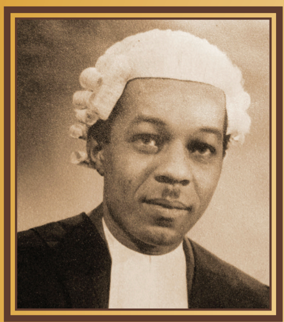
Past Presidents
Honouring Tradition

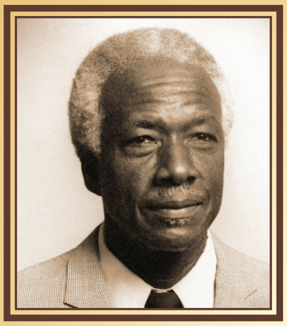

Mr. D.V SMITH
1946 - 1960

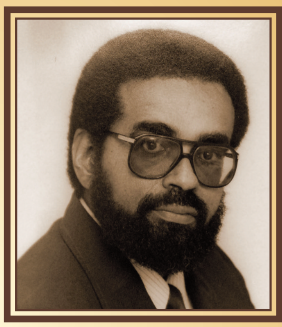

Mr. PAUL THOMPSON
1960 - 1962


Mr. K.K. WALTERS
1963 & 1967 - 1974

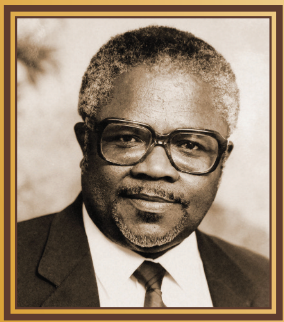

Mr. A.E. McLAREN
1964


Mr. C. A. McCALLA
1965 - 1966


Mr. RENNIE W. MASON
1975 - 1978


Mr. THOMAS O. RAMSAY
1980

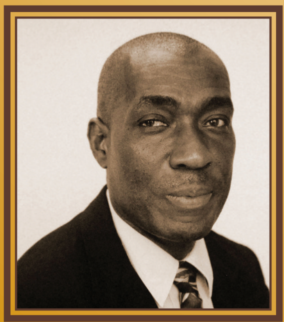

Mr. PATRICK S. JONES
1980 - 1981


Mr. SAMUEL E. STEWART, C.D. J.P.

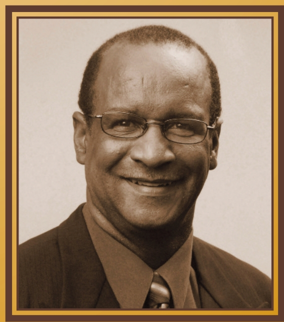

Mr. FRANKLIN F. RUDDOCK
1989 - 1991

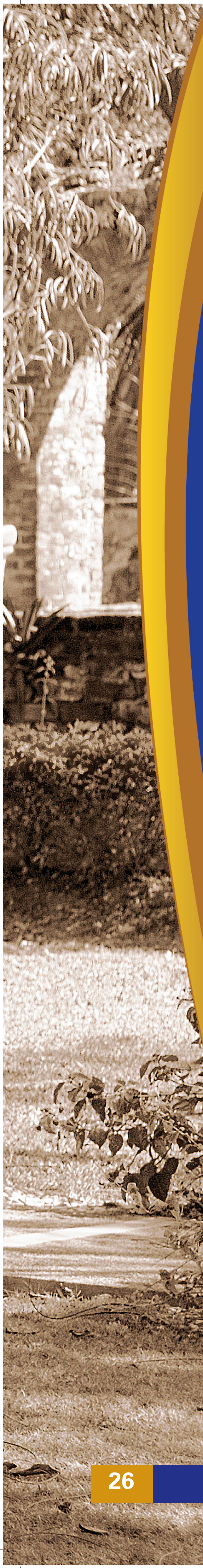

Mr. LINCOLN A. McINTOSH
1991 - 1993


Mr. CARL DOMVILLE
1993 - 1998


Mr. CLAUDE OAKLEY
1998 - 2000


Mr. CHRISTOPHER SAMUDA
2000 - 2006


Mr. CUTHBERT MILLER
2006 - 2008



Report of the

Observers to the 53rd Annual Convention and 39th Annual General Meeting of the Caribbean Confederation of Credit Unions

The Caribbean Confederation of Credit Unions (CCCU) was established on 17th August 1972 in Dominica; it serves as the apex trade and development organization for financial and non-financial cooperatives in the Caribbean. The CCCU is an affiliate of the World Council of Credit Unions (WOCCU) and represents the Caribbean Diaspora.

The 53rd Annual Convention and the 39TH Annual General Meeting convened at the Sonesta Maho Beach All Inclusive Resort in St. Maarten, Netherlands Antilles during the period June 26th – 29th, 2010 under the theme: 'Credit Unions...The Credible Alternative.' The four-day convention was attended by over 400 delegates representing Antigua and Barbuda, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Guyana, Jamaica, Montserrat, Netherland Antilles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, The Bahamas, and Trinidad and Tobago.

DAY 1

After registration, the activities started with the Opening Ceremony and the entry of the participating countries national flags and Heads of Delegation. The welcome address was made by CCCU President Ms. Yvonne Ridguard who thanked the delegates for showing up in their numbers to the annual event; she appealed to members to renew their passion for the continued growth and development of the organization despite the challenging times being faced Credit Unions.

The Acting Lieutenant-Governor Reynold Groenveldt, delivered the welcome on the behalf of the government and the people, Island Territory of St. Maarten. Other official greetings were delivered by:

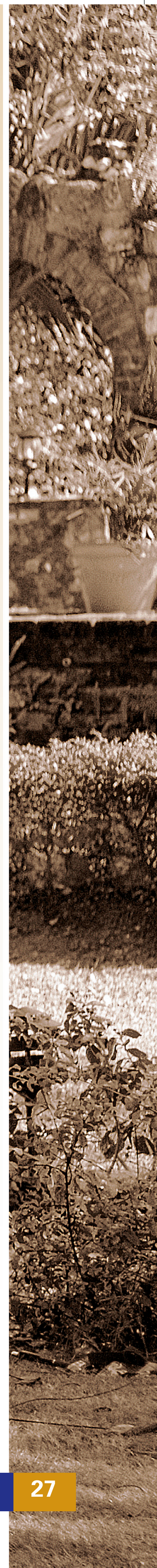
Mr. James Paul, Member of Parliament in the Barbadian Government; Pete Crear, President/CEO, WCCU; who spoke on the tragedies of Haiti and the need to implement a rebuilding fund; Mr. Tejeda Vera, Vice President, Regional Manager Latin America & The Caribbean CUNA Mutual Group; Mrs. Anne Cochrane, President/CEO Louisiana Credit Union League; Mr. Franklyn Bryson, Board Member, Christian Kingdom Co-operative Credit Union.

The business session commenced after lunch, with CCCU President Ms. Yvonne Ridguard, who expounded on the theme, 'Credit Unions...The Credible Alternative.' Reiterating that Credit Unions are different financial institutions and therefore governments should be made to understand they are unique organizations. She also noted that the various credit unions need to promote themselves as the financial institution of choice: "We have a responsibility in our respective credit union to promote the organization as the financial institution of choice and, let me stress that the credible union should also be seen as a credible alternative." she declared.

This was followed by a presentation from Sir K. Dwight Venner, Governor Eastern Caribbean Central Bank around the theme, "The New Regulatory Authorities: Relevance, Capacity and Results" he reiterated that regulations were necessary to safe-guard the investments of members and should never be seen as a shackle. He spoke to the tenets of the Credit Unions which includes common-sense and voluntarism. He said, "In order to protect the gains of the past, one needs to institute new arrangements, these includes:

- Strong balance sheets
- Public confidence in the institutions which holds the money
- Strong sense of responsibility
- Self-regulations - internal auditors and audited records

Ms. Maria Goodman Pincetich, IFC Advisory Services in Latin America and the Caribbean then presented on, "Regional Investment Climate". She highlighted the importance of Credit Bureau and the role of the International Financial Council (IFC) which was



Report of the Observers (Cont'd)

instrumental in the drafting of the Credit Bureau legislations in Jamaica and Guyana.

DAY 2

Day two began with a church service; where delegates were encouraged to give thanks and praises for the accomplishments and sense of camaraderie developed over the years.

The plenary session began with Mr. Dave Richards, Senior Manager (WOCCU), who gave the keynote presentation, on," The Caribbean Region: Transition from a developing to a developed Credit Union System". His focus was the integration of technical products and services designed to improve credit unions financial management and supervision.

The presentation on "Good Governance, Human and Regulatory Capital" was done by Dr. Valda Frederica Henry; and was well received by the audience.

This was followed by the Caribbean Confederation of Credit Unions (CCCU) Annual General Meeting. In this session the participants received the following reports:

- The Report from the President of CCCU
- The Report on the audited Financial Statements from the external auditors

DAY 3

The plenary sessions continued with a keynote presentation from Professor J A George Irish, on "Embracing a New Paradigm for the Eradication of Poverty"

This was followed by the Directors workshop which focused on "Internal Supervision, Risk Management and Compliance the Premium for Credibility"; "establishing an online presence" ; "improving members benefit through Credit union consolidation". This training reiterated the importance of 'Strategic Planning' to delivering quality cost effective service to the membership; which include shared services (back office), leveraging Information Technology for service delivery (front office), re-engineering processes, human capital management (training & succession planning) and shared branching.

DAY 4

On day 4 Director Workshop continued with lessons learnt from a Canadian point of view; which concluded that the main elements of a sustainable credit union are; Good governance, Succession planning /youth engagement, Diversity and inclusiveness, Environmental sustainability and Support from co-operative networks. This because, 'unity is strength', and 'speaking with united voice gets results'.

Directors were entreated to look at the present realities where: the Credit union membership is aging; regulatory pressure persists; margins grow thinner; recruiting quality volunteers is challenging; and credit union mergers continues. In order to survive and grow, Credit Unions need to engage the six (6) P's; Planning, people, performance, product, pricing and partnerships.

- Plan your road map to success
- Engage the right People; recognize the need to grow the young member population, Staff: you get what you pay for, Quality volunteers are the lifeblood of the movement, and your people should reflect your philosophy and diversity
- Performance requires an understanding of asset liability management, reviewed regularly and in sufficient detail, must be planned to succeed and should include contingency and disaster alternatives
- Products Choose products with members in mind, not just the bottom line, be mindful that the right products can effect demographic change and Choose vendors with care.
- Pricing be competitive, but not foolish, your pricing decisions can act as a control for growth and understanding when you need a "loss leader"
- Partnerships these include Shared ventures, third party vendors, key industry relationships and Mergers.

Overall the 53rd Annual Convention and the 39TH Annual General Meeting was a resounding success, the presentations were well received. It focused on the critical elements which will allow credit unions to compete more effectively given the financial climate. Delegates were encouraged to capitalize on the unique opportunity to expand their knowledge, techniques and approaches from expert from around the world on an exciting range of business issues.

Leitha Geddes, *Treasurer*

Report of the

Nominating Committee

Year Ended December 31, 2010

In accordance with Rule # 65 (1), a Nominating Committee was appointed consisting of

Dr. Leo-Paul Powell	-	Board Representative
Mrs. Albertha Estick	-	Member Representative
Mrs. Jacqueline Pingue-Smith	-	Staff Representative

The committee interviewed members who indicated an interest to serve as volunteers and after careful consideration, the committee recommended the following persons:

BOARD OF DIRECTORS

Retiring	Recommendation	Term
Leitha Geddes	Leitha Geddes	2 years
Wayne Jones	Mark Gonzales	2 years
Christopher Samuda	Christopher Samuda	2 years
Leodis Douglas	Leodis Douglas	2 years
Audrey Welds	Audrey Welds	1 year
O'Neil Grant	O'Neil Grant	2 years
Ian Scarlett	Oral Shaw	2 years

RESIGNATION

Mr. Vencot Wright resigned from the Board of Directors during the year due to work commitments. We thank him for his invaluable service to the Board and the Credit Union. In light of Mr. Wright's resignation before the end of his tenure, Mrs. Audrey Welds was appointed by the Board of Directors to fill the vacancy for the remainder of the Board year.

Messrs. Wayne Jones and Ian Scarlett will not be seeking re-election. We wish to place on record our appreciation for their invaluable service.

THE NEW NOMINEES

Mr. Oral Shaw is the Director, Corporate Services, at Petroleum Corporation of Jamaica. He is the holder of a MBA in International Business and Strategic Management. An accomplished professional with a wealth of expertise including Corporate/Strategic Planning, Strategic Management, Human Resource Management, Investment Management, Quality Control Systems and Stakeholder Relations. His extra curricular activities emphasize volunteerism, and as such, he has served in several non-governmental organizations (NGOs) including United Way of Jamaica and the Agency for Inner-City Renewal.

Mr. Mark Gonzales is a Director and General Manager of Mail Pac Services Limited. He is the holder of a MBA from the University of New Orleans and is currently pursuing his PhD in Organization Behaviour at the University of the West Indies, Mona. Mr. Gonzales was also a lecturer at the Northern Caribbean University and lectured in Ethics and Values in Business, and Organizational Behaviour. He has a wealth of experience in both the private and public sectors having worked at the Jamaica Customs Department in various capacities.

Mrs. Audrey Welds, Attorney-at-law, is a Tutor at the Norman Manley Law School. She was called to the bar in 1983 and holds an LL.B. Degree (First Class Honours) from the University of the West Indies and an LL.M. Degree from the University of London. Mrs. Welds has worked as a private practitioner and in-house counsel in both the private and public sectors, including stints at the National Export Import Bank of Jamaica Limited, Mutual Security Bank Limited and as a partner of the law firm DunnCox. She is a former Financial Services Commissioner and is a member of the Board of Governors of the Mona Preparatory School. Mrs. Welds also previously served on the Marketing and Education Committee of the Credit Union. She brings to the Board valuable legal expertise, particularly in matters relevant to the financial sector.

Report of the
Nominating Committee (Cont'd)

CREDIT COMMITTEE

Retiring	Recommendation	Term
Noel Francis	Noel Francis	2 years
Faylene Foster	Faylene Foster	2 years
Rev. Doreen Wynter	Rev. Doreen Wynter	2 years

Retiring	Recommendation	Term
David Forbes	Kivette Silvera	1 year
Karen Cummings	Karen Cummings	1 year
Carla Harris-Roper	Carla Harris-Roper	1 year
Asre Stewart	Asre Stewart	1 year
Dwight Sibblies	Dwight Sibblies	1 year

SUPERVISORY COMMITTEE

RETIREMENT

We thank Mr. David Forbes for his invaluable service having served in the capacity of Chairman of the Supervisory Committee for several years.

THE NEW NOMINEES

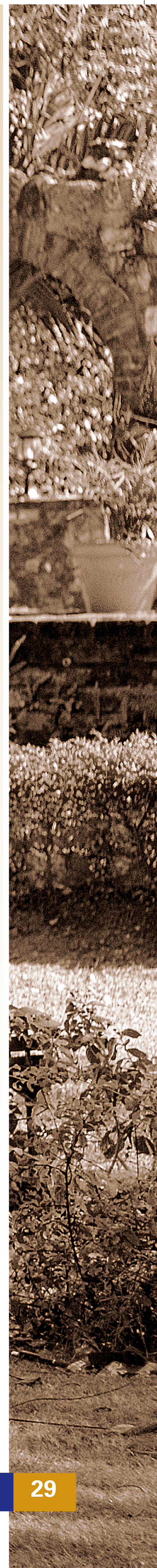
Ms. Kivette Silvera is currently a Senior Accountant at PricewaterhouseCoopers and is a Certified Chartered Accountant. She is highly motivated and is recognised as a result-oriented and solution-focused individual. She brings to the Committee critical analytical and time management skills.

The Nominating Committee wishes to acknowledge those members who volunteered their services to the Credit Union over the past year(s) and expresses its profound appreciation.

