



FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD.
We Profit For You, Not From You.

ANNUAL REPORT 2012

FND CREDIT UNION

OUR CHILDREN. OUR CREDIT UNION. OUR FUTURE.



VISION STATEMENT

Enhancing people's lives
as the first choice in
business and financial services.

MISSION STATEMENT

Building financially strong communities by
safeguarding members' investment and
exceeding expectations through
professional, convenient and courteous service.

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NOTICE OF 4TH ANNUAL GENERAL MEETING

Notice is hereby given that the fourth (4th) Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited will be held at the Conference Room of the Ocean Terrace Inn on **Wednesday August 21, 2013 at 5:00pm** to conduct the following business:

1. To confirm minutes of the 3rd Annual General Meeting held on Thursday July 26, 2012.
2. To consider matters arising from the minutes of the 3rd Annual General Meeting.
3. To receive and approve the reports of the Board of Directors, Treasurer, Credit Committee and Supervisory Committee for the year ended December 31, 2012.
4. To consider and approve the Auditors' Report and Financial Statements for the Year ended December 31, 2012.
5. To elect officers to the Board of Directors, Credit Committee and Supervisory Committee.
6. To set the maximum borrowing limit for the ensuing year.
7. To appoint Auditors for the ensuing Year.
8. To transact any other general business of the Society.

By Order of the Board of Directors:



Diana Bowrin Powell (Mrs.)
SECRETARY

August 1, 2013.

NOTE: Transportation will be provided for members travelling from Nevis from the Ferry Terminal (upon request); and a **light refreshment** will be served at the end of the meeting.

AGENDA

THEME: **OUR CHILDREN. OUR CREDIT UNION. OUR FUTURE.**

5:00 p.m. - 5.25p.m. REGISTRATION - Door Prizes for early Registrants!!!

5:30 p.m. - 6:00p.m. OPENING SESSION

1. Call to order
2. Invocation
3. Chairman's Opening Remarks
4. Featured presentation - CUNA MUTUAL
5. Adjournment

6:05 p.m. - BUSINESS SESSION

6. Call to order and reading of the Notice of the Annual General Meeting
7. Ascertainment of a Quorum
8. Confirmation of Minutes of the 3rd Annual General Meeting
9. Matters Arising from the minutes of the 3rd Annual General Meeting
10. Reports and Adoptions:
 - (a) Board of Directors
 - (b) Credit Committee
 - (c) Supervisory Committee
 - (d) Auditors
 - (e) Treasurer
11. Setting Maximum Borrowing Limit
12. Appointment of Auditors
13. Elections of Officers
14. Any Other Business
15. Vote of Thanks
16. Adjournment

Lord, make me an instrument of thy peace

Where there is hatred, let me sow love;

Where there is injury, pardon;

Where there is doubt, faith;

Where there is despair, hope;

Where there is darkness, light; and

Where there is sadness, joy.

O divine Master, grant that I may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving that we receive

It is in pardoning that we are pardoned;

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

AMEN

STANDING ORDERS

1. A member to stand when addressing the Chairperson.
2. Speeches are to be clear and relevant to the subject before the meeting.
3. A member shall only address the meeting when called upon by the Chairperson to do so, after which he shall immediately take his seat.
4. No member shall address the meeting except through the Chairperson.
5. A member may not speak twice on the same subject except:
 - (a) The mover of a motion, who has a right to reply
 - (b) He rises to object or explain (with the permission of the Chair)
 - (c) The mover of a procedural motion (adjournment, lay on the table, motion to postpone) has no right to reply.
6. No speeches are to be made after the “Question” period has been put and carried or negated.
7. A member rising on a “Point of Order” must state the point clearly and concisely. (A “Point of order” must have relevance to the “Standing Order”).
8. A member should not “Call” another member “To Order” but may draw attention of the Chair to a “Breach of Order”.
9. In no event shall a member call the Chair to order.
10. A “Question” should not be put to the vote if a member desires to speak on it or to move an amendment to it – except that a procedural motion, the “Previous Question”, “Proceed to Next Business,” or the Closure: “That the Question be Now Put” may be moved at any time.
11. Only one amendment should be before the meeting at one or the same time.
12. When a motion is withdrawn any amendment to it fails.
13. The Chairperson has the right to a “Casting Vote”.
14. If there is equality of voting on an amendment and if the Chairperson does not exercise his casting vote the amendment is lost.
15. Provision is to be made for protection of the Chairperson from vilification (personal abuse).
16. No member shall impute improper motives against another member.

MINUTES OF 3RD ANNUAL GENERAL MEETING

MINUTES OF THE THIRD (3rd) ANNUAL GENERAL MEETING HELD AT THE OCEAN TERRACE INN CONFERENCE ROOM, FORTLANDS, BASSETERRE ON THURSDAY, JULY 26, 2012

OPENING SESSION

The Third Annual General Meeting was called to order at 5.35pm by the Chairman of the Opening Ceremony Mr. Faron Lawrence. The Opening Session commenced with the playing of the National Anthem by Messrs Alex Condell and Kishaun Bassue, followed by the invocation by Reverend Joseph Edmeade and the reciting of the Credit Union prayer by the membership. Chairman Lawrence then welcomed the specially invited guests then all the members present of the FND Credit Union. Immediately following, he invited the President Dwight Warde to make his opening remarks.

President's Opening Remarks:

He stated that the recession had worsened and that the world economy had deteriorated to a state that was close to collapsing. He empathized with those members who had lost their jobs during the process. He however reminded the members that co-operatives, which included credit unions were established out of the same adversity, thus we needed to do what we do best which was "help each other to help ourselves" in these difficult times. He concluded by asking that members experiencing problems with paying their loans, should visit the FND Credit Union's office to explain their situations and the staff will be more than willing to assist in the best way possible. However, he called on those members who were deliberately delinquent to update their loans because the individual delinquent member is causing the group to suffer.

Keynote Presentation:

The keynote presentation was presented by James Webbe, General Manager of the FND Credit Union. His presentation was based on the four principles that the World Council of Credit Unions (WOCCU) has promoted as the foundation on how all credit unions must operate (**Operating Principles**); how they are governed (**Governance Principles**); the standard required to safeguard the members rights (**Consumer Protection Principles**) and the prudential standards intended to safeguard the members' savings from losses and to ensure that the credit unions function in a sound manner;

(**Safety and Soundness Principles**). However, Mr. Webbe's focus was on 'Safety and Soundness' as the Theme for the AGM was "**Safe, Sound, Local**".

Delinquency:

He said that loans that are not paid as agreed are considered delinquent the day after the first missed payment and the entire outstanding loan balance is considered past due. Immediate action should be taken to control delinquency and collections carried out when a loan is reported past due.

1. **Loan Loss Provisioning:** The provision for loans losses is the first line of defense to protect savings against identified risk or losses to the credit union. 35% of loans past due from one month to twelve months are provided for, while loans more than twelve months past due are provisioned at 100%. He noted that surpluses to be made will then become less when a high provision has to be made. He further stated that once this continue, the paying of dividends will be negatively affected which would lead to greater problems. Mr. Webbe appealed to the members present to pay their loans on time to avoid this situation. He reiterated that members who are experiencing problems with their payment should return to the credit union to speak with loan officers as the goal is to assist members.
2. **Institutional Capital (10% of Total Assets):** This is the second line of defense to protect savings. A portion of the credit union's savings should be set aside in reserve to cover losses from unforeseen or catastrophic problems. This reserve should allow the credit union to support high return rates on savings, maintain low cost on loans, create additional reserves or invest in additional services.

He also spoke about **Non-Earning Assets** limit of 5% of the total Assets, **Liquidity** - maintaining a minimum ratio of 15 % of withdrawable savings in easily accessible accounts and **Pricing** being competitive but there must be sufficient income to cover cost of funds, operating costs, provisions for loan losses and accumulation of institutional reserves.

The opening session was adjourned by Chairman Lawrence at 5.55 pm.

MINUTES OF 3RD ANNUAL GENERAL MEETING

THE BUSINESS SESSION

The Business Session was called to order by President Warde at 6.05pm.

The quorum was ascertained by the Registrar of Credit Unions.

Apologies were made on behalf of Messrs. Auckland Hector, Peter Jenkins and Ernest Pistana.

Confirmation of the minutes .

There was no amendment to the minutes.

A motion to accept the minutes as presented was moved by Mr. Spencer Howell and seconded by Mr. Earl Thomas.

No matters arose from the second (2nd) Annual General Meeting minutes.

Board of Directors Report

There were no amendments to the Board of Directors' Report.