Dr. Leo-Paul Powell
Chairman

Mrs. Albertha Estick
Member Representative

Mrs. Jacqueline Pingue-Smith
Staff Representative



Treasurer's Report

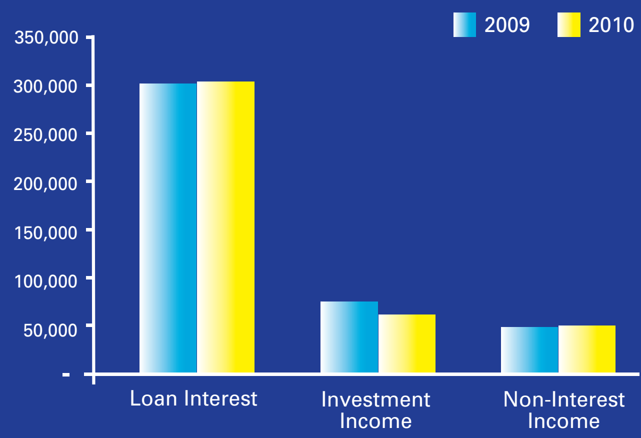
To the Members for the Financial Year Ended December 31, 2010

Against the background of the successful implementation of Jamaica Debt Exchange (JDX), GSB has been afforded the opportunity to renew the relationship with its valued members. We have to refresh old acquaintances that have been waning due to competing demands on our time and get back to the core principles that brought members together and gave birth to this noble institution. It is the cooperative spirit with GSB playing the role of the middleman or a one-stop financial conglomerate, to receive the savings of those members who have funds that are not for immediate consumption, for a reasonable return to them in the future. These funds will then form the basis of the financial resources to provide financial services to members, in the form of loans and guarantees, at a reasonable cost repayable to GSB in the future.

In addition, the expansion of our bond has created the impetus to forge new relationships with members that are to be recruited from the professional associations.

Given the significant change in the financial landscape coupled with the adverse economic plight of the majority of our members that negatively impacted GSB, the credit union achieved a fairly good financial performance for the year. The credit union realized net income before honoraria of $25.897M for the year ended December 31, 2010. This depicts a decrease of $20.107M when compared to the net income reported for the similar period last year. This financial performance of GSB has to be examined within the context of the adverse environmental factors that confronted the credit union during the period. Some of these were low disposable income of its public sector members who had not received a wage increase for several years, lowering of margins due to downward trend in interest rates and declining loan demand. Therefore, when the financial performance is compared with that of the budgeted net income of $21M, our credit union has performed really well. For a more detailed overview we will examine the following components that greatly influenced the financial performance:

Comparative Income Categories
(J$'000)



INTEREST INCOME

Interest income earned from the operating activities was relatively flat and reflected a marginal decline of 4.1% when compared to the previous period. The Credit Union realized $365.864M which represents a decrease of $15.467M as against $381.331M which was reported for the corresponding period in 2009. The breakdown of interest income gives a more detailed picture.

Interest income derived from loans to members grew by 0.8% to $307.032M and interest income derived from cash resources and investment securities recorded a decrease of 23.3% to $58.832M.

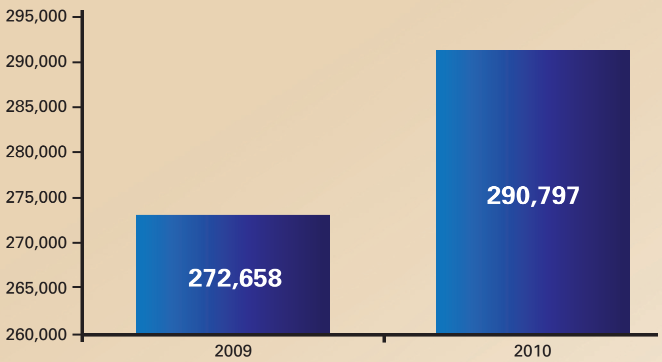
NET INTEREST INCOME

Interest expense which is a major component of this line item fell significantly by $33.606M or 30.9% to $75.067M. When compared to the 4.1% decrease in gross interest income, net interest income increased by 6.6% to $290.797M up from $272.658M in 2009. Net interest income which is equal to the gross interest income minus gross interest expense continues to be a significant contributor to the bottom line.

Treasurer's Report (Cont'd)

To the Members for the Financial Year Ended December 31, 2010

Net Interest Income
(J$'000)



LOAN LOSS PROVISION

The provision for loan impairment was $18.435M for 2010 as against $18.362M in 2009. Management has been severely challenged to maintain the delinquency rate within the benchmark standard of 5%. Nonetheless, we have implemented strategies that will help greatly to contain the level of delinquency during a period of recession in the Jamaican economy. Total allowance for impairment of loans at year end was $59.078M compared to $44.385M at the previous year end. The Net delinquency to total loan ratio is 5.94% which falls above the Jamaica Co-operative Credit Union League standard of equal to or less than 5% of the total portfolio. The difficult economic situation that some of our members are experiencing has not left the Credit Union unscathed. During the period under review, the Credit Union had to increase provision for bad and doubtful debt or loans impairment by 33%.

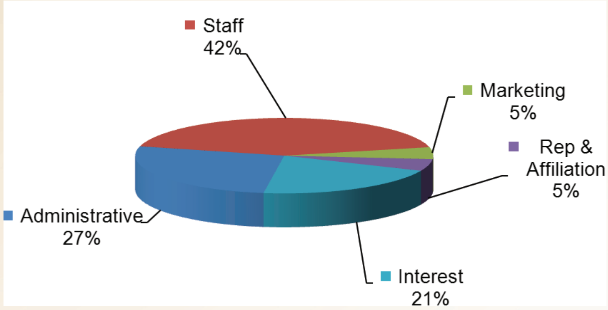
NON-INTEREST INCOME

Non- interest income which is defined as all income other than loan income and investment income is comprised of dividend income, rental income, net fee income and other income. Non – interest income made a contribution of $42.088M to the 2010 bottom line, which represents a marginal increase from $41.056M in 2009. The category Net fee income generated $30.640M for the financial year ended December 31, 20092010 up from $27.813M for the corresponding period last year. This reflects a 10% increase in fees to defray the high operating costs of providing quality services to our valued members.

OPERATING EXPENSES

The Credit Union's operating expenses grew by 15.72% for the financial year ended December 31, 2010 moving from $249.348M to $288.554M. We can largely attribute this increase in operating expenses to staff costs, higher depreciation charge as a result of acquiring new equipment and software to replace old or obsolete items and increases in utilities costs; such as telephone, electricity, water and security services. Our commitment to cost containment through our efforts to improve operational efficiency resulted in a reduction in the percentage increase in operational expenses when compared to the previous year.

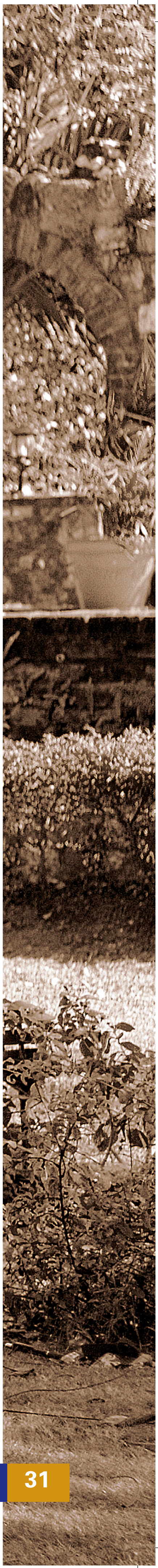
Expense Categories



ASSETS

GSB's total assets increased year over year by $218.795M or 9.4% to $2.55bn as at December 31, 2010. This growth has been predominantly driven by increases in loan portfolio and property plant and equipment of 8.2% and 41.1% respectively, over last year. The graph below indicates a relatively steady growth in the Credit Union's total assets over the last ten years.

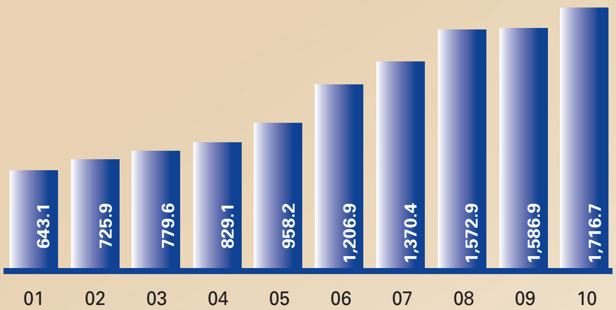
The bar chart that depicts total loans is showing percentage increases that range between 15% to 25% for years 2000 to 2006 then declines to 14% for years 2007 to 2008. However, the percent increase in the loan portfolio for 2010 was 8.2%, which better that of 1% in 2009. It is clear that the difficult economic times being experienced has significantly reduced demand for viable loans. Nonetheless, the performance for 2010 was greatly improved due to focus and concentrated strategic action.



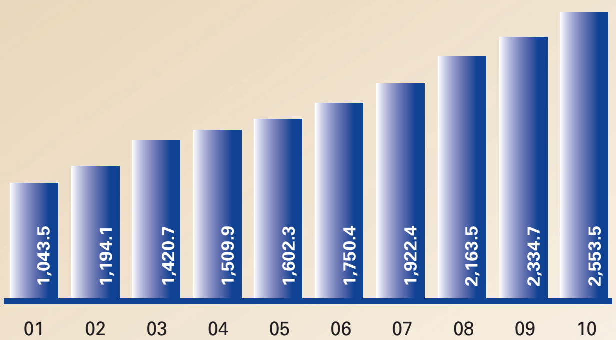
Treasurer's Report (Cont'd)

To the Members for the Financial Year Ended December 31, 2010

Total Loans
(J$'Millions)
(Net of Allowances for impairment)



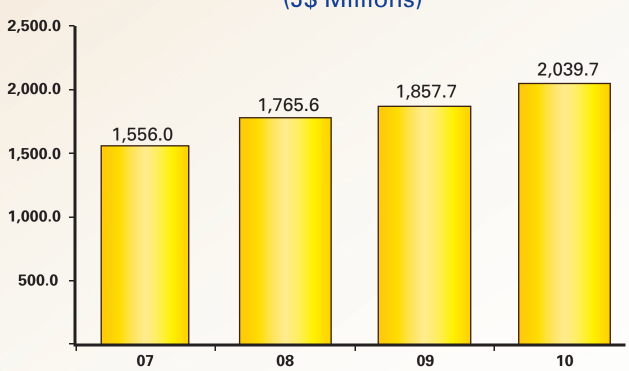
Total Assets
(J$'Millions)



LIABILITIES

Members' deposits grew by 9.8% or $182.077M from $1.857B the previous year end to $2.039B for this year end. Savings deposits represent 79.88% of total liabilities at December 31, 2010 as against 79.57% at December 31, 2009.

Members' Deposits
(J$'Millions)



EQUITY

Total Equity grew by $34.404M or 8.3% as at December 31, 2010. Undistributed surplus the details of which can be perused in the Statement of Changes in Equity reflected a decrease of $32.293M over December 31, 2009. This comprises the statutory reserves, entrance fees, other reserves and undistributed surplus that are retained within the Credit Union. These items provide a vital source of funds for the purchase of computer equipment and software and other items of fixed assets. The alternative would result in borrowing from financial institutions.

PEARLS PRUDENTIAL RATIO

The Credit Union maintained its high level of performance with respect to the standards set by the J.C.C.U.L, as shown in the upcoming table. Of the fourteen ratios, shortfall occurred in three categories, namely the total delinquency to total loan portfolio, total operating expenses to average assets and net income to average assets. Delinquency to total loan portfolio for the year was above the standard 5% at 5.94%, operating expenses to average assets ended the year at 11.81% which missed the required standard of less than or equal to 8%, while net income to average assets ended at 1.06% against the recommended 2.3% or above. It is proposed that $12M be set aside from the 2010 surplus to increase the institutional capital reserve. This will carry the net capital position to 15.7% of total assets.

PERMANENT SHARES

Permanent shares are now a feature of the Credit Union financial statements. This requires members to subscribe to a minimum permanent shares value of $2,500 and processing fee of $100 in order to qualify for membership.

Based on this adoption, permanent shares are the only amounts that are now classified as share capital in accordance with IFRS and cannot be withdrawn by the members at their discretion. In addition, dividends in respect of these shares are generally proposed by the Board of Directors and

Treasurer's Report (Cont'd)

To the Members for the Financial Year Ended December 31, 2010

ANALYSIS OF PERFORMANCE MEASURED BY SELECTED P.E.A.R.L.S. RATIOS AS AT 31/12/2010

	Standard	12/31/10	12/31/2009	Rating
PROTECTION				
Allow. for Loan Loss/Delinquency>12 months	100%	100%	100%	Code 1
Allow. for Loan Loss/Delinquency 6 - 12 months	60%	60%	60%	Code 1
Allow. for Loan Loss/Delinquency 3 - 6 months	30%	30%	30%	Code 1
Allow. for Loan Loss/Delinquency 2 - 3 months	10%	10%	10%	Code 1
EFFECTIVE FINANCIAL STRUCTURE				
Net Loans/Total Assets	60% - 80%	67.23%	67.97%	Code 1
Net Capital/Total Assets	> or = 8%	14.67%	12.58%	Code 1
ASSET QUALITY				
Total Delinquency/Total Portfolio	< or = 5%	5.94%	5.94%	Code 2
Non-Earning Assets/Total Assets	< or = 7%	4.87%	3.63%	Code 1
RATES OF RETURN & COSTS				
Financial Cost of Deposits/Average Deposits	Market rate*	3.77%	5.89%	Code 1
Operating Expenses/Average Assets	< or = 8%	11.81%	11.09%	Code 3
Net Income/Average Assets	> or = 2.3%	1.06%	2.04%	Code 2
LIQUIDITY				
Total Liquidity-ST Paybls./Total Member Savings	20%-30%	20.16%	23.74%	Code 1
SIGNS OF GROWTH (Annual Growth Rate)				
Total Assets	Inflation rate^	9.37%	7.91%	Code 1
Membership	>or = 5%	9.14%	7.44%	Code 1

approved by the members at the Annual General Meeting

SHARE CAPITAL

As at December 31, 2010 the credit union had 19,804 members and the value of permanent shares as at December 31, 2010 was $48.923M.

For members to avail themselves of loan borrowing and other benefits they must hold voluntary shares in the credit union which are deemed liabilities.

DIVIDEND POLICY

Given the performance of the Credit Union and the need to strengthen the capital base, the Board of Directors is recommending a dividend payment of $4.892M. This represents 10% of the value of permanent shareholdings of the 19,804 qualified members as at December 31, 2010. Also, we are recommending that the remaining portion be included in prudential reserves in order to provide for unforeseen eventualities

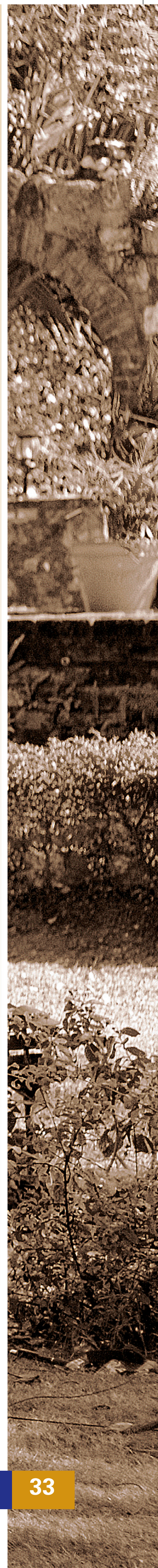
APPRECIATION

As we review the past year we are undaunted by the challenges that we will confront, which are brought about by the global recession that is negatively impacting the Jamaican economy. This has created a very difficult environment to navigate. However, we are buoyed by the confidence which you continue to repose in this democratically elected Body and to this extent we solemnly pledge to you our continued commitment to our core strengths, focus and sound fundamentals such as careful management of risks and expenses and a total commitment to member satisfaction by our team of skilled and dedicated team members.

I wish to express my sincere appreciation to the Assistant Treasurer, Ian Scarlett who ably assisted me, the Board of Directors, the Management and staff and in particular the Finance Team members who through unswerving commitment to the process of timely and accurate reporting made these financial statements possible. Also, I must say thanks to our Auditors Deloitte and Touché and last but by no means least the membership, for the abiding expression of faith in GSB Cooperative Credit Union Limited.

Respecting GSB's tradition and retooling for you, for me, for a better future.

Michael Parker
Treasurer



Proposed Distribution of Surplus

Year Ended December 31, 2010

	Proposed 2010 $000	Actual 2009 $'000
UNDISTRIBUTED SURPLUS BEFORE APPROPRIATION	**25,897**	**46,004**
DIVIDEND	**4,892**	**3,600**
HONORARIA		
Treasurer	22	20
Assistant Treasurer	17	15
Secretary	22	20
Assistant Secretary	11	10
	72	**65**
DONATION & OUTREACH		
Bellevue Hospital	60	55
Children's Treat	120	105
Basic School	100	90
Other	150	130
	430	**380**
SCHOLARSHIPS / FINANCIAL REWARDS		
Scholarship	2,000	500
Grant	220	200
	2,220	**700**
INCREASE IN INSTITUTIONAL CAPITAL	**17,179**	**24,000**
SHARE TRANSFER FUND	**-**	**10,000**
TOTAL DISTRIBUTION	**24,793**	**38,745**
UNDISTRIBUTED SURPLUS	**1,104**	**7,259**
	25,897	**46,004**

Transforming Your Life™

Financial Statements

Year Ended December 31, 2010

DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES
MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE (MIIC)

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

2 MUSGRAVE AVENUE
KINGSTON 10

TEL: 927-4912/927-6572
or 978-1946
Fax: 927-5832
dcfs@cwjamaica.com

S1
R33/-128/03/11

March 30, 2011

The Secretary
G.S.B. Co-operative Credit Union Limited
10 East Avenue
Kingston Gardens
KINGSTON 4

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2010.

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

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

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

Yours sincerely,

……………………………

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

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Deloitte.

Deloitte & Touche
Chartered Accountants
7 West Avenue
Kingston Gardens
P.O. Box 13, Kingston 4
Jamaica, W.I.

Tel: (876) 922 6825-7
Fax: (876) 922 7673
http://www.deloitte.com/jm

42B & 42C Union Street
Montego Bay
Jamaica, W.I.

Tel: (876) 952 4713-4
Fax: (876) 979 0246

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INDEPENDENT AUDITORS' REPORT

To the Registrar of Co-operative Societies

RE: GSB CO-OPERATIVE CREDIT UNION LIMITED

(A Society registered under the Co-operative Societies Act, Cap. 75)

Report on the financial statements

We have audited the financial statements of GSB Co-operative Credit Union Limited (the Society), set out on pages 2 to 61 which comprise the statement of financial position as at December 31, 2010, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act, Cap. 75. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Carey O. Metz, Audley L. Gordon, Anura Jayatillake, Winston G. Robinson, Fagan E. Calvert, Gihan C. deMel

Consultants: T. Sydney Fernando, Donald S. Reynolds.

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Page 1.2

Report on the financial statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at December 31, 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Co-operatives Societies Act, Cap. 75

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica
March 25, 2011

Statement of Financial Position

as at December 31, 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Earning assets			
Cash resources	5	258,200	225,305
Loans to members (net of allowance for impairment)	6	1,716,717	1,586,894
Investment securities	7	173,537	207,601
Securities purchased under resale agreements	8	205,026	169,896
Investment property	9	4,500	4,000
Retirement benefit asset	10	41,349	32,873
Other assets	11	29,864	23,245
Non-earning assets			
Cash resources	5	8,057	4,936
Other assets	11	10,167	7,840
Property, plant and equipment	12	91,833	65,124
Intangible assets	13	14,206	6,945
Total assets		2,553,456	2,334,659
LIABILITIES			
Interest bearing			
Members' deposits	14	2,039,741	1,857,664
Other borrowed funds	15	16,521	17,647
Non-interest bearing			
Other liabilities	16	41,584	37,005
Provisions	17	7,014	8,151
Total liabilities		2,104,860	1,920,467
CAPITAL			
Share capital	18	48,923	35,676
Institutional capital			
Statutory reserves	19	176,893	171,714
Other reserves	20	148,800	121,967
Non-institutional capital			
Loan loss reserves	21	-	-
Retirement benefit reserve	22	41,349	32,873
Fair value reserves	23	1,633	(413)
Share transfer fund	24	10,000	-
Other reserves	20	2,696	1,780
Undistributed surplus		18,302	50,595
Total equity		448,596	414,192
Total liabilities and equity		2,553,456	2,334,659

The Notes on Pages 6 to 61 form an integral part of the Financial Statements.

The Financial Statements on Pages 2 to 61 were approved and authorized for issue by the Board of Directors on March 25, 2011 and are signed on its behalf by:

President – Michael Roofe

Treasurer – Michael Parker

Statement of Comprehensive Income

Year ended December 31, 2010

	Notes	2010 $'000	2009 $'000
INTEREST INCOME			
Loans to members		307,032	304,669
Cash resources and investment securities		58,832	76,662
		365,864	381,331
INTEREST EXPENSE			
Members' deposits and savings		73,421	106,621
Borrowed funds		1,646	2,052
		75,067	108,673
Net interest income		290,797	272,658
Charge - provision for loan impairment	6(a)(iii)	(18,435)	(18,362)
Net interest income after provision for loan impairment		272,362	254,296
NON-INTEREST INCOME			
Rental income		5,177	4,799
Fee income	25	30,640	25,877
Other income	26	6,271	10,380
		42,088	41,056
Gross income		314,450	295,352
OPERATING EXPENSES			
Staff costs	27	154,216	140,112
Depreciation and amortisation		13,574	8,941
Other expenses	28	120,763	100,295
		288,553	249,348
NET INCOME BEFORE HONORARIA		25,897	46,004
Honoraria payment		(65)	(65)
NET INCOME AFTER HONORARIA	29	25,832	45,939
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Net gain (loss) on revaluation of available-for-sale financial assets	23	1,633	(1,141)
Reclassification adjustments relating to available-for-sale financial assets disposed of in the year	23	413	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,878	44,798

The Notes on Pages 6 to 61 form an integral part of the Financial Statements.

Statement of Changes in Members Equity
Year ended December 31, 2010

			Institutional Capital		Non-Institutional Capital						
	Notes	Share Capital $'000	Statutory Reserves $'000	Other Reserves $'000	Loan Loss Reserves $'000	Retirement Benefit Reserves $'000	Fair Value Reserves $'000	Share Transfer Fund $'000	Other Reserves $'000	Undistributed Surplus $'000	Total $'000
Balance at January 1, 2009		-	162,292	128,735	2,244	31,181	728	-	4,330	11,515	341,025
Net income (after honoraria) for the year		-	-	-	-	-	-	-	-	45,939	45,939
Other comprehensive income for the year	23	-	-	-	-	-	(1,141)	-	-	-	(1,141)
Total comprehensive income for the year		-	-	-	-	-	(1,141)	-	-	45,939	44,798
Shares issued	18	28,908	-	-	-	-	-	-	-	-	28,908
Entrance fees	19	-	141	-	-	-	-	-	-	-	141
Transfers from other reserves	20	-	-	-	-	-	-	-	(2,550)	2,550	-
Transfer to statutory reserves	19	-	9,281	-	-	-	-	-	-	(9,281)	-
Transfer from other reserves	18,20	6,768	-	(6,768)	-	-	-	-	-	-	-
Transfer from loan loss reserve	21	-	-	-	(2,244)	-	-	-	-	2,244	-
Transfer to retirement benefit reserve	22	-	-	-	-	1,692	-	-	-	(1,692)	-
Appropriations	30	-	-	-	-	-	-	-	-	(680)	(680)
Balance at December 31, 2009		35,676	171,714	121,967	-	32,873	(413)	-	1,780	50,595	414,192
Net income (after honoraria) for the year		-	-	-	-	-	-	-	-	25,832	25,832
Other comprehensive income for the year	23	-	-	-	-	-	2,046	-	-	-	2,046
Total comprehensive income for the year		-	-	-	-	-	2,046	-	-	25,832	27,878
Shares issued	18	11,083	-	-	-	-	-	-	-	-	11,083
Entrance fees	19	-	-	-	-	-	-	-	-	-	-
Transfers to other reserves	20	-	-	28,997	-	-	-	-	916	(29,913)	-
Transfer to permanent shares	18,20	2,164	-	(2,164)	-	-	-	-	-	-	-
Transfer to statutory reserves	19	-	5,179	-	-	-	-	-	-	(5,179)	-
Transfer from loan loss reserve	21	-	-	-	-	-	-	-	-	-	-
Transfer to retirement benefit reserve	22	-	-	-	-	8,476	-	-	-	(8,476)	-
Transfer to share transfer fund reserves	24	-	-	-	-	-	-	10,000	-	(10,000)	-
Appropriations	30	-	-	-	-	-	-	-	-	(4,557)	(4,557)
Balance at December 31, 2010		48,923	176,893	148,800	-	41,349	1,633	10,000	2,696	18,302	448,596

The Notes on Pages 6 to 61 form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended December 31, 2010

	Notes	2010 $'000	2009 $'000
Net income		25,832	45,939
Adjustments to reconcile income to cash flow provided by operating activities and changes in operating assets/liabilities	31	49,688	108,510
NET CASH PROVIDED BY OPERATING ACTIVITIES		75,520	154,449
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		582	1,357
Proceeds on disposal of property, plant and equipment		6	18
Purchase of property, plant and equipment		(35,587)	(10,811)
Purchase of available-for-sale securities		(22,903)	(340,000)
Proceeds on disposal of available-for-sale securities		35,642	298,941
Securities purchased under resale agreements		(1,049,267)	(769,102)
Proceeds on disposal of securities purchased under resale agreements		1,014,137	657,716
Purchase of FVTPL investment		(15,830)	-
Proceeds on disposal of FVTPL investment		8,901	-
Purchase of loans and receivables investment securities		(274,490)	(158,120)
Proceeds on disposal of loans and receivables investment securities		262,909	180,434
Purchase of intangible assets		(11,969)	(7,526)
Net cash used in investing activities		(87,869)	(147,093)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loans		(1,126)	(2,611)
Members' share capital		11,084	-
Entrance fees		-	141
Donations		(474)	(233)
Scholarships		(450)	(447)
Dividend paid		(3,633)	-
Net cash provided by (used in) financing activities		5,401	(3,150)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(6,948)	4,206
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		100,665	96,274
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		(37)	185
CASH AND CASH EQUIVALENTS AT END OF YEAR	33	93,680	100,665

The Notes on Pages 6 to 61 form an integral part of the Financial Statements.

Notes to the Financial Statements
Year ended December 31, 2010

1 IDENTIFICATION

The GSB Co-operative Credit Union Limited (the Society) is registered as a credit union in Jamaica under the Co-operative Societies Act. The Society's registered office is located at 10 East Avenue, Kingston 4, Jamaica and operates from two locations in Kingston and a sub-branch in Clarendon. Membership of the Society is limited to employees of Central Government, the Society, Government companies and their relatives.

Its main business activities are to:

(a) promote thrift,
(b) provide loans to members,
(c) receive savings from members.

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

The Society is regulated by the Jamaica Co-operative Credit Union League.

These financial statements are expressed in Jamaican dollars.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) ***Standards and Disclosures affecting amounts reported in the current period (and/or prior periods)***

There were no standards or interpretations that were applied in the year that affected the presentation and disclosures or the reporting results in these financial statements.

(b) ***Standards and Interpretations applied with no effect on financial statements***

Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRS other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRS require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.
Amendments to IAS 1 *Presentation of Financial Statements* (as part of *Improvements to IFRS* issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRS issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
IAS 17 (Revised), Leases	Amendments resulting from April 1, 2009 annual Improvements to IFRS issued (effective for annual periods beginning on or after January 1, 2010) reflected the deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

Notes to the Financial Statements
Year ended December 31, 2010

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

(b) ***Standards and Interpretations applied with no effect on financial statements (Cont'd)***

IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements*

The adoption of IAS 27 (2008) results in changes in accounting for changes in ownership interests in subsidiaries.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

IAS 28 (revised in 2008) *Investments in Associates*

The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

IAS 36 (Revised), Impairment of Assets

Amendments resulting from April 1, 2009 annual Improvements to IFRS (effective for annual periods beginning on or after January 1, 2010) clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments (i.e. before the aggregation of segments with similar economic characteristics permitted by IFRS 8.12).

IAS 38 (Revised), Intangible Assets

Amendments resulting from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009). Consequential amendments arising from IFRS 3 (2008) to clarify the requirements under IFRS 3 (2008) regarding accounting for intangible assets acquired in a business combination.

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*

The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IFRS 2

IFRS 2 (Revised) Share-based payment: Amendments resulting from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009) to confirm that, in addition to business combinations as defined by IFRS 3 (2008) Business Combinations, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2 Share-based Payment.

Notes to the Financial Statements
Year ended December 31, 2010

2 **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

(b) ***Standards and Interpretations applied with no effect on financial statements (Cont'd)***

IFRS 3 (Revised), Business Combinations	The revised standard provides a comprehensive revision on applying the acquisition method.
IAS 31 (Revised) Interest in Joint Ventures	IAS 31 was consequentially amended arising from amendments to IFRS 3.
Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of *Improvements to IFRS* issued in 2008)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Society is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Society will retain a non-controlling interest in the subsidiary after the sale.
IFRS 8	*IFRS 8 (Revised), Operating Segments:* Amendments resulting from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after January 1, 2010) reflected minor textual amendment to the Standard, and amendment to the Basis for Conclusions, to clarify that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker.
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IFRIC 9 (Revised), Reassessment of Embedded Derivatives	Amendments arising from April 2009 Annual Improvements to IFRS (effective for annual periods beginning on or after July 1, 2009) to confirm that, in addition to business combinations as defined by IFRS 3 (2008), derivatives acquired in the formation of a joint venture and in common control transactions are outside the scope of IFRIC 9.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	Amendments effective July 1, 2009, to clarify that hedging instruments may be held by any entity or entities within the group. This includes a foreign operation that itself is being hedged.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Notes to the Financial Statements
Year ended December 31, 2010

2 **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

(c) ***Standards and interpretations in issue not yet effective***

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the financial period being reported on:

		Effective for annual periods beginning on or after
New Standards		
IFRS 9	Financial Instruments - Classification and Measurement	January 1, 2013
Revised Standards		
IAS 1, 34 and IFRS 7	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 24 (Revised)	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 27 and IFRS 3 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2010
IAS 32 (Revised)	Financial Instruments: - Amendment relating to classification of rights issue	February 1, 2010
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	July 1, 2011
IFRS 9 (as amended in 2010)	Financial Instruments	January 1, 2013
Amendments to IAS 32	Classification of Rights Issues	February 1, 2010
New and Revised Interpretations		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
IFRIC 13 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	January 1, 2011

The Board of Directors and management have assessed the impact of all the new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Society:

New and Revised Standards and Interpretations in issue not yet effective that are relevant

- Amendment specifically to *IAS 1 and IFRS 7* resulting from the May 2010 Annual Improvements to IFRS is not expected to have any significant impact on the Society's financial statements on adoption at their respective effective dates.

- *IAS 24 (Revised 2009) Related Party Disclosures* – Amendment to IAS 24 allows for a partial exemption from the disclosures requirements for transactions between a government – controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have a significant impact on the Society's financial statements.

Notes to the Financial Statements
Year ended December 31, 2010

2 **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)**

New and Revised Standards and Interpretations in issue not yet effective that are relevant (Cont'd)

- The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

  The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Society's disclosures regarding transfers of trade receivables previously effected. However, if the Society enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- *IFRS 9 – Financial Instruments: Classification and Measurement* – IFRS 9 introduces new requirements for classifying and measuring financial assets. On adoption at its effective date, the standard requires that all financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are to be subsequently measured at amortised cost or fair value. Specifically, debt investments held within a business model principally to collect the contractual principal and interest cash flows are generally measured at amortised cost while all other debt and equity investments are measured at their fair values at the end of subsequent accounting periods.

3 **SIGNIFICANT ACCOUNTING POLICIES**

Statement of Compliance

The Society's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the relevant requirements of the Co-operative Societies Act, Cap. 75.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties, fair value through profit or loss financial assets and available-for-sale financial assets.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies applied in the preparation of these financial statements are set out below:

Financial instruments

Financial assets and financial liabilities are recognized when the Society becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'fair value through profit or loss' (FVTPL), 'loans and receivables', and 'available-for-sale' (AFS) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instrument other than those assets classified as FVTPL.

(a) Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Society manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Society's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are initially recognized at fair value and subsequently re-measured at fair value based on quoted prices with any gain or loss arising on re-measurement recognized in profit or loss. Gains or loss arising from changes in fair value are recognized in income. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the statement of comprehensive income.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

(a) Financial assets at FVTPL (Cont'd)

The Society's portfolio of FVTPL investments comprises quoted equities.

(b) Loans and receivables

Loans, and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans to members, various debt securities, securities purchased under resale agreements, and other assets) are measured at amortised cost using the effective interest method less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The specific accounting policies adopted in respect of each are detailed below.