There were no matters arising from the Board of Directors' Report.

A motion to accept the report was moved by Mrs. Diana Powell and seconded by Reverend Joseph Edmeade before being approved by the membership.

Auditor's Report

The Auditor's Report was presented by Mr. Walter Simmonds of Simmonds and Associates. A motion to adopt the Auditor's Report was moved by Mrs. Cynthia Morton and seconded by Mrs. Gloria Byron then approved by the membership.

Treasurer's Report for year ending December 31st 2011.

Highlights:

Entrepreneurs are less reluctant to expand their business as a result of the sluggish economy which has resulted in a less than anticipated growth in the loan portfolio.

Delinquency continues to be a problem despite continuous efforts by officers to address it.

The Christmas Loan Program brought much needed business to the Credit Union.

Loan Impairment: In an effort to become more aligned with PEARLS, a new system was implemented for how the Credit Union will provide for doubtful debts. This standard of excellence will be achieved gradually over a 5 year period.

The new provision is such that loans that are delinquent for over 1 year will be provided for in full. Loans that are delinquent for over 30 days but less than 12 months will be provided for at 35%. The change has resulted in a higher amount being provided for.

The change in loan provisioning policy creates a reduction in the surplus but acts as a safeguard on the reserves. The new Co-operative Act of 2011 placed tougher guidelines for reserves in credit unions. The FNDECCU has met most of the guidelines. A summary was provided showing compliance of the FNDECCU.

- The law requires 10% of assets backed by statutory and other reserves.
- An upgrade from IFRS for SME to full IFRS.
- Equities increased by 3%.
- Share capital increased by 63%.
- A surplus of \$71,000.00 for 2011 was made due to the growth in interest income.
- Increases were noted in electricity and training costs.
- Bad debt provision was lower at \$175,000.00 compared with \$633,000 in the previous year.
- New areas to invest short-term funds to maximize interest for members will be looked at.

A motion to adopt the Treasurer's Report was moved by Mr. Cosbert Manchester and seconded by Mr. Dennis Phillip.

Credit Committee Report

The Credit Committee report was presented by Dennis Phillip on behalf of Mr. Esrick Lanns, Chairman of the Committee. The purpose of the Credit Committee is to approve, monitor and supervise loans that the officers processed and address defaults and delinquency concerns.

MINUTES OF 3RD ANNUAL GENERAL MEETING

Personal loans total value was much higher than business loans in 2011. This was indicated not to be a good sign for business loans. The outlook is for more members to apply for entrepreneurial loans which will in turn help the economy grow. The low value of farming loans was compared to the following year and described as not good enough.

The members were encouraged to earn more dividends by borrowing more and paying back what was borrowed on time.

The business loans portfolio was decreasing and continued from the previous year. The main business loan areas were for buses and construction loans. The bus market being saturated, the presenter encouraged members to be more creative in coming up with new business ideas.

Delinquency was once again addressed and deemed a significant crippling effect on the Credit Union.

It was highlighted that loans with the Solicitors in the financial statement amounted to \$711,000 as compared to \$812,000 the previous year. It was noted that with that amount of money out there not being collected hampers the growth of the Credit Union.

Member Samuel Lawrence questioned the reasoning for the high disbursement of vacation/traveling loans when the delinquency rate was at a high level. It was explained that was the category that the members requested and were qualified to receive. He then suggested that there may be need for the Credit Union to prioritize in regards to the issuance of loans in various categories.

A concern over the targeting mechanism for loans was also raised with an emphasis on the need for more young people to enter into farming.

The motion to adopt the Credit Committee Report was moved by Ms. Shonica Willett and seconded by Mr. Carl Lake.

Supervisory Committee Report

The Report was presented by Mr. Randolph Taylor, Acting Chairman of the Committee. Apologies were made on behalf of Mr. Dennis Johnson who was unable to attend the meeting due to illness.

A random sample of members was selected to participate in a survey to verify the accuracy of the balances documented in their passbook in comparison to the records of the Credit Union.

The committee found that loans were approved in accordance with the policies.

The motion to adopt the report was moved by Mr. Maurice Williams and seconded by Mr. Dave Rubaine.

Declaration of Dividends

President Warde presented a recommendation of the Board to declare a 3% dividend. This was unanimously approved by the membership.

Elections of Officers:

The Nominating Committee's recommendations were as follows:

COMMITTEE	RETIRED/RESIGNED	NOMINATED	TERM	YEARS	RETIRING
Board of Directors	Mr. Auckland Hector Mr. Spencer Howell	Mr. Auckland Hector Mr. Spencer Howell	1st 1st	0 0	2012 2012
Credit Committee	Mr. Valdemar Warner	Mr. Valdemar Warner	1st	0	2012
Supervisory Committee	Mr. David Fox Mr. Howard Mc. Eachrane Mr. Ashford Franks	Mrs. Euphemia Brice-Roberts Mrs. Tonya Lawrence Mr. Carl Osborne	1st 1st 1st	3 3 3	2015 2015 2015

MINUTES OF 3RD ANNUAL GENERAL MEETING

Board of Directors nominations: With no nominations coming from the floor, it was moved by Mr. Gary Moving and seconded by Mr. Trevor Cornelius that nomination be ceased and was approved by the membership.

Credit Committee nominations: With no nominations coming from the floor, it was moved by Mr. Dennis Phillip and seconded by Mr. Cosbert Manchester that nomination be ceased and approved by the membership.

Supervisory Committee nominations: With no nominations coming from the floor, it was moved by Ms. Juliette Caines and seconded by Mr. Dwight Warde that nomination be ceased.

The recommendation to approve \$600,000 as the maximum liability or borrowing limit of the Credit Union was granted by the membership.

The recommendation to appoint Simmonds & Associates as the Credit Union's auditor was granted by the membership.

The Vote of Thanks was given by Mr. Shanwa Broadbelt. Special thanks was given to Captain Jones of the Sea Bridge who held the return ferry to accommodate the

Nevis members present at the AGM, Mr. Kendall Hanley for transporting the Nevis members to the conference venue and to all the members in attendance.

Gifts were donated by:
C&C Superfoods
Sweet Cane Restaurant
Ashbury's
Dominoes Pizza
Rituals Coffee House
Brown Sugar
KM Services

Adjournment:

The 3rd Annual General Meeting of the FND Enterprise Co-operative Credit Union Ltd adjourned at 7.45 pm.



.....
Diana Bowrin Powell (Mrs.)
BOARD SECRETARY

**Big
Rewards
Starts
with Small
Savings.
Feed Your
Piggy Bank!**



BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

Fellow Co-operators, your Board of Directors presents its report on the operations and performance of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) for the financial year ended December 31, 2012 with a sense of optimism.

OVERVIEW

The Governor of the Eastern Caribbean Central Bank, Sir Dwight Venner began his 2012 Economic Review with the statement, *"The Countries of the Eastern Caribbean Currency Union have endured four years of negative economic growth as a result of the global economic and financial crisis which has affected all facets of our economic and financial systems"* and the theme of his presentation was **"Realism and Hope"**.

In 2012, the economic environment in the Federation of St. Kitts-Nevis remained depressed and our citizens continued to experience financial difficulties. More of our business members closed their doors and members continued to be laid off from jobs that they held for many years, while the cost of living continued to increase. This situation has affected our members severely, limiting their disposable income and therefore their ability to meet their loan obligations and save regularly, which are pre-requisites for the success of our Credit Union. This is the **reality** of our situation.

However, your Board is very optimistic that if we all play our roles in this partnership we will survive this economic

turmoil and realize our goal of people working together to achieve a better life for themselves and our communities. Therefore, deliberate actions are needed and to this end, a three year Business / Strategic Plan is being prepared by Management for approval by the Board early in the New Year.

Despite the challenges that are being encountered, the FNDECCU was still able to lend much needed funds to qualified members during 2012. With the implementation of the business plan for the next three years and with your help and co-operation, we are confident that the Credit Union will achieve sustainable growth.

It is worthy to note that Sir Dwight Venner's fourth strategy for the way forward in the economic review is *"the active involvement of the populace in the development effort. Potential avenues include involvement in co-operatives and investments clubs"*.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

At the 3rd Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited held on July 9, 2011, Mr. Auckland Hector and Mr. Spencer Howell retired on a rotation basis and offered themselves for re-election. Both members were re-elected un-opposed. The new Executive was elected at the first meeting after the AGM as follows:

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Dwight Warde	President	1st	0	2013
Ernest Pistana	Vice President	2nd	0	2013
Diana Powell	Secretary	2nd	0	2013
Gary Moving	Treasurer	1st	0	2013
Auckland Hector	Assistant Secretary	2nd	2	2015
Faron Lawrence	Assistant Treasurer	2nd	1	2014
Spencer Howell	Director	2nd	2	2015
Peter Jenkins	Director	1st	1	2014
Trevor Cornelius	Director	1st	1	2014

Meetings

During the period under review, your **Board of Directors** met monthly, in compliance with Article 15 (1) of the by-laws to conduct the regular business of the Credit Union; and when it was considered necessary, the Board met more than once per month to deal with specific issues. Fifteen (15) Board meetings were held during the year.