Debt securities
These are initially measured at fair value, which is the cash given to originate the debt plus transaction costs, and subsequently re-measured at amortised cost using the effective interest rate method less any impairment. Interest income is recognised by applying the effective interest rate.

Securities purchased under resale agreements
Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised lending transactions.The difference between the purchase and resale price is treated as interest income and is accrued over the life of the resale agreements using the effective yield method.

Other assets
These are measured at initial recognition at their fair values. Interest is not charged on outstanding balances as they are expected to be settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.

(c) AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loan and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

Securities held by the Society that are traded in an active market are classified as AFS. They are initially recognized at fair value, plus transaction costs, and subsequently re-measured at fair value based on quoted bid prices or amounts determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The Society also has investments in unlisted shares that are not traded on an active market but that are also classified as AFS financial assets and are stated at cost less provision for impairment (because the directors consider that fair value cannot be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

(c) AFS financial assets (Cont'd)

Dividends on AFS equity instruments are recognised in profit or loss when the Society's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

The Society's portfolio of AFS securities comprises unquoted equities and debt securities.

(d) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For unquoted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as loan receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Society's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average payment period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on loan receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans to members and other receivables, where the carrying amount is reduced through the use of an allowance account. When a loan to a member or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously provided for reduce the amount of the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

(d) Impairment of financial assets (Cont'd)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised through income are not reversed through income. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Loans to members net of allowance for impairment
Loans are recognized when cash is advanced to members. They are initially recorded at cost, which is the cash given to originate the loan including any origination fees and transaction costs, and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest is recognized by applying the effective interest rate.

A loan is classified as non-performing when, in management's opinion there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Loan repayments outstanding for over 30 days are considered past due. Loans are classified as non-current if they are non-performing in excess of 90 days. In accordance with regulations, when a loan is classified as non-current, recognition of interest in accordance with the terms of the original loan agreement ceases, and interest is taken into account when received. IFRS require that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

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

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

Statutory and other regulatory loan loss reserve requirements that exceed the provisions above are reflected in a non-distributable loan loss reserve as an appropriation of undistributed surplus.

Write offs are made when all or part of a loan is deemed uncollectible, and are charged against previously established provisions for impairment. Recoveries in part or in full, of amounts previously written off are credited to impairment expense in the statement of comprehensive income.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial assets (Cont'd)

(d) Impairment of financial assets (Cont'd)

Derecognition of financial assets
The Society derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Society neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Society recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Society retains substantially all the risks and rewards of ownership of a transferred financial asset, the Society continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity instruments issued by the Society

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Society's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Society's own equity instruments.

Financial liabilities

Financial liabilities of the Society are classified as other financial liabilities.

Other financial liabilities that include borrowings and accounts payable are initially measured at fair values net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for the debt instruments.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial instruments (Cont'd)

Financial liabilities and equity instruments issued by the Society (Cont'd)

Derecognition of financial liabilities

The Society derecognizes financial liability when, and only when, the Society's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss for the period.

Derivative financial instruments

These are initially recognized at fair value at the date the derivative contract is entered into and are subsequently re-measured to the fair value at the end of each reporting period. The resulting gain or loss is recognized in income immediately.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instruments is more than twelve months and is not expected to be realized or settled within twelve months. Other derivatives are presented as current assets or current liabilities.

Investment properties

Investment properties, which are properties held to earn rental and/or for capital appreciation, are measured initially at its costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values. The fair value is determined annually by an independent registered valuator or the directors. Any gains or losses arising from changes in the fair values of investment properties are included in income in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Employee benefits

Pension obligations
The Society participates in a multi-employer defined benefits plan administered by Jamaica Co-operative Credit Union League (JCCUL) on behalf of its employees. The plan is funded by contributions from the employees and the Society. The employees contribute at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%). The Society contributes at an initial rate of 8% of pensionable salaries, but may be required to make additional contributions in order to address any shortfall in funds to settle future pension obligations determined by an independent actuary.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of the reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Society's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Employee benefits (Cont'd)

Pension obligations (Cont'd)
The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Termination obligations
Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Society recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to present value.

Leave entitlements
Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period.

Property, plant and equipment

Property, plant and equipment, held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent depreciation and subsequent accumulated impairment losses.

Land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than land) less their residual values over the estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Property in the course of construction for supply or administrative purposes, or for purposes not yet determined, is carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Society's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Repairs and renewals are charged to profit or loss when the expenditure is incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of each reporting period, the Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Society estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognised when the Society has a present obligation (legal or constructive) as a result of a past event, it is probable that the Society will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Provisions (Cont'd)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Institutional capital

Institutional capital includes the statutory reserve fund and other such reserves established from time to time which, in the opinion of the Directors, are necessary to support the operations of the Society and thereby, protect the interest of the members. These reserves are not available for distribution.

(a) *Statutory*

The Co-operative Societies Act and Regulation, as amended in 1977, requires the Society to set aside at least twenty per cent (20%) of its net surplus of income over expenditure to reserve each year. Up to 2009, members' entrance fees were credited to these reserves.

(b) *Other*

Transfers to other reserves are made on the basis of decisions taken at the Annual General Meetings of members.

Non-institutional capital

(a) *Loan loss reserve*

This represents the excess of the Society's internally assessed provision for loan impairment, over that which is required under IFRS. This is an appropriation from undistributed surplus.

(b) *Retirement benefit*

This reserve was created to match the value of the retirement benefit asset of the Society. Transfers are made of the unrealized amounts in respect of the recognized retirement benefit asset to a non-distributable reserve.

(c) *Fair value reserve*

This represents accumulated gains or losses arising from changes in the fair value of available-for-sale financial assets.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Related party identification

A party is related to the Society if:
(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with the Society (this includes parent, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the entity that gives it significant influence over the Society; or
  (iii) has joint control over the Society;
(b) the party is an associate of the Society;
(c) the party is a joint venture in which the Society is a venturer;
(d) the party is a member of the key management personnel of the Society or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Society, or of any entity that is a related party of the Society.

Related party transactions are recorded at the normal terms set by the Society.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business. Revenue is reduced for consumption taxes as applicable.

<u>Interest income</u>
Interest revenue is recognized when it is probable that the economic benefits will flow to the Society and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

<u>Dividend revenue</u>
Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Society and the amount of revenue can be measured reliably).

<u>Rental income</u>
The Society's policy for recognition of revenue from operating lease is described under "Leasing" below.

<u>Fee and commission income</u>
Fee and commission income is generally recognized on an accrual basis when the service has been provided. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognized as an adjustment to the effective interest rate on the loan.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Notes to the Financial Statements
Year ended December 31, 2010

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Borrowing costs (Cont'd)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Society operates (its functional currency).

In preparing the financial statements of the Society, transactions in currencies other than the Society's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair values that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Society as a lessee
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals, if any, arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Society as a lessor
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease terms.

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Society's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

Year ended December 31, 2010

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**

Critical judgements in applying accounting policies

The directors and management believe there were no judgements that had a significant effect on the amounts recognized in the financial statements or could cause material adjustments to the carrying amounts of assets and liabilities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Fair value of financial assets
The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

The financial assets of the Society at the end of the reporting period stated at fair value determined in this manner amounted to $115.07 million (2009: $123.95 million). (See Note 7).

Employee benefit – pension obligation
As disclosed in Note 10, the Society participates in a multi-employer defined benefit pension plan. The amount shown in the statement of financial position of an asset of approximately $41.349 million in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and the inflation rate.

The estimated return on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Society, on advice of actuaries, estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered.

Judgement is also exercised in determining the proportionate share of the defined benefit obligation, plan assets and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions for each individual employer in the plan.

Notes to the Financial Statements
Year ended December 31, 2010

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Impairment losses on loans and advances

The Society reviews its loan portfolio to assess impairment on a monthly basis. A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. Past experience and judgement are used in estimating the timing of the expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience. To the extent that the expected future cash flows differs by +/- 1 percent during the period of expected realisation, the resulting provision for impairment would be estimated $0.342 million lower or $0.342 million greater.

5 CASH RESOURCES

Cash resources comprise the following:

	2010 $'000	2009 $'000
Earning assets		
Cash and bank balances (Note 5(a))	3,191	(8,301)
Cash reserves (Note 5(b))	172,577	129,576
JCCUL term deposits (Note 5(c))	82,432	104,030
	258,200	225,305
Non-earning assets		
Cash in hand	8,057	4,936
Total	266,257	230,241

(a) These include funds held in a foreign currency bank account amounting to approximately US$9,859 (2009: approximately US$20,311) at an interest rate of 0.6% (2009: 1.3%) per annum.

(b) Cash reserves include the following:

(i) JCCUL Mortgage fund deposits totalling $57.64 million (2009: $53.57 million) held which form security for loans received by the Society from JCCUL for on-lending to members (Note 15(a)). These deposits are not available for investment or other use and bear interest at 7% per annum (2009: 9%).

(ii) JCCUL CuCash and CuPremium deposits totalling $114.94 million (2009: $76.01 million) are held partially to satisfy the requirements that balances held for liquidity reserves be at least 10% of members' deposits. Interest rates range between 4.95% and 7.75% per annum (2009: 7.45% and 11.3% per annum).

(c) These deposits have an original maturity of three months or less from the date of acquisition with interest rate(s) of 6.55% (2009: 12.3% to 14.3%) per annum. As at December 31, 2010, interest receivable included in these deposits amounted to approximately $0.142 million (2009: $1.135 million).

Notes to the Financial Statements
Year ended December 31, 2010

6 **LOANS TO MEMBERS NET OF ALLOWANCE FOR IMPAIRMENT**

	2010 $'000	2009 $'000
Loans to members	1,760,337	1,617,651
Allowance for impairment	(59,123)	(44,946)
	1,701,214	1,572,705
Interest receivable	15,503	14,189
Total	1,716,717	1,586,894

(a) The movement in loans during the year is as follows:

		2010 $'000	2009 $'000
(i)	Balance, January 1	1,572,705	1,556,099
	Add: Disbursements and adjustments	1,123,310	828,263
		2,696,015	2,384,362
	Less: Repayments and transfers	935,678	766,711
		1,760,337	1,617,651
	Less: Allowance for impairment	59,123	44,946
		1,701,214	1,572,705
	Add: Interest receivable	15,503	14,189
	Balance, December 31	1,716,717	1,586,894

(ii) The analysis of loans to members by type of security is as follows:

	2010 $'000	2009 $'000
Loans secured by savings deposits and insurance policies	163,102	278,255
Loans secured by shares	427,677	405,425
Loans secured by real estate property	319,776	292,604
Loans secured by motor vehicles	544,123	488,670
Loans secured by co-makers and character	299	335
Loans secured by miscellaneous securities	47,206	20,706
Unsecured loans	258,154	131,656
	1,760,337	1,617,651

Notes to the Financial Statements
Year ended December 31, 2010

6 **LOANS TO MEMBERS NET OF ALLOWANCE FOR IMPAIRMENT (Cont'd)**

(a) (Cont'd)

(ii) (Cont'd)

Before approving a loan to a member the Society uses a credit scoring system to assess the potential member's credit quality and defines limits by members. The credit scoring system used incorporates objective criteria of credit analyses that can be quantified and uses several (weighted) variables. There is a set minimum score that must be achieved from key sections, and an overall benchmark score to assess members' eligibility. 100% (2009: 97%) of the loans to members that are neither past due nor impaired have the best credit scoring (classified in top two of three categories) attributable under the internal credit scoring system used by the Society. There is no member whose balance represents more than 5% of the total balance of loans to members.

(iii) Allowance for impairment determined under the requirements of IFRS

Included in the Society's loans to members balance are debtors with a carrying amount of $26.280 million (2009: $58.395 million) which are past due at the reporting date for which the Society has not provided as there has not been a significant change in the customers' credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	2010 $'000	2009 $'000
30 – 59 days	21,368	42,178
60 – 90 days	4,912	16,217
	26,280	58,395

Movement in the allowance for impairment

	2010 $'000	2009 $'000
Balance, January 1	44,946	26,584
Write off during the year	(4,258)	-
Charged to revenue during the year	18,435	18,362
Balance, December 31	59,123	44,946

Ageing of impaired loans to members

	2010 $'000	2009 $'000
91 – 180 days	4,973	4,105
181 – 360 days	1,596	3,741
Over 360 days	51,063	35,637
	57,632	43,483
General provision	1,491	1,463
Total impaired loans	59,123	44,946

Notes to the Financial Statements
Year ended December 31, 2010

6 **LOANS TO MEMBERS NET OF ALLOWANCE FOR IMPAIRMENT (Cont'd)**

(a) (Cont'd)

(iv) The allowance for impairment determined under JCCUL regulatory requirements is as follows:

	2010 $'000	2009 $'000
Statutory provision		
Balance, January 1	44,385	28,828
Charge during the year	14,351	15,557
Balance, December 31	58,736	44,385
Shown in financial statements as		
IFRS provision as above (Note 6 (a) (iii))	59,123	44,946
Loan loss reserve (Note 21)	-	-
	59,123	44,946
Charge to revenue under IFRS	18,435	18,362
Difference in charge to revenue during the year per statutory requirements	(4,084)	(561)
Additional (Write-back of) appropriation for purposes included in equity	-	(2,244)
	14,351	15,557

No transfer was made to the loan loss reserve during the year as the IFRS provision was greater than the statutory provision.

(b) Delinquent loans for statutory purposes

At December 31, 2010 there were 375 delinquent loans, based on statutory requirements, aged 60 days and over summarised as follows:

2010					
No. of Days in Arrears	No. of Accounts in Arrears	Interest Receivable $'000	Delinquent Loans $'000	Savings Held Against Loans $'000	Portion of Loans Not Covered by Savings $'000
0-30	-	-	4,270	-	4,270(*)
60-90	24	231	4,912	1,340	3,572
91-180	26	1,065	25,530	1,530	24,000
181-360	10	372	4,997	8	4,989
360 and over	315	18,356	44,527	62	44,465
	375	20,024	84,236	2,940	81,296

Notes to the Financial Statements
Year ended December 31, 2010

6 **LOANS TO MEMBERS NET OF ALLOWANCE FOR IMPAIRMENT (Cont'd)**

(b) Delinquent loans for statutory purposes (Cont'd)

2010				
No. of Days in Arrears	No. of Accounts in Arrears	Delinquent Loans $'000	Provision Rate %	Statutory Loan Loss Provision $'000
0-30	-	4,270	-	3,061(*)
60-90	24	4,912	10	491
91-180	26	25,530	30	7,659
181-360	10	4,997	60	2,998
360 and over	315	44,527	100	44,527
	375	84,236		58,736

At December 31, 2009 there were 464 delinquent loans, based on statutory requirements, aged 60 days and over summarised as follows:

2009					
No. of Days in Arrears	No. of Accounts in Arrears	Interest Receivable $'000	Delinquent Loans $'000	Savings Held Against Loans $'000	Portion of Loans Not Covered by Savings $'000
0-30	-	-	2,800	-	2,800(*)
60-90	77	375	13,423	7,340	6,083
91-180	43	493	8,444	2,883	5,561
181-360	17	994	8,600	886	7,714
360 and over	327	13,458	34,510	334	34,176
	464	15,320	67,777	11,443	53,534

2009				
No. of Days in Arrears	No. of Accounts in Arrears	Delinquent Loans $'000	Provision Rate %	Statutory Loan Loss Provision $'000
0-30	-	2,800	-	2,800(*)
60-90	77	13,423	10	1,342
91-180	43	8,444	30	573
181-360	17	8,600	60	5,160
360 and over	327	34,510	100	34,510
	464	67,777		44,385

(*) Represents renegotiated loans during the year.

Notes to the Financial Statements
Year ended December 31, 2010

6 **LOANS TO MEMBERS NET OF ALLOWANCE FOR IMPAIRMENT (Cont'd)**

(c) The aggregate amount of non-performing loans on which interest was not being accrued amounted to $75.05 million as at December 31, 2010 (2009: $54.35 million). Unrecognised interest related to such loans amounted to $19.79 million (2009: $13.17 million) as security held, if any, was not sufficient to cover outstanding balances. Uncollected interest accrued on impaired loans amounted to $12.68 million (2009: $8.428 million).

(d) Unsecured loans

Under the proposed Bank of Jamaica Regulations, the Society's unsecured loan portfolio should not exceed 10% of gross loans.

At December 31, 2010, the gross carrying value of unsecured loan portfolio stood at 14.14% of gross loans (2009: 8.05%).

Notes to the Financial Statements
Year ended December 31, 2010

7 INVESTMENT SECURITIES

Investment securities consist of the following:

	2010 $'000	2009 $'000
Fair value through income:		
- US$100,000 PPN (2009: US$99,070) (Note 7(a))	-	8,818
- Quoted equities (Note 7(b))	17,173	1,203
	17,173	10,021
Loans and receivables – At amortized cost:		
- US$ Fixed deposits US$228,963 (2009: US$99,319) (Note 7(c))	19,739	8,918
- Fixed deposits (Note 7(d))	-	42,241
	19,739	51,159
Available-for-sale securities – At fair value:		
Government of Jamaica securities (Note 7(e))		
- Fixed rate debenture maturing 2011 at an interest rate of 14% per annum	-	15,170
- Fixed rate debenture maturing 2010 at an interest rate of 25% per annum	-	11,151
- Variable rate bonds maturing 2010 at an interest rate of 18.21%	-	10,594
- Variable rate bonds maturing 2011 at an interest rate of 17.89% per annum	-	15,051
- Variable rate bonds maturing 2012 at an interest rate of 25.95% (2009: 14.83%) per annum	-	11,138
- Variable rate bonds maturing 2014 at an interest rate of 21.08% per annum	-	10,439
- Variable rate bonds maturing 2010 at an interest rate of 21.5% per annum	-	10,130
- Variable rate bonds maturing 2010 at an interest rate of 20.21% per annum	-	10,194
- Variable rate bonds maturing 2010 at an interest rate of 18.02% per annum	-	20,079
- Variable rate Bank of Jamaica Certificate bonds maturing 2011/2012 at an interest rate of 17.515% per annum	-	10,003
- GOJ FR 12.25% BMI Notes 2013	17,283	-
- GOJ FR 12.25% BMI Notes 2013	10,433	-
- GOJ FR 12.25% BMI Notes 2013	15,649	-
- GOJ FR 12.25% BMI Notes 2013	10,433	-
- GOJ FR 12.50% BMI Notes 2014	10,442	-
- GOJ FR 12.50% BMI Notes 2014	10,442	-
- GOJ VR BMI Notes 2015	10,097	-
- GOJ VR BMI Notes 2015	20,195	-
- GOJ VR BMI Notes 2018	10,096	-
	115,070	123,949
Available-for-sale securities – At cost:		
Unquoted equities (Note 7(f))	21,555	22,472
	136,625	146,421
Total	173,537	207,601

Notes to the Financial Statements
Year ended December 31, 2010

7 **INVESTMENT SECURITIES (Cont'd)**

(a) This US denominated note of which 100% of the principal was guaranteed by Deutsche Bank AG, an international bank, matured during the year. The return on this investment was linked to a 75% participation in the positive price performance of an equally weighted basket of international indices.

(b) This comprises investments in equities listed on the Jamaica Stock Exchange.

(c) This deposit matures within three months after year end, with interest rates of 3.75% to 4.15% (2009: 5.75% to 6.25%). As at December 31, 2010, the interest receivable included in this deposit amounted to approximately $0.164 million (2009: $0.077 million).

(d) These deposits, with interest rates of 7% to 9.25% (2009: 14.75% to 15.1%) per annum matured during the year. As at December 31, 2009 the interest receivable included in these deposits amounted to $1.092 million

(e) The Society participated in the Jamaica Debt Exchange (JDX) programme which was effective February 24, 2010. The stated objective of the programme was to reduce the cost, as well as lengthen the maturity profile, of GOJ's domestic debt portfolio. Under the JDX, GOJ retired certain existing debt instruments ("Old Notes") and issued new debt instruments ("New Notes") with an extended maturity profile and at rates of interest lower than the rates of interest on the existing debt instruments.

The Society's portfolio of Old Notes was replaced with a portfolio of New Notes (Benchmark Notes) on a "par for par" basis such that the principal amounts received at maturity provided by the Old Notes are equal to the corresponding amounts received from the New Notes.

(f) Unquoted Equities

	2010 $'000	2009 $'000
JCCUL 7(f)(i))	13,340	13,037
Quality Network Cooperative Limited (QNET)(7(f)(ii))	6,012	6,012
Credit Union Fund Management Company (7(f)(iii))	9,000	9,000
	28,352	28,049
Less: Provision for impairment (QNET) (7(f)(ii))	(6,012)	(5,577)
Provision for impairment (Credit Union Fund Management Company) (7(f)(ii))	(785)	-
	21,555	22,472

(i) These represent shares in the League and are used to retain membership status.

(ii) This represents the total allotment of 5.5% of shares in the above company that was established to supply the information technology needs of the members of the JCCUL. Based on the reduction of the net capital of QNET, the Board of Directors considered it prudent to reduce the carrying value of this investment.

(iii) The Society has been allotted capital in Credit Union Fund Management Company totalling $9,000,000. Based on the reduction of the net capital of the Fund, the Board of Directors considered it prudent to reduce the carrying value of its investment by $0.788 million.

These are recorded at cost less provision for impairment, if any, as there is no active market in these shares and management is otherwise unable to determine the fair value of these investments.

Notes to the Financial Statements
Year ended December 31, 2010

8 SECURITIES PURCHASED UNDER RESALE AGREEMENTS

The Society entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counter party to the transaction is unable to fulfil its contractual obligations.

Deposits at the following institutions are backed by:

	2010	2009
	$'000	$'000
Investment Debentures (Note 8(a)):		
- Jamaica Money Market Brokers Limited	67,003	61,346
Bank of Jamaica Special Deposit (Note 8(b)):		
- NCB Capital Markets Ltd.	8,027	8,294
- First Global Financial Services Limited	28,563	-
- Proven Investments Ltd. (Formerly Guardian Asset Management Ltd.)	24,392	72,654
- Barita Investments Ltd.	77,041	27,602
	138,023	108,550
	205,026	169,896

(a) This deposit matures within three months after year-end, with interest at rates of 13.25% and 15% (2009: 13.25% and 15%) per annum. As at December 31, 2010, interest receivable included in these deposits amounted to approximately $0.822 million (2009: $1.329 million).

(b) These deposits mature within one to six months of year end, with interest at rates between 6.95% to 9.35% (2009: 11.3% and 18%) per annum. At December 31, 2010, interest receivable included in these deposits amounted to approximately $1.394 million (2009: $1.953 million).

9 INVESTMENT PROPERTY

The movement in investment properties is as follows:

	2010	2009
	$'000	$'000
Balance at the beginning of the year	4,000	2,500
Gain arising on revaluation (Note 26)	500	1,500
Balance at end of the year	4,500	4,000

The Society's investment property is held under freehold interest.

The fair value of the Society's investment property at December 31, 2010 and December 31, 2009 was arrived at on the basis of a valuation dated February 22, 2011 and October 19, 2009 respectively, by Allison, Pitter & Co., independent professionally qualified surveyors not connected with the Society. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. In the opinion of the Board of Directors, which was guided by the opinion of the valuators, the carrying value of the property as at December 31, 2010 would not have been significantly different from the valuation dated February 22, 2011.

The title for the investment property is registered in the name of a credit union which was taken over by the Society.

Notes to the Financial Statements
Year ended December 31, 2010

9 INVESTMENT PROPERTY (Cont'd)

Property rental income earned by the Society from its investment property under an operating lease, during the year amounted to $Nil million (2009: $0.06 million). Direct operating expenses incurred during the period in respect of this investment property amounted to $7,500 (2009: $600).

10 RETIREMENT BENEFIT ASSET

The Society participates in a multi-employer defined benefit pension plan. The plan is funded by contributions from employees and employer. Pension benefits are determined on a prescribed basis and are payable at a rate of 1⅔% of the employee's average earnings over the three years prior to retirement times the employee's number of year's membership in the plan.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out as at December 31, 2010 by Eckler Consulting Actuaries (Fellows of the Institute of Actuaries). The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

(a) The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2010 %	2009 %
Gross discount rate	11.0	16.0
Expected return on plan assets	10.0	11.0
Expected rate of salary increases	8.0	13.5
Future pension increase	5.25	7.5

No automatic increase was projected by the actuaries as the Rules of the Pension Plan do not provide for it.

(b) The amount included in the statement of financial position arising from the Society's obligation in respect of the defined retirement plan is as follows:

	2010 $'000	2009 $'000
Present value of obligation	(48,372)	(38,368)
Fair value of plan assets	73,152	68,129
	24,780	29,761
Unrecognized actuarial loss	16,569	7,542
Unrecognized asset due to the limitation per IAS 19	-	(4,430)
Net asset in statement of financial position	41,349	32,873

(c) Amounts recognized in income in respect of the defined benefit plan are as follows:

	2010 $'000	2009 $'000
Current service cost	1,299	359
Interest costs	6,757	2,657
Expected return on plan assets	(7,121)	(5,142)
Net actuarial loss recognized in the year	26	-
Unrealized asset due to the limitation per IAS 19	(4,430)	4,430
Total included in employee benefit expense	(3,469)	2,304
Actual return on plan assets	(1,132)	19,013

Notes to the Financial Statements
Year ended December 31, 2010

10 **RETIREMENT BENEFIT ASSET (Cont'd)**

(d) Movements in the present value of the plan assets in the current period were as follows:

	2010 $'000	2009 $'000
Balance, January 1	32,873	31,181
Amounts credited (charged) to income	3,469	(2,304)
Contributions by employer	5,007	3,996
Balance, December 31	41,349	32,873

(e) Changes in the present value of the defined benefit obligation in the current period were as follows:

	2010 $'000	2009 $'000
Opening defined benefit obligation	38,368	14,572
Service cost	1,299	359
Interest cost	6,757	2,657
Members' contributions	3,982	2,588
Benefits paid	(2,835)	(1,838)
Actuarial gain	801	20,030
Closing defined benefit obligation	48,372	38,368

(f) Changes in the fair value of plan assets are as follows:

	2010 $'000	2009 $'000
Opening fair value of plan assets	68,129	44,369
Employer's contribution	5,007	3,996
Members' contributions	3,982	2,588
Expected return on plan assets	7,121	5,142
Benefits and expenses paid	(2,835)	(1,838)
Actuarial (loss) gain on plan assets	(8,252)	13,872
Closing fair value of plan assets	73,152	68,129

(g) The major categories of plan assets, and the expected rate of return at the end of the reporting period for each category is as follows:

	Fair value of plan asset	
	2010 %	2009 %
Equity instruments	3.3	4.0
Government bonds	33.7	49.7
Repurchase Agreements	28.3	22.3
US$ Bonds	3.7	2.5
Real Estate & real estate fund	10.5	15.2
Other	20.5	6.3
	100.0	100.0

Notes to the Financial Statements
Year ended December 31, 2010

10 **RETIREMENT BENEFIT ASSET (Cont'd)**

(g) (Cont'd)

The expected rate of return on the plan assets was 10% at December 31, 2010 (2009: 10%).

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The Board of Directors' assessment of the expected return is based on historical return trends and analysts' prediction of the market for the asset over the life of the related obligation.

(h) The history of experience adjustments is as follows:

	Defined Benefit Pension Plan				
	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(48,372)	(38,368)	(14,572)	(23,753)	(24,178)
Fair value of plan assets	73,152	68,129	44,369	50,434	42,774
Fund Surplus	24,780	29,761	29,797	26,681	18,596
Experience adjustments on plan liabilities	801	20,030	(13,251)	(4,760)	8,636
Experience adjustments on plan assets	(8,252)	13,872	(15,236)	71	3,292

The Society expects to make a contribution of $4.9 million (2009: $4.2 million) to the defined benefit plan during the next financial year.

The plan assets do not include any of the Society's own financial instruments, nor any property occupied by or other assets used by the Society.

11 **OTHER ASSETS**

Other assets consist of the following:

	2010	2009
	$'000	$'000
Earning assets		
CUETS – Settlement deposits (Note 11(a))	2,398	2,268
P2P Settlement account (Note 11(b))	27,466	20,977
	29,864	23,245
Non-earning assets		
Accounts receivable and prepayments	7,586	6,011
Withholding tax recoverable	1,830	985
Other	751	844
	10,167	7,840
	40,031	31,085

(a) This represents funds held at JCCUL as security for Automatic Teller Machine settlements at an interest rate of 4.95% (2009: 7.45%) per annum.

(b) These funds held at the JCCUL represents funds reimbursed to the Society's account after payments were made in advance for remittance services. These are at an interest rate of 4.95% (2009: 7.45%) per annum

Notes to the Financial Statements
Year ended December 31, 2010

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Furniture $'000	Fixtures & Office Equipment $'000	Computer Equipment $'000	Motor Vehicle $'000	Property under Construction $'000	Total $'000
At cost								
January 1, 2009	7,510	40,161	6,149	24,855	27,534	1,987	-	108,196
Additions	-	1,706	517	1,049	7,539	-	-	10,811
Disposal	-	-	-	(18)	-	-	-	(18)
December 31, 2009	7,510	41,867	6,666	25,886	35,073	1,987		118,989
Additions	-	-	581	3,147	3,233	-	28,626	35,587
Disposal	-	-	(100)	-	-	-	-	(100)
Adjustments	-	-	-	-	(26)	-	-	(26)
December 31, 2010	7,510	41,867	7,147	29,033	38,280	1,987	28,626	154,450
Depreciation								
January 1, 2009	-	4,641	4,693	12,334	22,674	1,251	-	45,593
Charge for year	-	1,031	613	2,387	3,845	399	-	8,275
Disposal	-	-	-	(3)	-	-	-	(3)
December 31, 2009	-	5,672	5,306	14,718	26,519	1,650	-	53,865
Charge for year	-	1,047	473	2,509	4,500	337	-	8,866
Disposal	-	-	(100)	-	-	-	-	(100)
Adjustments	-	-	-	-	(14)	-	-	(14)
December 31, 2010	-	6,719	5,679	17,227	31,005	1,987	-	62,617
Carrying Amount								
December 31, 2010	7,510	35,148	1,468	11,806	7,275	-	28,626	91,833
December 31, 2009	7,510	36,195	1,360	11,168	8,554	337	-	65,124

Notes to the Financial Statements
Year ended December 31, 2010

12 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The following useful lives are used for the depreciation of property, plant and equipment:

Freehold buildings	-	40 years
Furniture	-	5 years
Fixtures and equipment	-	10 years
Computer equipment	-	3 years
Motor vehicle	-	5 years

13 INTANGIBLE ASSETS

	Computer Software $'000
Cost	
At January 1, 2009	2,457
Additions	7,526
At December 31, 2009	9,983
Additions	11,969
At December 31, 2010	21,952
Amortisation	
At January 1, 2009	2,372
Charge for year	666
At December 31, 2009	3,038
Charge for the year	4,708
At December 31, 2010	7,746
Carrying Amount	
At December 31, 2010	14,206
At December 31, 2009	6,945

These relate to computer software costs which are being amortised over three years.

14 MEMBERS' DEPOSITS

The movement of members' deposits is as follows:

	2010 $'000	2009 $'000
Balance at beginning of year	1,849,263	1,758,940
Add: Savings and interest	2,346,336	1,652,427
	4,195,599	3,411,367
Less: Withdrawals and transfers	2,164,201	1,562,104
	2,031,398	1,849,263
Add: Interest payable	8,343	8,401
Balance at end of year	2,039,741	1,857,664

Notes to the Financial Statements

Year ended December 31, 2010

15 OTHER BORROWED FUNDS

Other borrowed funds consist of the following:

	2010 $'000	2009 $'000
Mortgage loans (Note 15(a))	16,521	17,647
Classified as:		
Current	400	422
Non-current	16,121	17,225
	16,521	17,647

(a) The loans were received from JCCUL for on-lending to its members. The loans bear interest at rates ranging between 8.5% to 12.5% (2009: 8.5% to 12.5%) per annum. They are repayable over a period of twenty to twenty-five years and are secured by mortgage fund deposits held with JCCUL (Note 5).