ADMINISTRATION AND MANAGEMENT

Staffing

There were no staff changes during 2012. However, subsequently in March 2013, the position of Deputy General Manager held by Mrs. Vera Manchester was made redundant. The Board takes this opportunity to express our gratitude to Mrs. Manchester for her long and dedicated service to the FND, our predecessor institution and also the effort made during the conversion stages and the past three and a half years since the conversion to a credit union.

Staff Training and Development:

Members of staff participated in seminars and workshops during 2012 as follows:

- **Shonica Willett** pursued a **Record Management (Electronic & Manual) Course** - (Jan-Apr) conducted by Ms. Averil Archibald.
- **Shauna Daniel** attended a one day workshop in **Anti-money Laundering and Counter Financing Terrorism (AML/CFT)** hosted by the Nevis Financial Services and Supervision Department.
- **Shonica Willett** attended a one day **Leadership Training Seminar** on 24 April, 2012 hosted by the National Association of Administrative Professionals. She also pursued a 12 week certificate course in Supervisory Management facilitated by the University of the West Indies (May- Aug)
- **Mr. James Webbe**, General Manager attended a consultation and workshop for financiers held in Barbados under the theme "**Financing Sustainable Energy in the Caribbean**" in November. This event was jointly sponsored by the European Union and the German Government and executed by the OAS and the OECS.

Staff, Committee and Members' Education

During the year under review, Board, committee and staff members were again exposed to regional conferences during which workshops and seminars of a very high standard were delivered by high profile professionals. A wide variety of topics related to the Credit Union Movement and its operations were discussed:

Caribbean Confederation of Credit Unions:

A three member delegation consisting of Mr. James Webbe, General Manager, Mr. Gary Moving Treasurer and Mr. Dennis Phillip, Credit Committee member represented the FND Credit Union at the 55th Annual International Convention and 41st Annual General Meeting of the **Caribbean Confederation of Credit Unions (CCCCU)** in collaboration with the **Credit Union Executives Society (CUES)** this year. This was held at the Ritz Carlton Golf & Spa Resort in Jamaica during the month of June.

Topics discussed included:

- Transformational Leadership
- Strategic Alliance and Relationships
- The Seven Deadly Sins of Strategic Implementation
- Credit Union Brand Engineering (CUBE)
- Best practices in Credit Union performance
- Mathematics for management Risk

The topics discussed were intended to assist participants in focusing on survival strategies in their respective credit unions during this difficult economic period.

MARKETING AND EDUCATION AWARENESS PROGRAMMES:

The Marketing and Educational Awareness Programmes executed during the past year focused mainly on fostering relationships, building Youth Accounts and implementing a campaign for the launch of a new product, the Chequing Account.

The FND Enterprise Cooperative Credit Union's (FNDECCU) penetration in the local market is a result of advertising in the following categories: Radio, TV, Online, Word Of Mouth (Sale Presentations, trade shows, workshops, etc.) and other mediums such as newspapers.

BOARD OF DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

In an effort to reduce advertising and communication costs, the Credit Union utilized facebook page, www.facebook.com/FNDCreditUnion and other social media. It is anticipated that even greater use will be made of these methods in the future.

Marketing & Market Research

The Credit Union implemented a variety of programmes that enhanced the marketing and sale of its financial products. Activities included public outreach and on-site presentation to specific groups.

A special campaign was implemented that saw the successful launch of the Credit Union's newest product, the Current Account.

Education and Awareness

Two educational seminars were conducted during the year along with short radio and television interviews to increase the awareness of several events that the FNDECCU participated in. Visits and presentations were made to various companies, religious groups and at schools.

The initiatives undertaken in 2012 to boost the awareness of the credit union yielded several positive results. Youth Savers Accounts increased and the general awareness of the Credit Union's transformation also enhanced.

PERFORMANCE

Financial

The performance of the FNDECCU during the 2012 financial year was not what was projected. While our total assets decreased, we recorded increases in membership and consequently an increase in Share Value; our deposits also increased despite the depressed economy. Our Loans Portfolio also showed an increase, but interest income declined due to an increase in the Bad Debt provisioning which contributed significantly to the loss recorded.

Details of the Credit Union's financial performance are presented in the Treasurer's Report pages 15-16 and Financial Statements pages 29-51.

Loans Portfolio and Delinquency

A strong loans portfolio is essential for any financial institution to be profitable. The Credit Union increased its portfolio during the year by a \$571,045 but had to provide \$184,500.00 for bad debt. Thus, delinquency continues to be a major challenge and is affecting the growth and strength of the Credit Union. We recognized that some members lost their jobs and therefore could not meet their obligations. The officers made every attempt to assist those members who were unfortunate. However, we also knew that some members used the excuse of a depressed economy to shirk their responsibilities and legal actions had to be instituted in those cases. As in previous years, appropriate measures are being used to ensure members adhered to their commitments.

Membership and Services

At 31st December, 2011, there were 1206 shareholders valuing \$513,665.00 indicating an average share value per member of \$425.92. When compared with the period under review ended 31st December, 2012, the number of shareholders had grown to 1525 with a total share value of \$627,810.00 showing an average value of shares per member of \$411.68. This represents an increase of 319 shareholders or 26% increase. It also indicates that the value of shares increased by \$114,145.00 or 22% for the same period.

Total Deposits as at December 31, 2012 was \$3,291,389.00, an increase of \$458,979.00 or 16% over December 31, 2011. This modest increase is an indicator of the depressed economic situation in the Federation where members are finding it difficult to save.

The Credit Union introduced its Current Account service to its members as part of its overall objective for the year. This service became available in November and to date several members have utilized the service.

FUTURE OUTLOOK

Your Board is concerned that the viability and strength of the Credit Union is maintained. As a result, initiatives have been implemented which included an operational review to ensure maximum utilization of staff resources, adherence to internal controls as well as compliance to policies. A Risk Analysis was also undertaken out of which a manual will be produced. The Board is committed to the implementation of the several recommendations.

In addition, your Board has mandated that the Credit Union be PEARLS compliant within the next two years. This will ensure that all relevant financial ratios and standards including Loan provisioning be at international standard. It is pleasing to note that your Credit Union is 74% along the way.

The Board will be looking to make the appropriate amendments to the Bye-laws soon after the regulations of the Co-operatives Societies Act 2011 are finalized and gazetted by the government.

CONCLUSION

The Board wishes to thank the general membership, outgoing Board and committee members and staff for your commitment to the co-operative principles and acknowledges your interest in ensuring that your Credit Union maintains growth and stability even in the current difficult environment. The Board also wishes to thank all other stakeholders for their partnership and service in 2012 and looks forward to the continued support and participation in the future.

Presented for and on behalf of the Board of Directors.



.....
 Dwight Warde
 President

TREASURER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

OVERVIEW

The difficult economy of 2011 continued in 2012 throughout Saint Kitts and Nevis. In fact it was reported that the economy contracted by 1.3% and significantly affected the tourism and construction sectors. This continues to negatively impact the trucking industry in Nevis where we have seen some increased delinquencies.

Some of our members experienced job losses and reduced income in 2012 making it increasingly arduous to service outstanding loans and some businesses were forced to close.

Although there has been growth in personal loans for various reasons, business loans continue to be sluggish. We have also seen a dearth of new ideas as members are not seeking loans for new innovative enterprises but requesting loans for industries that are already crowded and competitive.

ASSETS

Some \$121,794 was spent to improve the parking facilities for the members of the Credit Union and also to repair and construct the fencing. Another \$4,600 was expended on the purchase of new computers. A new Savings Account was established at National Bank which will earn valuable interest on idle cash not yet loaned out.

Assets declined by \$261,000 in 2012 mainly as a result of charges to bad debts for loans and other receivables as well as wear and tear on fixed assets held.

LIABILITIES

Our overall liabilities show a small decline as we continue to repay loans received from the Social Security Board, Development Bank and other funding agencies. Total deposits from members grew by 13.5% which is an indicator that in spite of the financial difficulties that many have, there is still an effort to put away something further for future rainy days.

EQUITY

Total Equity, which is our share capital and reserves, experienced a negligible 0.3% dip because of the loss made this year. Notwithstanding, share capital continues to grow and stands at \$627,810 a 22.5% increase over 2011.

LOSS FOR THE YEAR**Income**

Income levels declined by 4.7% in 2012, mainly as a result of Interest Income earnings decreasing by over \$100,000 compared to 2011. Loan fees increased by just under \$19,000, a reflection of the increase in personal loans compared to the previous year. Late fees also increased, signalling the difficulties members are having meeting their obligations.

Expenses

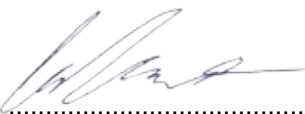
With the addition of a new employee to better serve our members and staff increments, payroll expenses increased by \$42,000. Vehicle maintenance expenses increased by \$8,700 and some \$149,700 were spent on promotions and advertisement, an increase of \$37,900 or 34%. Expenditure on meetings and conventions and Staff training was reduced by \$20,800 and \$10,600 respectively, but AGM costs went up 48% or \$10,800. Utilities, which include electricity, showed an \$8,700 increase over the prior year of 2011. Interest paid on loans declined by \$30,200, however interest paid to depositors increased by \$23,300. Bad debt expense totalled to \$184,500 increasing by \$13,900 over last year.

The above were the main reasons for the loss that was made for the year under review.

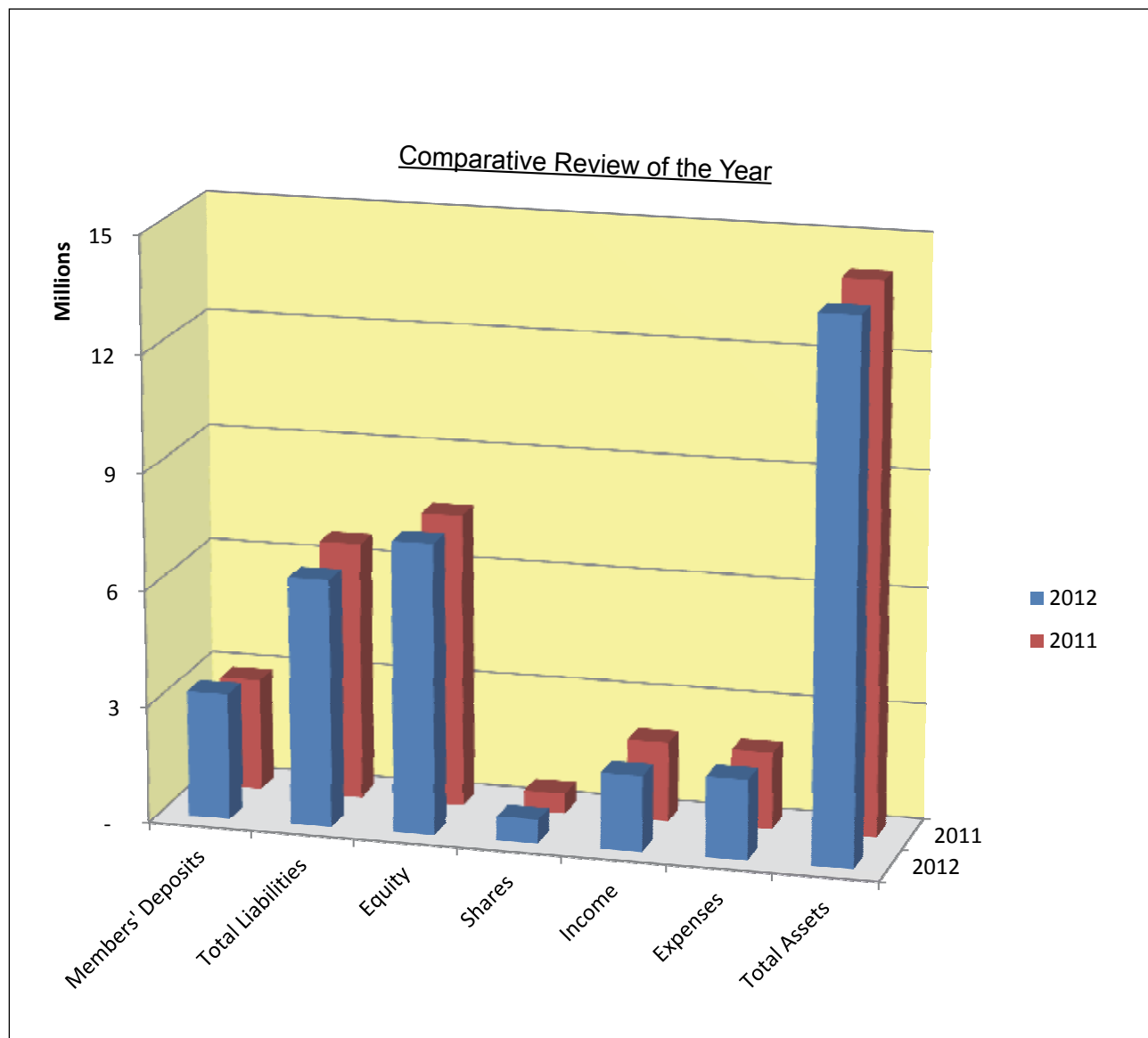
CONCLUSION

In conclusion 2012 was not a very good year for the Credit Union as we made an overall loss of \$116,877 compared to a profit in 2011 of \$71,049. Our loan portfolio will have to increase even more and we will have to double our efforts to curb bad debts and encourage our members to keep their accounts up to date.

Expenditure will also have to be more closely monitored especially, marketing and utility costs if we are to return to the road of profitability.



.....
Gary Moving
Treasurer



CREDIT COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

It is indeed a pleasure to report to the members of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) on the activities of the Credit Committee and the loans portfolio for the year ended December 31, 2012.

The members of the Credit Committee were:

- Mr. Esrick Lanns, Chairman
- Ms. Gallio Gumbs, Secretary
- Mr. Dennis Phillip, Member
- Mr. Valdemar Warner, Member
- Mr. Wendell Huggins, Member

At the 3rd Annual General Meeting of the Credit Union, Mr. Valdemar Warner retired on rotation and was re-elected un-opposed for a second three-year term.

The table below provides information related to the terms of the members.

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Esrick Lanns	Chairman	2 nd	0	2013
Gallio Gumbs	Secretary	1 st	1	2014
Dennis Phillip	Member	2 nd	0	2013
Wendell Huggins	Member	1 st	1	2014
Valdemar Warner	Member	2 nd	2	2015

MEETINGS:

As in previous years, meetings of the committee were held on average on a monthly basis to review/approve loan applications and to scrutinize the delinquent loans and provide advice/directives. Approvals were based on the guidelines set out in the Credit Union's by-laws and loan policy. During 2012, a total of 11 meetings were held.

LOANS PORTFOLIO

- At 31st December, 2012 the Business loans portfolio amounted to \$4,762,505.93 for 180 loans compared to \$5,789,941.81 for 230 loans at 31st December, 2011. This indicates another substantial decrease of 50 loans valued at \$1,027,435.88 or 18% during year 2012. In 2011, the portfolio had decreased by \$1,431,344.06 which indicated that over a two year period the business loans portfolio decreased by \$2,458,779.94.
- The Personal loans portfolio as at 31st December, 2012 was \$6,923,547.93 for 588 loans compared with 500 loans valuing \$5,325,060.19 as at 31st December, 2011. This indicates increases in the number and value of loans by 88 and \$1,598,487.74 or 30% over 2011.