16 OTHER LIABILITIES

Other liabilities consist of the following:

	2010 $'000	2009 $'000
Members' standing orders	11,639	10,025
Due to deceased members' estates	5,772	8,037
Withholding tax on deposits	2,755	9,788
Accruals	4,652	2,524
Unclaimed deposits	1,615	1,615
Disqualified members	4,444	-
Other payables	10,707	5,016
	41,584	37,005

17 PROVISIONS

	2010 $'000	2009 $'000
Employee benefits	4,152	4,751
Legal costs	2,862	3,400
	7,014	8,151

	2010		
	Legal Costs Note 17(a) $'000	Employee Benefits Note 17(b) $'000	Total $'000
Balance, January 1	3,400	4,751	8,151
Utilised	(538)	(7,433)	(7,971)
Charged to income for year	-	6,834	6,834
Balance, December 31	2,862	4,152	7,014

Notes to the Financial Statements
Year ended December 31, 2010

17 **PROVISIONS (Cont'd)**

	2009		
	Legal Costs Note 17(a)	Employee Benefits Note 17(b)	Total
	$'000	$'000	$'000
Balance, January 1	700	3,475	4,175
Utilised	(242)	(3,471)	(3,713)
Charged to income for year	2,942	4,747	7,689
Balance, December 31	3,400	4,751	8,151

(a) This provision is in respect of legal claims as well as associated legal costs.

(b) The provision for employees' benefits represents annual leave entitlements accrued.

18 **SHARE CAPITAL**

Under the proposed Bank of Jamaica Credit Union regulations and International Financial Reporting Standards (IFRS), Voluntary (Ordinary) Shares in the Society can no longer be regarded as Share Capital but are now treated as Savings Deposits. The Society has, therefore, established Permanent Shares in order to strengthen its capital base. All new applicants for membership and existing members of the Society are required to subscribe a minimum of $2,500 in value of Permanent Shares. The special meeting to approve the change was held on September 2, 2009 and members were given six months to comply or lose their membership.

On September 2, 2009, the members in a special general meeting adopted a resolution for membership in the Society to be restricted to existing members who elected to subscribe to a minimum permanent shares value of $2,000 and the Society would match this amount by $500. Therefore, this requirement sets the minimum permanent shares value at $2,500 for membership in the Society.

In addition, the resolution that was carried by the members, gave the existing members six (6) months to provide their minimum contribution of $2,000, which the Society would match with an additional $500 from its non-institutional reserves. Members who join the Society after September 2, 2009 will be required to subscribe for permanent shares in the amount of $2,500.

Based on this adoption, permanent shares are the only amounts that are now classified as share capital in accordance with the provisions of IFRIC 2: Members' Shares in Co-operative Entities and Similar Instruments, and cannot be withdrawn by the members at their discretion. In addition, dividends in respect of these shares are generally proposed by the Board of Directors and approved by the members at the annual general meeting.

As at December 31, 2010, the Society had 19,557 (2009: 14,271) members who met or exceeded the qualifying requirement of $2,500. The value of permanent shares as at December 31, 2010 was $48,922,500 (2009: $35,676,485).

	2010	2009
	$'000	$'000
Balance at beginning of year	35,676	-
Permanent Shares issued comprising:		
Members' subscription	11,083	28,908
The Society's matching contribution (Note 20 (a))	2,164	6,768
Balance at end of year	48,923	35,676

For members to avail themselves of loan borrowing and other benefits they must hold voluntary shares in the credit union which are deemed liabilities.

19 STATUTORY RESERVES

The movement in statutory reserves is as follows:

	2010 $'000	2009 $'000
Balance, January 1	171,714	162,292
Entrance fees	-	141
Transfer from undistributed surplus	5,179	9,281
Balance, December 31	176,893	171,714

The balance represents amounts set aside from surplus up to December 31, 2010 (in accordance with Section 35 of the Co-operative Societies Act) and members' entrance fees received to date. Up to financial year ended December 31, 1977, the Society had set aside twelve and one-half percent (12½%) of its net surplus of income over expenditure. However, subsequent to 1977 the Society has set aside twenty percent (20%) of its net surplus (Note 3). This reserve is not distributable by way of dividends. Since the introduction of permanent shares in 2009, the Society no longer charges entrance fees to its members.

20 OTHER RESERVES

(a) Institutional

At the 54th Annual General Meeting held October 2, 1999, the membership decided to set aside, out of surplus, a sum adequate to increase the institutional capital of the Society to be at least eight percent (8%) of total assets. The reserves represent amounts approved to be set aside from surplus for the years 1998 to 2010. Accordingly, an amount of $28.997 million was transferred during the year. Further, during the year the Society transferred a total of $2,164,000 (2009: $6,768,000) towards the permanent capital. This amount represents a contribution of $500 for each member who elected to subscribe to the permanent shares of the Society (Note 18).

(b) Non-Institutional

This reserve represents amounts equivalent to the interest booked in respect of non-performing loans for which adequate security exists to cover the outstanding balances.

21 LOAN LOSS RESERVE

This reserve represents the excess of the provision for impairment determined using the JCCUL's regulatory requirements over the amounts determined under IFRS (Note 6(a)(iv)).

22 RETIREMENT BENEFIT RESERVE

This represents an appropriation of undistributed surplus equivalent to the amount recognized as a retirement benefit asset as required by the Society's regulator.

Notes to the Financial Statements
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23 FAIR VALUE RESERVES

	Investment Revaluation Reserve $'000
Balance at January 1, 2009	728
Decrease in fair value of available-for-sale investments	(1,141)
Balance at December 31, 2009	(413)
Cumulative loss reclassified to profit or loss on derecognition of available-for-sale financial assets (See Note 7(f))	413
Increase in fair value of available-for-sale investments	1,633
Balance at December 31, 2010	1,633

24 SHARE TRANSFER FUND

The balance represents amounts set aside during the year to be used to purchase Permanent Shares from members who no longer wish to continue their membership. The resolution to establish the Share Transfer Fund was passed at the 65th Annual General Meeting held April 28, 2010.

There was no purchase of Permanent Shares during the year.

25 FEE INCOME

	2010 $'000	2009 $'000
Loan commitment fees	9,057	8,186
Loan processing fees	15,195	12,089
Other fees	6,388	5,602
	30,640	25,877

26 OTHER INCOME

The analysis of other income is as follows:

	2010 $'000	2009 $'000
Dividend	2,395	1,357
Gain arising on revaluation of investment property (Note 9)	500	1,500
Exchange gains from holding foreign currency deposits	(741)	4,046
Income – Family Indemnity Plan (F.I.P.)	2,737	1,936
Miscellaneous	1,380	1,541
	6,271	10,380

27 STAFF COSTS

Staff costs during the year in respect of employees were:

	2010 $'000	2009 $'000
Salaries and wages (including pension costs)	95,793	91,314
Statutory contributions	17,215	12,828
Allowances and benefits	41,208	35,970
	154,216	140,112

Notes to the Financial Statements
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28 OTHER EXPENSES

These comprise:

	2010 $'000	2009 $'000
Administrative expenses	83,724	67,806
Marketing and promotions	18,565	14,591
Stabilisation fees	6,627	6,042
League fees	5,755	4,793
Other	6,092	7,063
	120,763	100,295

29 NET INCOME AFTER HONORARIA

The net income is arrived at after taking into account the following:

(a) Net gains on:

	2010 $'000	2009 $'000
Fair value through profit or loss designated upon initial recognition	394	319

(b) Revenues (Expenses) on:

		2010 $'000	2009 $'000
Financial assets at amortised cost	- unimpaired	346,999	359,061
	- impaired	2,691	1,779
Financial liabilities at amortised cost		(75,067)	(108,673)
Available-for-sale financial assets		15,780	20,172

(c) Other

	2010 $'000	2009 $'000
Expenses of Board and Committee meetings	2,254	1,468
Auditors' remuneration	2,550	2,000

30 APPROPRIATIONS

	2010 $'000	2009 $'000
Donations and outreach programme	474	233
Scholarship	450	447
Dividend distributed (Note 40)	3,633	-
	4,557	680

The above appropriations were approved at the 2009 Annual General Meeting (2009: 2008 Annual General Meeting).

Notes to the Financial Statements
Year ended December 31, 2010

31 ADJUSTMENTS TO RECONCILE NET INCOME TO CASH FLOW PROVIDED BY OPERATING ACTIVITIES AND CHANGES IN OPERATING ASSETS (LIABILITIES)

	2010 $'000	2009 $'000
Adjustments to reconcile net income to cash flow used in operating activities		
Depreciation of property, plant and equipment	8,866	8,275
Amortisation of intangible assets	4,708	666
Gain on revaluation of investment property	(500)	(1,500)
Gain on sale of property, plant and equipment	(6)	(2)
Gain on disposal of fair value through income investment	(83)	-
Gain on disposal of loans and receivables	-	(744)
Property, plant and equipment adjustment	12	-
Foreign exchange adjustment	208	(185)
Allowance for impairment losses	18,435	18,362
Interest income	(365,864)	(381,331)
Interest received	364,550	383,990
Post retirement benefit asset	(3,469)	2,304
Increase in provisions	6,834	7,689
Dividend income	(2,395)	(1,357)
Revaluation decrease on fair value through income investments	(311)	(1,261)
Loans to members written off	(4,258)	-
Impairment in available-for-sale investments	917	-
	27,644	34,906
Changes in operating assets/liabilities		
Loans to members (net)	(142,686)	(34,969)
Other assets	(8,946)	(5,276)
Deposits from members	182,135	119,231
Other liabilities	4,577	607
Provisions utilized during the year	(7,971)	(3,713)
Contributions to defined benefit pension plan	(5,007)	(3,996)
	49,746	106,790
Cash generated from operations:		
Interest expense	75,067	108,673
Interest paid	(75,125)	(106,953)
Adjustments to reconcile net income to cash flow provided by operating activities and changes in operating assets (liabilities)	49,688	108,510

Notes to the Financial Statements
Year ended December 31, 2010

32 **COMPARISON OF LEDGER BALANCES**

	Share Capital $'000	Deposits $'000	Loans $'000	Interest Receivable on Loans $'000	Interest Payable on Deposits $'000
General ledger					
December 31, 2010	48,923	2,031,398	1,760,337	15,503	8,343
Personal ledger					
December 31, 2010	48,923	2,031,398	1,760,337	15,503	8,343
Difference	-	-	-	-	-

33 **CASH AND CASH EQUIVALENTS**

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and in hand and other highly liquid bank deposits held with financial institutions, which have an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

	2010 $'000	2009 $'000
Cash resources	266,257	230,241
Less: cash reserves	(172,577)	(129,576)
	93,680	100,665

34 **INSURANCE**

(a) Fidelity insurance coverage

During the year the Society had coverage with Cuna Mutual Insurance Society through the JCCUL. Total premiums paid for the year was $790,813 (2009: $806,247).

(b) Loan protection and life savings coverage

During the year the Society had loan protection and life savings coverage with Cuna Mutual Insurance Co. Ltd. Total premium for the year was $7.885 million (2009: $7.396 million). The policy remained in force throughout the year with all premiums being paid promptly.

35 **COMMITMENTS AND CONTINGENT LIABILITIES**

Capital commitments

At December 31, 2010 capital commitments amounted to $3.035 million in respect of property under construction.

Other commitments

Loans to members

At December 31, 2010, the Society had commitments in respect of loans to members, approved but not yet disbursed, amounting to $15.510 million (2009: $19.188 million). There was no security in place at that date in respect of these loans.

35 **COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)**

Contingent Liabilities

At December 31, 2010, value at letters of undertaking issued to vendors in respect of motor vehicle loans to members amounted to $6.896 million (2009: $0.6 million).

36 **RELATED PARTY TRANSACTIONS**

Operating transactions

The Society entered into the following transactions with related parties:

(a) At December 31, 2010, five members of the Society's Board of Directors and four Committee members had loans totalling $12.56 million including interest (2009: five members of the Board and four Committee members with total balance of $7.99 million). Loans, including interest, due from members of staff totalled $46.1 million (2009: $33.1 million).

At December 31, 2010, all loans owing by Directors, Committee members and staff were being repaid in accordance with their loan agreements.

(b) At December 31, 2010, eleven members of the Society's Board of Directors and eight Committee members had savings deposits totalling $9.1 million including interest (2009: eleven members of the Board and eight Committee members with total balance of $6.2 million). Deposits held by members of staff totalled $13.88 million (2009: $8.1 million).

No guarantees have been given nor received. No expense has been recognized in the period for bad or doubtful debts in respect of amounts owed by related parties.

Compensation of key management personnel

The remuneration of directors and other key members of management during the year was as follows:

	2010 $'000	2009 $'000
Short-term benefits	33,445	24,293
Post employment benefits (*)	1,439	1,435
	34,884	25,728

The remuneration of members of key management is determined by the Board of Directors, having regard to the performance of individuals and prevailing macro economic factors.

* This represents employer's contribution to the multi-employer defined benefit plan.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2010 $'000	2009 $'000
Financial assets		
Fair value through income (FVTPL)		
- Held for trading	17,173	1,203
- Designated as FVTPL	-	8,818
	17,173	10,021
Loans and receivables (including cash and cash equivalents)		
- Cash resources	266,257	230,241
- Loans to members (net of allowance for impairment)	1,716,717	1,586,894
- Investment securities	19,739	51,159
- Securities purchased under resale agreements	205,026	169,896
- Other assets (excluding prepayments and withholding tax)	29,864	23,332
	2,237,603	2,061,522
Available-for-sale financial assets	136,625	146,421
	2,391,401	2,217,964
Financial liabilities (at amortised cost)		
- Members' deposits	2,039,741	1,857,664
- Other borrowed funds	16,521	17,647
- Other liabilities (excluding accruals)	23,470	19,677
	2,079,732	1,894,988

Financial risk management policies and objectives

By its nature, the Society's activities principally include the use of financial instruments. The Society has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management objectives
The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate limits and controls, and to monitor risks and adherence to limits. The Board through its various committees, which includes the Loans & Delinquency, Treasury & Financial Executive, Assets & Liability, Supervisory, Credit and IT Committees, is responsible for monitoring compliance with the Society's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society. All committees report regularly to the Board on their activities. The Board of Directors meet on a monthly basis to review the performance and risks affecting the Society.

The Supervisory Committee is responsible for monitoring compliance with the Society's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society. The Supervisory Committee is assisted in these functions by the Internal Audit Department which undertakes periodic reviews of risk management, internal controls and procedures, the results of which are reported to the Supervisory Committee, which reports its findings, recommendations and management responses to the Board.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

The Society has documented policies such as the Investment, Loans and the Delinquency policies, which provide the risk management framework for the management of risks associated with financial instruments. These policies are reviewed annually and approved by the Board of Directors. The policies set out the Society's overall business strategies and its risk management philosophy. This risk management programme seeks to minimize potential adverse effects on financial performance of the Society through internal risk reports which analyse exposures by degree and magnitude of risks.

The Board of Directors, through its Asset and Liability Committee, provides written principles on foreign exchange risk, interest rate risk, credit risk, the use of non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

By its nature, the Society's activities are principally related to the use of financial instruments. The Society accepts deposits from members at fixed rates of interest for various periods and seeks to earn above average interest margins by investing these funds in high-quality assets. The Society seeks to increase these margins by lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

There has been no change in the Society's exposure to these financial risks or manner in which it manages and measures risk during the period.

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Market risk exposures are managed through policies, and limits established by the Board of Directors, which are reviewed by the Board at least annually.

The Society's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as disclosed in Note 37(b) below, interest rates as disclosed in Note 37(c) below, as well as equity price risks.

Management of market risk
The Board of Directors outlines the general policy of the Society in managing this risk. The Society monitors this risk through research of financial markets, as well as analyses of financial institutions with whom investments are made. The primary goal is to maximize the return on the portfolio.

Equity price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date.

If quoted equity prices had been 20% (2009: 20%) higher/lower income for the year ended December 31, 2010 would increase/decrease by $3.435 million for the Society (2009: $0.241 million) as a result of the changes in fair values of the trading securities.

The increase in sensitivity during the period was mainly due to management's assessment of market conditions offset by the disposal of certain equity investments.

The increase in equity price sensitivity is as a result of a significant purchase of equity instruments during the year.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(a) Market risk (Cont'd)

Other price sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to price risk in respect of the Principal Protected Global Equity Note.

If equity prices had been 20% (2009: 20%) higher/lower, income for the year ended December 31, 2010 would increase/decrease by $Nil million for the Society as these investments matured during the year (2009: $0.026 million as a result of the changes in fair values of the trading securities).

The Society's exposure to market risks has decreased due to the maturity of its derivative financial instruments during the year.

(b) Foreign currency risk

The Society undertakes certain transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuation.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management of foreign currency risk
Management consistently monitors the Society's exposure in this regard by consistently monitoring international foreign currency investments accordingly.

The carrying amounts of the Society's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2010	2009
	J$'000	J$'000
US dollars	20,638	31,846

Foreign currency sensitivity analysis
The following table details the Society's sensitivity to a 5% revaluation and devaluation (2009: 2% revaluation and 10% devaluation) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the percentage changes in foreign currency rates as described above.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(b) Foreign currency risk (Cont'd)

Foreign currency sensitivity analysis (Cont'd)

If the Jamaican dollar strengthens by 5% or weakens by 5% (2009: strengthens by 2% or weakens by 10%) against the US dollar, income will decrease or increase by:

	2010		2009	
	Decrease J$'000	Increase J$'000	Decrease J$'000	Increase J$'000
Profit or loss	1,032	1,032	637	3,185

This is mainly attributable to the exposure outstanding on investment securities and cash resources at year end in the Society.

The Society's sensitivity to foreign currency has decreased during the current period mainly due to the change in management's assessment of possible change in foreign exchange rates offset by the maturity of US dollar holdings.

(c) Interest rate risk management

Interest rate risk is the potential that the value of financial instruments will fluctuate due to changes in market interest rates as a result of cash flow or fair value interest rate risks. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow interest rate risk. The Society's exposure to interest rate risk is affected by its holding in cash resources, loans to members, investment securities, securities purchased under resale agreement, members' deposits and other borrowed funds.

Management of interest rate risk

The Society's exposure to interest rate risk is measured using gap and sensitivity analyses as well as maintaining an appropriate mix of variable and fixed rate instruments.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk management (Cont'd)

The following table summarizes the Society's exposure to interest rate risk. Included in the table are the Society's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

As at December 31, 2010:	Within 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non-rate Sensitive $'000	Total $'000
Assets									
Cash resources	258,200	-	-	-	-	-	-	8,057	266,257
Loans net of allowance for impairment	13,152	107,532	312,278	212,590	269,752	487,752	313,661	-	1,716,717
Investment securities:									
- Fair value through income	-	-	-	-	-	-	-	17,173	17,173
- Loans and receivables	19,739	-	-	-	-	-	-	-	19,739
- Available-for-sale	40,388	-	-	53,798	20,884	-	-	21,555	136,625
Securities purchased under resale agreement	189,907	15,119	-	-	-	-	-	-	205,026
Other	-	-	-	-	-	-	-	29,864	29,864
Total assets	521,386	122,651	312,278	266,388	290,636	487,752	313,661	76,649	2,391,401
Liabilities and Equity									
Members' deposits	2,006,370	33,371	-	-	-	-	-	-	2,039,741
Other liabilities	-	-	-	-	-	-	-	23,470	23,470
Other borrowed funds	133	400	565	599	635	673	13,516	-	16,521
Total liabilities and members' equity	2,006,503	33,771	565	599	635	673	13,516	23,470	2,079,732
Interest Rate Sensitivity Gap	(1,485,117)	88,880	311,713	265,789	290,001	487,079	300,145	53,179	311,669
Cumulative Interest Rate Sensitivity Gap	(1,485,117)	(1,396,237)	(1,084,524)	(818,735)	(528,734)	(41,655)	258,490	311,669	

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk management (Cont'd)

As at December 31, 2009:	Within 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	2 to 3 Years $'000	3 to 4 Years $'000	4 to 5 Years $'000	Over 5 Years $'000	Non-rate Sensitive $'000	Total $'000
Assets									
Cash resources	225,305	-	-	-	-	-	-	4,936	230,241
Loans net of allowance for impairment	10,249	115,542	209,143	229,726	289,376	446,232	286,626	-	1,586,894
Investment securities:									
- Fair value through income	-	-	-	-	-	-	-	10,021	10,021
- Loans and receivables	51,159	-	-	-	-	-	-	-	51,159
- Available-for-sale	108,898	15,051	-	-	-	-	-	22,472	146,421
Securities purchased under resale agreement	161,602	8,294	-	-	-	-	-	-	169,896
Other	-	-	-	-	-	-	-	23,332	23,332
Total assets	557,213	138,887	209,143	229,726	289,376	446,232	286,626	60,761	2,217,964
Liabilities and Equity									
Members' deposits	1,800,205	56,974	485	-	-	-	-	-	1,857,664
Other liabilities	-	-	-	-	-	-	-	19,677	19,677
Other borrowed funds	183	548	819	917	1,027	1,151	13,002	-	17,647
Total liabilities and members' equity	1,800,388	57,522	1,304	917	1,027	1,151	13,002	19,677	1,894,988
Interest Rate Sensitivity Gap	(1,243,175)	81,365	207,839	228,809	288,349	445,081	273,624	41,084	322,976
Cumulative Interest Rate Sensitivity Gap	(1,243,175)	(1,161,810)	(953,971)	(725,162)	(436,813)	8,268	281,892	322,976	

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk management (Cont'd)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis is prepared assuming the amount of assets held at the end of the reporting period was held throughout the year in respect of Jamaican dollar balances. A 200 basis point increase and 100 basis point decrease (2009: 500 basis point increase and 500 basis point decrease) and in respect of United States dollar denominated balances a 50 basis points increase/decrease (2009: 50 basis points increase/decrease) is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates in respect of Jamaican dollar balances had been 200 basis points higher and 100 basis points lower (2009: 500 basis points higher and 500 basis points lower) and all other variables were held constant, the Society's:

- profit for the year ended December 31, 2010 would increase/decrease by $10,723/$5,361 respectively (2009: increase/decrease by $53,295/$53,295 respectively). This is mainly attributable to the Society's exposure to interest rates on its variable rate investment securities; and
- other equity reserves would decrease/increase by $0.119 million/$0.060 million respectively (2009: decrease/increase by $0.733 million/$0.808 million respectively) mainly as a result of the changes in the fair value of available-for-sale variable rate instruments.
- If interest rates in respect of United States dollar denominated balances had been 50 basis points (2009: 50 basis points) higher or lower and all other variables, were held constant, the Society's profit for the year ended December 31, 2010 would decrease/increase by $3,123 (2009: $6,252). This is mainly attributable to the society's exposure to interest rate on its investments.

The Society's sensitivity to interest rates has decreased during the current period mainly due to the decrease in interest rates of variable rate debt instruments.

(d) Credit risk management

Credit risk is the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Society. Financial assets that potentially subject the Society to concentration of credit risk consist primarily of cash resources, loans to members, investment securities and securities purchased under resale agreement. At year end, the maximum exposure of the Society to credit risk totalled approximately $2.39 billion.

Management of credit risk
The Society's credit risk is managed through strategies, policies and limits that are approved by the Board of Directors, specifically through reviews of the financial status of each obligator and making provisions for impairment where there is evidence of impairment.

(i) Cash resources

The Society minimizes this risk by limiting its obligators to major banks and JCCUL. The carrying amount of cash resources (excluding cash in hand) totalling $258 million at year end represents the Society's maximum exposure to this class of financial assets.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(d) Credit risk management (Cont'd)

(ii) Loans to members

The Society has established policies and procedures which govern standards for granting loans and the process of continuous monitoring and measurement in relation to delinquency and debt recovery management. The exposure is to a number of individuals and there are limits on amounts which may be advanced to any borrower. Further these amounts are protected by Fidelity and Loan Protection and Life Savings Insurance Coverage, which mutually protects the deceased members' beneficiaries and the Society from losses. Additionally, the Society holds collateral in respect of the majority of its loans to members.

The carrying amount of financial assets in respect of loans to members totalling approximately $1.717 billion at year end which is net of impairment, represents the Society's maximum exposure to this class of financial assets without taking into account the value of any collateral held.

The following table summarizes the credit exposure (before allowances for impairment) of the Society in respect of loans to members by sector:

	2010 $'000	2009 $'000
Business	25,413	38,290
Real estate	330,848	319,453
Education	126,924	124,182
Personal	780,829	567,192
Motor vehicle	475,511	529,897
Other	20,812	38,637
Total	1,760,337	1,617,651

Fair value of collateral held at year end in respect of loans to members

	2010 $'000	2009 $'000
Motor vehicle	986,827	578,918
Property	504,422	345,810
Savings		
- with Society	777,697	426,678
- with other institutions	23,519	46,621
Investments and Insurance	27,370	155,405
Other	-	621
Total	2,319,835	1,554,053

The Society also has credit exposures in respect of guarantees totalling $15.510 million issued as at December 31, 2010 (2009: $19.188 million) (See Note 35).

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(d) Credit risk management (Cont'd)

(ii) Loans to members (Cont'd)

Collateral repossessed

	2010		2009	
	Carrying Value	Value of Collateral	Carrying Value	Value of Collateral
	$'000	$'000	$'000	$'000
Residential property	-	-	2,128	16,000
Commercial property	8,769	3,000	7,588	3,000
Motor vehicles	5,394	4,280	19,494	10,327
Other	-	-	-	-
	14,163	7,280	29,210	29,327

Repossessed assets are sold in an orderly fashion with the proceeds used to reduce or repay outstanding indebtedness. Where excess funds are available after the debt has been repaid, it is returned to the member by way of a deposit to savings. Where a balance exists after sale, a further demand is made on the member for repayment. The Society does not utilize repossessed assets for its operations nor are they sold to staff members or volunteers. The Society also holds hypothecated savings amounts of $1.6 million (2009: $11.634 million) in respect of delinquent accounts.

Re-negotiated loans

Features of these loans include extended payment arrangement, modification to interest rates and deferral of payments. Following re-negotiation, a previously overdue account is reset to a normal status and managed together with other similar accounts. Policies and practices in respect of these activities are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Re-negotiated loans that would otherwise be past due or impaired totalled approximately $4.27 million inclusive of interest as at December 31, 2010 (2009: $2.80 million).

(iii) Investment securities and securities purchased under resale agreements

The Society seeks to minimize its risk in the following ways:

- Limits to the amount of investment with any one institution in accordance with the investment policy guidelines;
- Limits to certain types of investments in accordance with the investment policy guidelines;
- Clear approval structure which govern investment decisions;
- Investments are placed with reputable financial institutions and are usually collaterised by the Government of Jamaica (GOJ) or Bank of Jamaica (BOJ) securities duly transferred to the Society in the event of default.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(d) Credit risk management (Cont'd)

(iii) Investment securities and securities purchased under resale agreements (Cont'd)

The carrying amount of these financial assets totalling approximately $378.6 million net of impairment, represents the Society's maximum exposure to this class of financial assets and are grouped as follows:

	2010 $'000	2009 $'000
Bonds and debentures	115,070	123,949
Certificates of deposits and Special deposits	-	42,241
Repurchase agreements	205,026	169,896
Other	58,467	41,411
	378,563	377,497

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the Society will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities.

Management of liquidity risk
Management ensures that strong liquidity levels are maintained in order to prevent unacceptable losses.

The Society manages this risk by keeping a portion of its financial assets in liquid form in accordance with regulatory guidelines. The Society is subjected to a liquidity limit imposed by the Jamaica Cooperative Credit Union League (JCCUL), under Rule 15 Liquidity Reserves Compliance, and compliance is monitored weekly. The key measure used by the Society for managing liquidity risk is the ratio of liquid assets to total specified liabilities. For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The total specified liabilities include voluntary shares, deposits (including fixed deposits) and any accrued interest and dividend outstanding. JCCUL stipulates that the Society's liquidity reserve should be no less than the average of 10% of the Society's specified liabilities. The liquid assets ratio at the end of the year was 11.11% (2009: 12.4%).

There has been no change to the Society's exposure to liquidity risk or the manner in which it manages and measures the risk. During 2007, JCCUL liquidity monitoring requirements changed from a monthly to weekly monitoring but this is consistent with how the Society has always managed its liquidity.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk management (Cont'd)

Liquidity risk tables

The following tables detail the Society's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Society can be required to pay. The table includes both interest and principal cash flows.

	Within 3 Months/ On Demand $'000	3-12 Months $'000	1-2 Years $'000	2-3 Years $'000	3-4 Years $'000	4-5 Years $'000	Over 5 Years $'000	Total $'000
2010								
Members' deposits	2,020,314	34,067	-	-	-	-	-	2,054,381
Other borrowed funds	380	1,141	1,522	1,522	1,522	1,522	19,782	27,391
Other liabilities	23,470	-	-	-	-	-	-	23,470
	2,044,164	35,208	1,522	1,522	1,522	1,522	19,782	2,105,242
2009								
Members' deposits	1,868,426	60,193	513	-	-	-	24,617	1,953,749
Other borrowed funds	18,982	-	-	-	-	-	-	18,982
Other liabilities	770	2,426	3,116	2,676	2,676	2,676	5,337	19,677
	1,888,178	62,619	3,629	2,676	2,676	2,676	29,954	1,992,408

37 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk management (Cont'd)

Liquidity risk tables (Cont'd)

The following table details the Society's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Society anticipates that the cash flow will occur in a different period.

	Within 3 Months	3-12 Months	1-2 Years	2-3 Years	3-4 Years	4-5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2010									
Cash resources	140,095	-	-	-	-	-	-	126,190	266,285
Loans to members (net of allowance for impairment)	241,097	694,450	657,511	412,522	111,029	86,997	152,408	-	2,356,014
Investment securities:									
- Fair value through income	-	-	-	-	-	-	-	17,173	17,173
- Loans and receivables	19,936	-	-	-	-	-	-	-	19,936
- Available-for-sale	2,669	9,205	12,217	57,015	23,969	30,406	10,135	21,555	167,171
Securities purchased under resale agreements	193,105	15,708	-	-	-	-	-	-	208,813
Other	-	-	-	-	-	-	-	29,864	29,864
	596,902	719,363	669,728	469,537	134,998	117,403	162,543	194,782	3,065,256
2009									
Cash resources	132,517	-	-	-	-	-	-	26,211	158,728
Loans to members (net of allowance for impairment)	179,676	510,459	584,268	507,421	286,167	121,049	204,152	-	2,393,192
Investment securities:									
- Fair value through income	-	8,818	-	-	-	-	-	1,203	10,021
- Loans and receivables	51,645	-	-	-	-	-	-	-	51,645
- Available-for-sale	36,974	8,456	14,002	12,930	49,409	35,587	34,684	22,472	214,514
Securities purchased under resale agreements	169,618	3,168	-	-	-	-	-	-	172,786
Other	-	23,332	-	-	-	-	-	-	23,332
	570,430	554,233	598,270	520,351	335,576	156,636	238,836	49,886	3,024,218

The Society expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(f) Fair value of financial assets and financial liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for some of the financial assets and liabilities of the Society, the fair values of those assets and liabilities have been presented in these financial statements using various estimation techniques based on market conditions existing at balance sheet date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Society would realize in a current market exchange.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rates used. The following methods and assumptions have been used:

(i) The carrying values of cash and cash equivalents, securities purchased under agreements to resell, loans and receivables, other receivables, members' fixed deposits, payables and other liabilities maturing within twelve months are assumed to approximate the fair values because of the short-term maturity of these instruments.

(ii) The fair values of available-for-sale investment securities are determined based on quoted market prices where available, or is based on the future cash flows discounted at market interest rates on similar instruments as at the end of the reporting period.

(iii) The fair values of members' deposits which do not have a fixed maturity date are assumed to be the amounts payable on demand (their carrying amounts) at the end of the reporting period.

(iv) The fair values of loans to members are estimated based on the expected future cash flows discounted at market interest rates for similar loans at year end. The carrying values of loans to members approximate the fair values of these loans, since the interest rate charged on these loans are equivalent to the interest rates of similar loans at year end.

(v) The fair values of the Society's holding of unquoted shares has not been determined as there is no active market for these shares. The fair values for quoted equities are based on the last bid price as quoted by the stock exchange at year end.

(vi) The fair value of derivative instruments is calculated using the quoted prices as indicated by brokers.