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD
CREDIT COMMITTEE REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2012

- Overall the number and value of loans increased by 37 and \$571,045.88

Loan Type	2012		2011	
	No.	Value	No.	Value
Business Loans	180	\$ 4,762,505.95	230	\$ 5,789,947.81
Personal Loans	588	\$ 6,923,547.93	500	\$ 5,325,060.19
Totals	768	\$11,686,053.88	730	\$11,115,008.00

BUSINESS LOANS DISBURSED BY PURPOSE

PURPOSE	2012		2011	
	No.	Value	No.	Value
AIR CONDITIONING	1	35,000.00	1	25,000.00
BUS	16	550,661.65	13	288,489.56
DAY CARE CENTRES	-	-	3	210,000.00
ENTERTAINMENT	1	10,000.00	5	234,300.00
FARMING	5	161,000.00	4	53,000.00
FISHING	-	-	4	99,600.00
GRAPHIC ARTS	1	50,000.00	3	96,000.00
LANDSCAPING	-	-	1	25000.00
PARALEGAL SERVICES	1	35,000.00	-	-
RESTAURANT/CATERING	5	172,500.00	1	5,000.00
RETAIL	26	463,198.59	24	454,000.00
SECURITY SERVICES	1	25,000.00	-	-
TAXI/TOURISM SERVICES	4	268,000.00	1	50,000.00
MANUFACTURING	2	15,200.00	5	76,700.00
MASSAGE THERAPY	1	35,000.00	-	-
TRUCKING	2	60,525.18	4	213,000.00
VEHICLE RENTALS	-	-	1	50,000.00
VEHICLE REPAIRS	1	31,000.00	1	21,000.00
TOTALS	67	\$1,912,085.42	71	\$1,901,089.56

67 Business Loans were disbursed for a total of \$1,912,085.42 during 2012. These figures were made up as follows: 54 loans totaling \$1,521,060.24 for St. Kitts and 10 loans totaling \$147,500.00 for Nevis. This represented an insignificant increase of 4 loans valuing \$10,995.86 or 1% more than in 2011. This indicates that the declining trend over the last two years has reverse or at worst halted. This is a good sign and we are hoping that the increasing trend will continue in 2013. The depressed state of the economy can only rebound if more business activity is undertaken. Your Credit Union will make funds available to members with good researched and prepared business ideas with a view to improving business climate in the Federation.

CREDIT COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

PERSONAL LOANS DISBURSED

PURPOSE	2011		2012	
	No.	Value	No.	Value
CHILD CARE	-	-	1	10,000.00
BOAT PURCHASE	2	38,700.00	-	-
COMPUTER PURCHASE	-	-	4	18,600.00
DEBT CONSOLIDATION	120	1,966,777.22	92	1,386,820.13
EDUCATION	11	274,500.00	6	47,600.00
FUNERAL EXPENSES	2	28,500.00	4	49,700.00
GENERATOR PURCHASE	-	-	2	12,000.00
HOUSEHOLD PURCHASES	29	222,200.00	24	226,000.00
LEGAL FEES	3	48,000.00	5	32,641.50
MEDICAL EXPENSES	11	177,500.00	12	178,600.00
MUSICAL EQUIP. PURCHASE	2	17,000.00	2	8000.00
PROPERTY FENCING	2	20,000.00	6	50,400.00
LAND PURCHASE	3	107,000.00	5	158,204.00
PROPERTY REPAIRS	44	839,844.46	29	412,400.00
PROPERTY INSURANCE	1	2,000.00	1	6,000.00
SCHOOL SUPPLIES	18	127,800.00	4	16,000.00
TRAVEL/SHOPPING	107	987,000.00	114	924,900.00
VACATION	22	176,400.00	27	156,100.00
VEHICLE PURCHASE	33	597,100.00	15	361,600.00
VEHICLE MAINTENANCE	27	308,108.11	24	188,700.00
VEHICLE INSURANCE	3	25,000.00	-	-
WEDDING EXPENSES	5	53,500.00	2	3,000.00
MISCELLANEOUS PERSONAL EXPENSES	4	22,500.00	-	-
TOTAL	449	\$6,039,429.79	380	\$4,252,265.63

449 Personal loans amounting to \$6,039,429.79 were disbursed during the year 2012: 318 loans in St. Kitts totaling \$4,782,729.79 and 131 loans in Nevis totaling \$1,256,700.00. These figures indicated an increase of \$1,787,164.16 or 42% over 2011.

DELINQUENCY

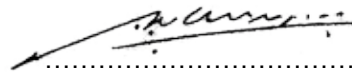
Delinquency control continues to be a challenge especially in this difficult financial period. Vigorous and aggressive collection tactics were implemented during the year, but your Credit Union was empathetic to those members who unfortunately lost their jobs. We made arrangements to make life easier by providing counseling and rescheduling loans on a case by case basis. However, members who willfully abrogated their commitments were referred to our solicitors for collection.

The first line of defense to protect members' savings against identified risk or losses to the Credit Union is the provision for loan losses which is carried out on a monthly basis working towards meeting the PEARLS Standard of Excellence in the shortest possible time. However, this can have a dilapidating effect on the operations of the institution because the provision affects the profitability of the institution. It is imperative that members honour their commitments and obligations to your Credit Union.

CONCLUSION

Notwithstanding the difficult financial environment in our Federation, the Credit Union continues to provide its members with invaluable financial support as we strive to enhance our lives by building 'financially strong communities'. We will only succeed if all our members live up to the mantra of "people helping people". The Credit Committee would like to thank the General Manager, the Deputy General Manager and the entire Loans Division for the unswerving support given during the year.

We also thank the members who used the FND Credit Union as your first choice for your financial needs as this is the only way we can succeed. Consequently, we continue to remind you to **SAVE** regularly, **BORROW** prudently and **REPAY** promptly.



.....
Esrick Lanns
Chairman
On behalf of the Credit Committee

SUPERVISORY COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

At the 3rd Annual General Meeting, in keeping with Section 17 (1) of the By-Laws of the FNDECCU, new members were elected to the Supervisory Committee to replace outgoing members: Mr. David Fox, Mr. Howard Mc. Eachrane and Mr. Ashford Franks.

The Supervisory Committee convened its first meeting on August 16th 2012, and elected the more senior members, Mr. Randolph Taylor and Mr. Denis Johnson as Chairman and Secretary respectively to lead the committee. In addition, the members were elected on a rotation basis:

Mr. Carl Osborne	-	3 Years
Mrs. Tonya Lawrence	-	2 Years
Mr. Denis Johnson	-	2 Years
Mr. Randolph Taylor	-	1 Year
Mrs. Euphemia Brice Roberts	-	1 Year

In accordance with the FNDECCU By-Laws; (17) Section (1-11), the Supervisory Committee monitors all aspects of the Credit Union's activities. It is charged with the responsibility of ensuring that the Credit Union is prudently managed and members' assets are safeguarded. This responsibility includes, but is not limited to the following:

- Examining the books of the Society
- Scrutinizing and appraising the policies and operating procedures;
- Confirming cash instruments, property and securities of the Society;
- Confirming the shares, deposits and other balances or holdings of members;
- Monitoring the management of the Society
- Liaising with the internal auditor and the external auditor;
- Auditing the functions of the management and staff;
- Auditing the asset-liability management and liquidity of the credit union
- Focusing on the risk management of the credit union;
- Verifying of the assets of the society to determine whether they were properly protected
- Investigating complaints made by members affecting the proper management of the credit union;

- Annual random verification of a sample of members' pass books and records/accounts held at the Credit Union;
- Ensuring that all advances, loans, deposits, other transactions and decisions involving Directors, Committee members and employees are in compliance with the Co-operatives Societies Act 2011, Regulations, By-Laws and Policies of the Credit Union.

The Supervisory Committee met in September 2012 to design a work plan in order to fulfill its responsibilities, obligations and monthly duties. It was decided that the 3rd Thursday at 5:15 pm of each month would be set aside for committee meetings. Mr. Broadbelt made arrangements for new members to take the oath of secrecy. Due to personal beliefs, member Mrs. Brice-Roberts resigned from the committee. We would like to thank Mrs. Brice-Roberts for her time served.

The Supervisory Committee continued its effort to comply with FNDECCU's By-Laws, rules and Regulations. We met to evaluate and address the issues and lessons learnt from the operations of the previous Supervisory Committees. We then evaluated the safety and security of staff, property and document storage space. In addressing issues with respect to emergency procedures, the members undertook a tour of the facilities.

Three committee members attended the Joint Committee meeting that was held on October Thursday 18th, 2012 in accordance with the requirement of Article 15 section 19. At this meeting the Chair of the Supervisory Committee spoke to its work plan and a request was made for the committee to audit the functions of and also evaluate the relationship between management and staff.

In February, the Supervisory Committee undertook a week long audit of FNDECCU's operational procedures and internal control system at the FNDECCU Headquarters. This was followed by a similar audit of the functions of the management and staff at the FNDECCU Nevis Branch. During this audit the Committee also:

- o audited the functions of the management and staff
- o evaluated the relationship between management and staff and
- o Investigated a complaint by letter made by an anonymous member

SUPERVISORY COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

The Supervisory Committee found that conditions under which loans were approved were being followed in compliance with the Co-operatives Societies Act 2011, Regulations, By-Laws and Policies of the FNDECCU. The random audit of members' loans, deposits, and other transactions were evaluated and verification was made that collateral conditions were being properly implemented and the loans were within the approval limits established for the General Manager, Credit Committee and the Board of Directors.

The evaluation was in-depth as attention was given to the functions of the management and staff, human relationship issues, and the contents of a letter by an anonymous member. Questions were asked about staff work load, performance, job satisfaction and worker aspirations. The Committee found a "fairly productive working environment." The staff, a few exceptions, was punctual and served customers well. However, the Committee believes that staff can be made more comfortable in their work spaces and that long serving members should be recognized. Time did not permit the Committee to peruse the minutes, meet with the Board or liaise with the auditors.

The Supervisory Committee was pleased to present to the membership its report of the FND Enterprise Cooperative Credit Union for the year ended December 31, 2012. Furthermore, the Supervisory Committee takes pleasure to report that to the best of its knowledge, the Management, staff, as well as the Management Committees adhered to the policies and procedures outlined in the FNDECCU By-laws No 1 of 2009 and the Policy Manual, during the period of review. We wish to thank all the members for demonstrating confidence in our ability to supervise the operations of the FNDECCU during 2012.



.....
Mr. Percy Randolph Taylor
Chairman
On behalf of the Supervisory Committee

NOMINATING COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

The Board of Directors appointed a Nominating Committee in accordance with Article 12, Section 1 (a) of the By-Laws of the FND Co-operative Credit Union Limited, for the purpose of nominating members to fill vacancies for which elections will be held at the 4th Annual General Meeting.

The Nominating Committee's role is to ensure that there is a smooth and legitimate nominating process of qualified persons who are evaluated before being presented as nominees for election. Taking this into consideration, coupled with the focus on the recently concluded FNDECCU's Business Plan, the Nominating Committee paid specific attention to the selection of nominees who it felt could contribute immensely to the strategic path outlined by management and adopted by the Board.

The Nominating Committee comprised of the following persons:

Mr. R. A. Peter Jenkins	-	Director (Chairperson)
Mrs. Tonya Lawrence	-	Member, Supervisory Committee
Mr. Shanwa Broadbelt	-	Staff Member

The Nominating Committee is pleased to present its report to the 4th Annual General Meeting.

Both Mr. Ernest Pistana and Mrs. Diana Powell of the Board of Directors are due to retire having served their

first and second terms. However, Mr. Dwight Warde and Mr. Gary Moving are due to retire on rotation having both served their first terms. Unfortunately, both Directors have decided to take their leave due to personal commitments thus creating a total of four vacant positions on the Board.

Mr. Randolph Taylor, Chairman of the Supervisory Committee, having served two consecutive terms is due to retire. On the other hand, Mrs. Euphemia Brice-Roberts chose to resign. Hence, these two developments created two positions to be filled on the Supervisory Committee.

Both Mr. Esrick Lanns, Chairman of the Credit Committee and Mr. Dennis Phillip, having served two consecutive terms are due to retire from the Credit Committee. Therefore, two vacancies were created on that Committee.

In light of the need for replacements to fill these voluntary positions and after careful deliberations, the Nominating Committee is of the view that it has presented the best candidates from the pool made available to it, to fill all of the available vacant positions. The Committee believes that the nominees, if given the chance, will serve the Credit Union with distinction, willingly giving their time, expertise and experience for the enhancement of the FND Enterprise Cooperative Credit Union and the Credit Union Movement on a whole.

The Nominating Committee's recommendations are as follows:

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Board of Directors	Mr. Dwight Warde	1 st	2013	Mr. Dennis Phillip	1 st	3	2016
	Mr. Ernest Pistana	2 nd	2013	Mr. Trevor Phipps	1 st	3	2016
	Mr. Gary Moving	1 st	2013	Mr. Terrence Crossman	1 st	3	2016
	Mrs. Diana Powell	2 nd	2013	Mrs. Malvie James	1 st	3	2016

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Credit Committee	Mr. Esrick Lanns	2 nd	2013	Mr. Osbert DeSuza	1 st	3	2016
	Mr. Dennis Phillip	2 nd	2013	Mr. Sean Lawrence	1 st	3	2016

Committee	Retired/Resigned	Term	Retiring	Nominated	Term	Years	Retiring
Supervisory Committee	Mr. Randolph Taylor	2 nd	2013	Ms. Shermel Jeffers	1 st	3	2016
	Mrs. Euphemia Brice-Roberts	1 st	2013	Mrs. Velda Irish-Browne	1 st	3	2016

BRIEF BIOGRAPHY OF NEW NOMINEES

Mr. Dennis Phillip is no stranger to the FND Enterprise Co-operative Credit Union Limited having recently completed two terms as a member of the Credit Committee. He is a very dependable member of the Credit Union who could be called upon at any time to assist in whatever way necessary. Mr. Phillip's dedication to the institution goes without question as demonstrated by him being first a client of the then Foundation for National Development and now as an active member and volunteer of the FND Credit Union since its inception. He is a renowned and successful businessman in St. Kitts who has been in business for approximately 37 years.

Mr. Trevor A. Phipps has been employed at Caribbean Credit Card Corporation (4CS) for the past 14 years and currently holds the position of IT Manager. Trevor is a highly trained and experienced information systems technology expert. His experience includes extensive working knowledge in the payment systems processing environment, having implemented and provided daily support for sophisticated switching technology, with online, real-time connectivity to multiple financial institutions across the entire Eastern Caribbean and into Guyana and Suriname. Mr. Phipps has been integrally involved in the network design initiatives to facilitate regional projects. He previously worked in the IT Department of the National Bank Group of Companies.

Mr. Terrence A. Crossman earned a Master of Business Administration from the University of Leicester in the United Kingdom, and is pursuing a Master of Science Degree in Global Consumer Marketing. He holds a Bachelor of Arts Degree in Accounting (summa cum laude) from the University of the Virgin Islands. Having resided in the United States for ten years, he gained diverse professional experience working for companies that included PricewaterhouseCoopers and Computron Software in Atlanta, GA, and Boston Consulting Group in New York, NY. Mr. Crossman is currently the Chief Executive Officer of the St. Kitts and Nevis Sugar Industry Diversification Foundation (SIDF) after first serving as its Chairman from its inception in 2006 until April 2012 when the executive office was established. Prior to assuming this position, he worked as CEO of the St. Christopher Air and Sea Ports Authority (SCASPA) where he led the transformation of the Authority to becoming more customer-focused. Mr. Crossman also worked for eight years at LIME (formerly Cable & Wireless) where his last position was Vice President of Corporate Sales.

An unassuming gentleman, Mr. Crossman is involved in various community activities, and is particularly keen on contributing his resources to projects aimed at the academic advancement of youth.

Mrs. Malvie James worked in the banking sector for quite a number of years before she moved on to the Kajola-Kristada Limited, where she currently holds the position of Human Resource Manager for over 14 years. Her job involves interacting with a female dominated staff count of 250 that has afforded her the experience to deal with a staff strength which comes with its inherent challenges. She is a staunch believer in acts of magnanimity and her position has sensitized her of the importance to communicate, listen, share and tolerate other peoples' differences. She is an ardent Christian who is responsible for the youths in her church and whose career objective and aspiration is to develop awareness, knowledge, and skills in the application of counseling practice, including diagnosis, assessment, conceptualization, and interventions.

Mr. Osbert DeSuza is a qualified mathematics/statistics teacher, a significant post that he held for many years at the Basseterre High School where he taught. He has been employed as Project Manager for the Basic Needs Trust Fund (BNTF) programmes for the past 17 years. During this period, he has been developing projects for submission to the Caribbean Development Bank in Barbados. This programme has been very instrumental in developing the communities throughout St. Kitts and Nevis by facilitating several significant poverty alleviation projects. He possesses the ability to screen projects and determine their viability as this is part of his daily job. He has also facilitated training in basic project proposal writing. His educational background also offers him the ability to screen applicants, analyze debt service ratios and assess credit risks. He is a staunch advocate of self-sustainability which is evident by his love for farming in which he has been engaged for the past 27 years. He is looking forward to making his expertise available to the FND Credit Union and by extension the membership.

Mr. Sean Lawrence was employed as a Benefits Officer at the Social Security Board where he learned to balance the people's needs with the Policies and Laws governing that institution. Following this stint he successfully attained his Bachelors in International Trade with a minor in Business Administration. This allowed him to gain employment in the Ministry of Finance for approximately six years as a Debt Management Officer, charged with the primary duty to ensure that the Government's external

NOMINATING COMMITTEE REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

and internal debts obligations were prudently managed and remained current. He now holds a Masters Degree in International Relations and World Order and currently serves as a Trade Policy Officer within the Ministry of International Trade, Industry, Commerce and Consumer Affairs where he mainly facilitates the provision of opportunities for nationals to grow in the many facets of their lives.