(vii) The fair values of fixed rate loans payable have been estimated by applying market interest rates of similar loans at year-end to the expected future cash flows.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(f) Fair value of financial assets and financial liabilities (Cont'd)

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss:				
Equity securities (quoted)	17,173	-	-	17,173
Securities available-for-sale				
Government of Jamaica securities	-	115,070	-	115,070
Equity investments (unquoted)	-	-	21,555	21,555
	-	115,070	21,555	136,625
Total	17,173	115,070	21,555	153,798

There were no transfers between Level 1, Level 2 and Level 3 in the period.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(f) Fair value of financial assets and financial liabilities (Cont'd)

	2009			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets at fair value through profit or loss:				
Derivative financial asset	-	8,818	-	8,818
Equity securities (quoted)	1,203	-	-	1,203
	1,203	8,818	-	10,021
Securities available-for-sale				
Government of Jamaica securities	-	113,946	-	113,946
Equity investments (unquoted)	-	-	22,472	22,472
Bank of Jamaica certificates of deposit	10,003	-	-	10,003
	10,003	113,946	22,472	146,421
Total	11,206	122,764	22,472	156,442

There were no transfers between Level 1, Level 2 and Level 3 in the period.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as trading securities or available-for-sale.

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

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

All gains and losses included in other comprehensive income relate to Securities available-for-sale held at the end of the reporting period and are reported as changes of 'Fair Value Reserve'.

Capital risk management

The Society manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Society's overall strategy remains unchanged from 2009.

The capital structure of the Society consists of its members share capital, institutional capital and non-institutional capital. The Society currently has only one class of share capital.

The Society's Board of Directors reviews the capital structure on a semi-annual basis. As part of this review, the Board of Directors considers the cost of capital and the associated risks. Based on the Board of Directors' recommendations, the Society balances its overall capital structure by the payment of dividends.

Notes to the Financial Statements
Year ended December 31, 2010

37 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Capital risk management (Cont'd)

Requirements of JCCUL and the proposed Bank of Jamaica Regulations
The amount of the institutional capital of the Society is guided by the performance measurements stipulated by the JCCUL, which requires that institutional capital should exceed 8% of total assets. At December 31, 2010 the Society's ratio of institutional capital to total assets amounted to 14.65% (2009: 14.11%).

Under the proposed Bank of Jamaica regulations the Society should maintain a minimum level of:

(a) institutional capital of 6% of total assets, and
(b) institutional capital to risk weighted assets at or above 10%.

At December 31, 2010, the Society fulfilled the requirement for (a) as disclosed in the preceding paragraph for JCCUL requirement. As at December 31, 2010 the Society's rate of institutional capital to risk based assets amounted to 25.8% (2009: 12.86%).

38 **OPERATING LEASE ARRANGEMENTS**

(a) The Society as a lessor

The Society rents a portion of its property in New Kingston under operating leases. Property rental earned during the year was $5.177 million (2009: $4.799 million). The property has a committed tenant for the next year.

At the end of the reporting period, the Society contracted with its tenant for the following future minimum lease payments:

	2010 $'000	2009 $'000
Within one year	5,023	4,968

(b) The Society as a lessee

(i) Parking spaces

The Society rents parking facilities under operating lease. Rental charged during the year was $2.057 million (2009: $2.022 million).

At the end of the reporting period, the Society contracted with its owners for the following future minimum lease payments:

	2010 $'000	2009 $'000
Within one year	606	576

(ii) Branch location: May Pen

The Society rents its branch office location under operating lease. Rental charged during the year was $0.840 million (2009: $0.840 million).

Notes to the Financial Statements
Year ended December 31, 2010

38 **OPERATING LEASE ARRANGEMENTS (Cont'd)**

(b) The Society as a lessee (Cont'd)

(ii) Branch location: May Pen (Cont'd)

At the end of the reporting period, the Society contracted with the owners for the following future minimum lease payments:

	2010	2009
	$'000	$'000
Within one year	700	640

39 **OPERATIONS**

Maximum liability
As at December 31, 2010 the Society's maximum liability stood at 525% (2009: 491%) of the Society's capital. The maximum liability is agreed annually by the Society's members at the AGM and was set at 1,150% of the Society's capital (excluding loan loss and retirement benefit reserves).

40 **DIVIDENDS – MEMBERS' SHARES**

(a) Proposed

The Board of Directors have proposed a distribution of $4.80 million representing approximately 10% of the average share balance as at December 31, 2010 to be paid out of 2010 undistributed surplus. This proposed distribution is subject to the approval of the Society's members at the Annual General meeting and has not been included as a liability in these financial statements.

(b) Paid

Dividend distribution of $3.6 million representing approximately 10% of the average share balance as at December 31, 2009, which was approved by the Society's members at the 2009 Annual General Meeting, was paid during the year (Note 30).

REPORT TO THE REGISTRAR OF CO-OPERATIVE SOCIETIES

RE: GSB CO-OPERATIVE CREDIT UNION LIMITED
(A Society registered under the Co-operative Societies Act, Cap. 75)

ON ADDITIONAL INFORMATION

The additional information presented in page 2 has been taken from the accounting records of the Society and has been subjected to the audit tests and procedures applied in our examination of the financial statements of the Society for the year ended December 31, 2010.

In our opinion the said information gives a true and fair view in relation to the financial statements taken as a whole although it is not necessary for a fair presentation of the financial position of the Society as at December 31, 2010 or of its financial performance and cash flows for the year then ended.

Deloitte & Touche

Chartered Accountants

Kingston, Jamaica
March 25, 2011

Other Expenses
Year ended December 31, 2010

	2010 $'000	2009 $'000
ADMINISTRATIVE		
Property rental	840	840
Electricity	7,604	6,209
Water rates and property taxes	835	629
Audit fees - current year	2,550	2,010
Repairs and maintenance	5,641	4,631
Motor vehicle expenses	952	512
Telephone	14,344	5,774
Postage and stationery	3,409	6,616
Fidelity Insurance	791	806
Insurance	9,798	9,195
Professional fees	1,958	2,213
Security	8,174	8,209
GCT irrecoverable	11,076	7,584
Miscellaneous expenses	3,207	2,591
Bank service charges and interest	2,942	1,764
Gain on disposal of property, plant and equipment	(6)	(2)
Computer expenses	7,552	6,203
Parking expense	2,057	2,022
	83,724	67,806
MARKETING AND PROMOTIONS		
Advertising and promotion	16,857	13,534
New product development	1,708	1,057
	18,565	14,591
REPRESENTATION AND AFFILIATION		
Board and committees' meetings	2,254	1,468
League fees	5,755	4,793
Stabilisation dues	6,627	6,042
Seminars and meetings	828	820
Annual general meeting	3,010	4,775
	18,474	17,898
OTHER EXPENSES	120,763	100,295

Resolutions

WRITE-OFF OF BALANCES ON LOANS THAT HAVE BEEN DELINQUENT IN EXCESS OF 360 DAYS AND OVER

WHEREAS the GSB Co-operative Credit Union Limited (the Credit Union) being a lending institution, from time to time experiences delinquency in its loan portfolio

AND WHEREAS these delinquent loans inflate the Accounts Receivable balances on the books of the Credit Union

AND WHEREAS the existing Rules of the GSB Cooperative Credit Union Limited were established when governance principles and management practices were less stringent

AND WHEREAS over those years the Credit Union has grown and developed significantly with a more complex organizational structure

AND WHEREAS the Board of Directors of the Credit Union continues to seek ways to streamline the operations

AND WHEREAS the Board of Directors of the Credit Union has ensured that the appropriate systems are in place to obtain assurance of the proper management of the loan portfolio, in general, and the delinquent loans, in particular.

AND WHEREAS Article VIII of the Rules of the Credit Union outlines the functions of the Board, and Clause 38(i)(l) of this Article makes provisions as follows:

"To supervise the collection of loans to members, and with the approval of the General Meeting, cause bad debts to be written off the books of the Society"

AND WHEREAS it is now expedient to have delinquent loans removed from the Credit Union's General Ledger.

AND WHEREAS to achieve this it is considered necessary to give authority to the Chief Executive Officer and the Chief Financial Controller or the persons performing these functions, to jointly write-off of the books of the Society, bad debts that have been outstanding for 360 days and over, and for these debts to be transferred to a subsidiary ledger for active recovery follow-up; and that these write-offs be ratified at subsequent meetings of the Board.

BE IT RESOLVED that the 66th Annual General Meeting of the GSB Co-operative Credit Union Limited held at the Knutsford Court Hotel on this 27th day of April, 2011 agree that Article VIII, Clause 38(i)(l) be amended to read as follows:

"To supervise the collection of loans to members, and give authority to the Chief Executive Officer and the Chief Financial Controller or the persons performing these functions, to [jointly] cause bad debts that have been outstanding for 360 days and over to be written-off the books of the Society and for these debts to be transferred to a subsidiary ledger for active recovery follow-up; and that these write-offs be ratified by the Board at a subsequent meeting"

Moved by: ……………………………..

Seconded by: ………………………………

Departmental Representatives

NAME		DEPARTMENT
Brown	Marjorie	Jamaica Bauxite Institute
Chuck	Avis	Ministry of Transport of Works
Clarke	Kevin	Statistical Institute of Jamaica
Cooper	Icilin	Auditor General's Department
Cummings	Cherry	Electoral Office of Jamaica
Davis	Carol	Ministry of National Security
Ffrench	Jacqueline	Agricultural Dev. Corp.-Mais House
Foster	Joan	Department of Correctional Services
Gilman	Pauline	Jamaica National Heritage Trust
Grannum	Joseph	University of Technology
Grodger	Anthony	Post & Telecommunication
Halstead	Kasiya	Jamaica Archives
Haughton	Anthony	Ministry of Finance & Planning
Hewson	Dwight	Ministry of Water & Housing
Hyatt	Patricia	Public Broadcasting Co-operation of Jamaica
Jones	Donnett	Office of the Prime Minister
Kennedy	Michael	Ministry of Labour & Soc. Security
Lawrence	Clive	Ministry of Agri. - Export Division
Lopez	Ann-Marie	Ministry of Agri. - Fisheries Division
Mason-Haynes	Delores	Maritime Authority of Jamaica
Morrison	Tamara	Food Storage & Prevention Infest.
Parker	Claudette	Ministry of Agri.- Forestry Division
Pennant	Joseph	Water Resources Authority
Plummer	Natalie	National Library of Jamaica
Sayle	Angela	Planning Institute of Jamaica
Scarlett	Tannisha	Public Broadcasting Co-operation of Jamaica
Kelly	Steven	Ministry of Finance & Planning
Smith	Audrey	Accountant General's Department
Stephenson-Tulloch	Susan	Horizon Remand Centre
Taylor	Annette	Nutrition Products Limited
Thompson	Kimolin	Tax Payer Audit& Assessment Dept.
Virture	Kenneatta	Audio Visual Unit (OPM)
Wright	Fhalia	Ministry of National Security
Wyndham	Blondell	Jamaica Printing Service

Parliamentary Rules of Order

1. ORDER OF BUSINESS

An agenda shall be prepared by the Chairman and Secretary, and all items. Thereon shall take precedence over all other business. Any member desirous of introducing business for the consideration of the meeting may do so after the business on the agenda has completed, or may give notice of motion to be discussed at a further meeting.

2. SUSPENSION OF STANDING ORDER

In the event of any matter of urgency, however, the Chairman may accept a suspension of the Standing Orders. The member moving such suspension must clearly state the nature and urgency of his business, the numbers of the standing orders affected, and the length of time he desires such suspension to last. At the option of the meeting, a further extension may be allowed, but no suspension shall take place except by majority vote of the members present.

3. MINUTES

No motion or discussion shall be allowed on the Minutes except in regard to their accuracy. After the confirmation of the Minutes, they shall be signed by the Chairman, and the members shall than be at liberty to ask any questions in regard to matters arising out of them. Such questions shall be allowed for purposes of information only, and no debate on the policy outlined in the Minutes shall take place.

4. All persons desiring the floor shall rise and address themselves to the chair. They shall state their name and the Credit Union which they represent, if recognized by the chair, they shall have the privilege of the floor and all the rights thereof.

5. All speakers are to make use of the Desk and Floor Microphones when addressing the Meeting in order that it be recorded and made a permanent record in the Meeting Proceedings.

6. Should two or more persons rise at the same time, the chair shall decide, without debate, who is entitled to the floor.

7. SPEECHES

No member shall be allowed to speak more than once upon on any motion before the meeting, unless in Committee, or on a point of order, or explanation, except the mover of the Original Motion. But on an amendment being moved, any member even though he has spoken on a

Original Motion, may speak again on the amendment. No member shall speak for more than five minutes at a time. Members wishing to raise points of order or explanation must first obtain the permission of the Chairman and must raise immediately the alleged breach has occurred.

Any member may formally second any motion or amendment and reserve his speech until a later period in the debate.

8. No person shall interrupt another who is speaking except on a point of order, a parliamentary inquiry, or a point of information.

9. If it should come to pass that a speaker is called to order while speaking, the speaker should take his seat until the question of order is determined.

10. CHAIRMAN'S RULING

The ruling of the Chairman on any question under the Standing Orders, or on points of order or explanation, shall be final, unless challenged by not less than four members, and unless two-thirds of the members present vote to the contrary.

11. INTERRUPTION

If any member interrupts another while addressing the meeting, or uses abusive or profane language or causes disturbance at any of the meetings, and refuses to obey the Chairman when called to order, he shall be named by the Chairman. He shall thereupon be expelled from the room and shall not be allowed to enter again until an apology satisfactory to the meeting be given.

12. A question shall not be subject to debate until it has been duly moved and seconded and is stated from the chair.

Parliamentary Rules of Order (Cont'd)

13. MOTIONS AND AMENDMENTS

The first proposition on any particular subject shall be known as the Original Motion, and all succeeding propositions on that subject shall be called amendments. Every motion or amendment must be moved and seconded by members actually present at the meeting before they can be discussed, and, wherever possible, should be set forth in writing. It is permissible for a member to make his speech first and conclude with a motion. When an amendment is moved to an Original Motion, no further amendment shall be discussed until the first amendment is disposed of (Notice of any further amendment must be given before the first amendment is put to the vote).

14. SUBSTANTIVE MOTIONS

If an amendment be carried, it displaces the Original Motion and itself becomes the substantive motion, whereupon any further amendment relating to any portion of the substantive motion may be moved, provided it is consistent with the business and has not been covered by an

amendment or motion which has been previously rejected. After the vote on each succeeding amendment has been taken, the surviving proposition shall be put to the vote as the main question, and if carried shall then become a resolution of the meeting.

15. RIGHT OF REPLY

The mover of the Original Motion shall if no amendment be moved, have the right of reply at the close of the debate upon such motion. When an amendment is moved he shall be entitled to speak thereon in accordance with Standing Order No. 8 and at the close of the debate on such amendment shall reply to the discussion, but shall introduce no new matter. The question shall then be put to the vote immediately, and under no circumstances shall any further discussion be allowed once the question has been put from the Chair. The mover of an amendment shall not be entitled to reply.

16. WITHDRAWALS OR ADDITIONS

No motion or amendment which has been accepted by the Chair shall be withdrawn without the majority vote of the meeting. Neither shall any addendum or rider be added to a motion which has once been accepted by the Chair without majority vote. Should any member dissent, the addendum must be proposed and seconded, and treated as an ordinary amendment.

17. CLOSING DEBATE

The motions for the previous question, next business, or the closure, may be moved and seconded only by members who have not previously spoken at any time during the debate. No speeches shall be allowed on such motions. In the event of the closure being carried, the mover of the Original Motion shall have the right to reply in accordance with Standing Order No.16 before the question is put. Should any one of the motions mentioned in this Standing Order be defeated, thirty minutes shall elapse before it can be accepted again by the Chairman, unless he is of the opinion that the circumstances have materially altered in the meantime.

18. ADJOURNMENT

Any member who has not already spoken during the debate may move the adjournment of the question under discussion, or of the meeting, but must confine his remarks to that question and must not discuss any other matter. The mover of the motion upon which the adjournment has been moved, shall be allowed the right to reply on the question of the adjournment, but such reply shall not prejudice his right of reply on his own motion. In the event of such motion being lost, it shall not be moved again, except in accordance with Standing Order 18.

19. Any member may call for a division of the House (that is, for a roll call vote) when there appears to be a reasonable doubt as to the accuracy of the vote as announced by the Chair.

20. A motion to lay on the table shall be put without debate.

21. Whispering, loud talking, or other disturbances calculated to disturb anyone while speaking will not be tolerated

The GSB Family
Highlights

Credit Union Week Church Service

Ministry of Education Health Fair

JCCUL Treasure Chest Awardees

2010 Annual General Meeting

JCCUL Treasure Chest Awardees

2010 Renald Mason Scholarship Awardees

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D	JA$ 250,000	JA$ 1,320.00
E	JA$ 400,000	JA$ 2,112.00

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