Ms. Shermel Jeffers has been employed within the service industry for approximately 12 years. During this period, she received numerous accolades from a reputable financial institution as recognition for her outstanding performances in the area of 'Sales and Service' for St. Kitts & other Eastern Caribbean Islands. There, she held the post of loan officer that afforded her the opportunity to gain the necessary experience with screening clients, accessing credit risks and the analysis of loan projects. Ms. Jeffers also gained valuable experience while working in the credit card industry as she was once employed at a regional credit card company for five years. Currently, she is employed as a Legal and Sales Assistant at a prestigious Real Estate Development in St. Kitts.

Mrs. Velda Irish-Browne holds a Bachelor's of Business Administration Degree with a double major concentration in Accounting and Business Computer Information Systems, in addition to a Masters of Business Administration Degree. Both were attained with honors from the Midwestern State University. She is currently a Certified Public Accountant (CPA) candidate with an expected completion of November 2013, and has immediate intentions to pursue the Certified Fraud Examiner certification thereafter. Prior to embarking on her studies, Velda held the position of Operations Officer at a local financial institution acquiring 7 years of banking experience. She currently serves as Acting Deputy Comptroller in the Inland Revenue Department, with primary responsibilities for the Audit Unit and the VAT Collections Unit.

Presented for and behalf of the Nominating Committee



.....
R. A. Peter Jenkins
CHAIRPERSON

GET
PAID
FOR
GOOD
GRADES!



**Open a Savings Account
and you could be paid
for good grades.**



AUDITORS' REPORT**FOR THE YEAR ENDED DECEMBER 31, 2012*****Simmonds and Associates****Chartered Accountant*

PARTNER: W.B. SIMMONDS FCCA
ASSOCIATE: A. St. R. KNIGHT

P.O. BOX 126
NEW STREET
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ST. KITTS, W.I.

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Email: simmondsandassociates@yahoo.com

**REPORT OF THE AUDITORS TO THE MEMBERS OF
FND ENTERPRISE CO-OPERATIVE CREDIT UNION LIMITED**

We have audited the financial statements of FND Enterprise Co-operative Credit Union Limited as at December 31, 2012, which comprise the statement of financial position, the statement of comprehensive income and statement of cash flows for the year 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 these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free 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 auditor's judgement, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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.

Simmonds and Associates

Chartered Accountant

PARTNER: W.B. SIMMONDS FCCA
ASSOCIATE: A. St. R. KNIGHT

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
FND ENTERPRISE CO-OPERATIVE CREDIT UNION LIMITED
(Continued)**

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FND Enterprise Cooperative Credit Union Limited as of December 31, 2012, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.



Simmonds and Associates

ST. KITTS

2 August, 2013

STATEMENT OF FINANCIAL POSITION**AS AT DECEMBER 31, 2012**

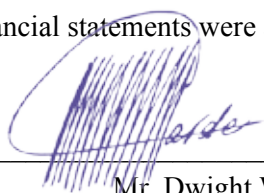
(Expressed in Eastern Caribbean Dollars)

	Notes	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
ASSETS			
Current assets			
Cash	3	1,830,434	2,539,762
Loans and other receivables	4	10,938,926	10,525,896
Investments	5	196,850	196,850
		12,966,210	13,262,508
Non-current assets			
Property, plant and equipment	6	900,020	844,057
Intangible assets	7	47,400	68,304
Deferred cost	8	540	540
		947,960	912,901
Total assets		13,914,170	14,175,409
LIABILITIES AND EQUITY			
Loans Payable	9	3,044,224	3,621,896
Security Deposits	10	3,540	45,337
Members deposit	11	3,260,697	2,871,746
Trade payables	12	87,352	96,195
		6,395,813	6,635,174
Equity			
Share capital	13	627,810	513,665
Statutory reserve fund	14	98,257	95,297
Special Reserve	15	6,699,033	6,699,033
Development Fund		2,620	2,620
Capital grants	16	163,191	169,466
(Accumulated deficit)/Retained earnings		(72,554)	60,154
		7,518,357	7,540,235
Total liabilities and equity		13,914,170	14,175,409

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

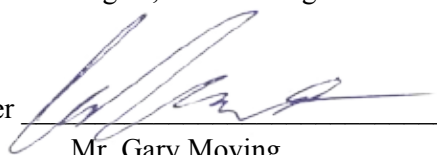
These financial statements were approved by the Board of directors on 1 August, 2013 and signed on its behalf by:

President



Mr. Dwight Warde

Treasurer



Mr. Gary Moving

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012
(Expressed in Eastern Caribbean Dollars)

	Notes	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
Fees and Other Charges	17	255,248	257,181
Interest income	18	1,702,003	1,802,361
Other Income	19	<u>22,298</u>	<u>18,528</u>
		1,979,549	2,078,070
Administrative expenses	20	(1,244,857)	(1,159,459)
Other expenses	21	(525,784)	(523,880)
Finance costs	22	<u>(325,785)</u>	<u>(323,682)</u>
(Loss)/Profit for the year		<u><u>(116,877)</u></u>	<u><u>71,049</u></u>

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

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD
STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
 (Expressed in Eastern Caribbean Dollars)

	Share capital	Special Reserve	Statutory Reserve fund	Development Fund	Capital grants	Retained earnings	Total
Balance at January 1, 2011	378,310	6,849,033	73,165	2,620	178,114	(138,763)	7,342,479
Transferred from special reserves	-	(150,000)	-	-	-	150,000	-
Shares Issued	135,355	-	-	-	-	-	135,355
Amortized in the year	-	-	-	-	(8,648)	-	(8,648)
Entrance Fees	-	-	4,370	-	-	(4,370)	-
25% of surplus to statutory reserve	-	-	17,762	-	-	(17,762)	-
Profit for the year	-	-	-	-	-	71,049	71,049
Balance at December 31, 2011	513,665	6,699,033	95,297	2,620	169,466	60,154	7,540,235
Shares Issued	114,145	-	-	-	-	-	114,145
Dividends	-	-	-	-	-	(12,871)	(12,871)
Amortized in the year	-	-	-	-	(6,275)	-	(6,275)
Entrance Fees	-	-	2,960	-	-	(2,960)	-
Loss for the year	-	-	-	-	-	(116,877)	(116,877)
Balance at December 31, 2012	627,810	6,699,033	98,257	2,620	163,191	(72,554)	7,518,357

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

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
Cash flows from operating activities		
(Loss)/Profit for the year	(116,877)	71,049
Adjustment for non-cash income and expenses:		
Depreciation of property, plant and equipment	85,760	86,825
Amortisation of intangibles	24,372	24,514
Amortisation of capital grants	(6,275)	(8,648)
Changes in operating assets and liabilities		
(Increase) in loans receivable	(419,994)	(9,321)
Decrease/(Increase) in other receivables	6,962	(8,882)
Decrease in Loans payable	(577,671)	(412,602)
(Decrease)/Increase in trade payables	(8,843)	20,672
Increase in members deposits	347,154	1,060,038
Net cash from operating activities	<u>(665,412)</u>	<u>823,645</u>
Cash flows from investing activities		
Purchase of Software	(3,468)	(3,649)
Purchase of Furniture and Fittings	(14,274)	-
Purchase of plant and equipment	(5,654)	(21,701)
Building Improvement	(121,794)	-
Net cash used in investing activities	<u>(145,190)</u>	<u>(25,350)</u>
Cash flows from financing activities		
Issue of shares	114,145	135,355
Dividends paid to shareholders	(12,871)	-
Net cash from financing activities	<u>101,274</u>	<u>135,355</u>
Net (decrease)/increase in cash and cash equivalents	(709,328)	933,650
Cash and cash equivalents at beginning of year	2,539,762	1,606,112
Cash and cash equivalents at end of year	<u>1,830,434</u>	<u>2,539,762</u>

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

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. General information

FND Enterprise Co-operative Credit Union Limited was registered under section 241 of the Co-operatives Societies Act of 1995 of St. Christopher and Nevis on July 20, 2009. A resolution was passed on June 24, 2009 to transfer the assets and liabilities of the Foundation for National Development to a credit union named FND Enterprise Co-operative Credit Union Limited. The year end of the Credit Union was established as December 31. Consequently the first Financial Statements was for the five months ending December 31, 2009. Although the Credit Union was formed on the 20th of July it began operations effective August 1, 2009. The Credit Union was automatically re-registered on October 17, 2011 under the new Co-operatives Society Act, 2011 which has replaced the Co-operatives Societies Act of 1995.

Its registered office is Bladen Commercial Development, Basseterre, St. Kitts. It conducts business at Bladen Commercial Development and Waterfront, Charlestown, Nevis.

2. Basis of preparation and accounting policies

(a) *Statement of Compliance*

The Financial Statements have been prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board.

(b) *Basis of preparation*

These financial statements of FND Enterprise Co-operative Credit Union are prepared under the historical cost convention. They are presented in Eastern Caribbean Dollars (EC\$). (US \$1 = EC \$2.70)

(c) *Use of estimates and judgements*

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies.

(d) *Standards and Interpretations to published standards effective in the financial year 2012 which are not relevant or have no significant effect on the Credit Union's financial statements.*

Amendments to IFRS 7, Disclosures - Transfers of Financial Assets effective for annual period beginning 1 June 2012.

Amendment to IAS 12 Deferred Tax - Recovery of Underlying Assets effective for annual period beginning 1 January 2012.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Credit Union

Amendments to IAS 1 Presentation of items of Other Comprehensive Income effective for annual period beginning 1 July 2012.

2. Basis of preparation and accounting policies (continued)

- (d) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Credit Union (cont'd)*

IFRS 9 Financial Instruments, is the first phase of the project to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010. IFRS 9 is required to be applied from 1 January 2013.

IFRS 10 replaces the parts of IAS 27 that deal with consolidated financial statements. Under IFRS 10 control is the only basis for consolidation. There is also a new definition for control that contains three elements: (a) power of an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investors return.

IFRS 10 is required to be applied from 1 January 2013.

IFRS 11 replaces IAS 31 Interests in Joint ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. IFRS 11 is required to be applied from 1 January 2013.

IFRS 12 is a disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. IFRS 12 is required to be applied from 1 January 2013.

IFRS 13 Fair Value Measurement, establishes a single source of guidance for fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurement. It applies to both financial instruments and non-financial instrument items.

Amendments to IFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities were issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements or similar arrangements on the entity's financial position. It is required to be applied for annual period beginning on or after 1 January 2013.

Mandatory Effective Date and Transition Disclosures was issued in December 2011. The amendments require IFRS 9 to be applied for annual periods beginning on or after 1 January 2015. These amendments modify the relief from restating prior periods.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2. Basis of preparation and accounting policies (continued)

- (d) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Credit Union (cont'd)*

Amendments to IAS 32 - Offsetting financial Assets and Financial Liabilities (Amendments to IAS 32) was in December 2011. The amendments clarify (a) the meaning of "currently has a legally enforceable right of set-off"; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payable in a single settlement process or cycle. The amendment is required to be applied for annual periods on or before 1 January 2014.

IAS 19 revised Employee Benefits effective for annual period beginning 1 January 2013.

IAS 27 revised Separate Financial Statements effective for annual period beginning 1 January 2013.

IAS 28 revised Investments in Associates and Joint Ventures effective for annual period beginning 1 January 2013.

- (e) Revenue recognition

- i) Interest

Interest is recognised using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial asset.

- ii) Fees and other charges

Revenue from fees, fines and other charges is recognised when it is probable that the economic benefits associated with the transaction will flow to the Credit Union, the amount of revenue and the stage of completion of the transaction can be reliably measured.

- (f) Borrowing Costs

Borrowing costs are interest and other costs that the Credit Union incurs in connection with borrowing of funds, members deposits, bank loans, bank overdrafts and any other financial liability. Interest is calculated using the effective interest method which is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial liability.

Borrowing costs are recognised as an expense in profit or loss in the period in which they occur.

- (g) Income Tax

Section 242 (2) of The Co-operative Societies Act, 2011-31 exempts credit unions and other registered societies from the payment of income tax, corporation tax and any other tax on income.

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

2. Basis of preparation and accounting policies (continued)

(h) Property, plant and equipment

Fixed assets are recorded at cost and are being depreciated on the straight line basis at annual rates estimated to write off the assets over their useful lives.

Building	2.5%	Computer Equipment	33 1/3%
Furniture & Fittings	15-20%	Intangible Assets	
Motor Vehicles	20%	(Computer Software)	20%
Office Equipment	20-33 1/3%	Plant and Equipment	10%

A full year's depreciation would be taken in the year of acquisition and none in the year of disposal.

(i) Impairment of assets

Each year property, plant and equipment, intangible assets and investments are reviewed. Any impairment is recognised in profit or loss.

Provision for Loan Losses is estimated using PEARLS where 35% of debts older than 30 days but less than 12 months are provided for and all debts over one year are provided for in full. The Credit Union has decided to gradually adopt Pearls over five years by annually reducing the gap between Pearls and the current provision until full compliance is achieved by the year 2015.

(j) Account receivables and payables

Receivables and Payables mainly refer to interest on transactions. Expenses owing at the reporting date are stated on the accrual basis.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

2. Basis of preparation and accounting policies (continued)

(k) Financial Instruments

Financial assets and liabilities are recognised when the credit union becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments are added to or deducted from the fair value of the financial assets or financial liabilities.

Financial assets are classified as Loans and Receivables, Held-to-Maturity investments and Available-for-Sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases and sales are recognised and derecognised on a trade date basis.

Held to Maturity investments such as treasury bills are non derivatives financial assets with fixed or determinable payments and fixed maturity dates that the credit union intends to hold to maturity. Subsequent to initial recognition held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial investments are those non-derivative financial investments that are not classified as held-to-maturity or as loans and receivables. These include shares in companies and other credit unions.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. These include trade and other receivables, bank balances and loans to members.

(l) Impairment of financial investment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financials assets are considered impaired when 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.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

3. Cash Resources

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
Current Accounts	682,168	2,130,250
Savings Accounts	1,066,896	291,098
Cash	<u>81,370</u>	<u>118,414</u>
Total Cash & Bank Balances	<u>1,830,434</u>	<u>2,539,762</u>

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

4. Loans and other receivables

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
General Loans	11,609,255	10,998,200
Loans at Solicitors	613,439	710,932
Staff Loans	76,799	126,366
Unearned interest on Discount loan	<u>(25,043)</u>	<u>(150,128)</u>
Total loans receivable	12,274,450	11,685,370
Less: Provision for Loan Losses	<u>(1,398,743)</u>	<u>(1,229,657)</u>
	10,875,707	10,455,713
 Miscellaneous Receivables	 25,506	 32,040
	<u>10,901,213</u>	<u>10,487,753</u>
Insurance Premiums Prepaid	<u>37,713</u>	<u>38,143</u>
	<u>10,938,926</u>	<u>10,525,896</u>

Unearned Interest represents interest on FND clients' loans charged in advance not due at the end of the year, but would be set off against Loans Receivable at the appropriate time.

Provision for Loan Losses is estimated using PEARLS where 35% of debts older than 30 days but less than 12 months are provided for and all debts over one year are provided for in full. The Credit Union has decided to gradually adopt Pearls over five years by annually reducing the gap between Pearls and the current provision until full compliance is achieved by the year 2015.

The Credit Union controls its credit risk by placing limits on each customer according to the customer's ability to repay regularly. The Credit Union also holds collateral against the assets of the customer in addition to personal guarantees.

5. Investments

Government of St. Kitts and Nevis		
Treasury Bills face value \$200,000	196,750	196,750
St.Kitts Co-operative Credit Union	<u>100</u>	<u>100</u>
	<u>196,850</u>	<u>196,850</u>

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

6. Property, plant and equipment

	<u>Land</u>	<u>Building & Improvement</u>	<u>Plant & Equipment</u>	<u>Furniture & Fittings</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
At January 1, 2011	130,000	703,588	34,150	226,909	155,809	136,444	116,000	1,502,900
Additions	-	-	84,050	11,152	1,757	1,593	-	98,552
At December 31, 2011	130,000	703,588	118,200	238,061	157,566	138,037	116,000	1,601,452
Additions	-	121,794	-	14,274	986	4,667	-	141,721
At December 31, 2012	130,000	825,382	118,200	252,335	158,552	142,704	116,000	1,743,173
Accumulated depreciation								
At January 1, 2011	-	211,077	29,597	125,876	107,963	80,056	115,999	670,568
Charge for the year	-	17,589	11,820	21,430	13,628	22,359	-	86,826
At December 31, 2011	-	228,666	41,417	147,306	121,591	102,415	115,999	757,394
Charge for the year	-	20,635	9,542	21,588	13,379	20,615	-	85,759
At December 31, 2012	-	249,301	50,959	168,894	134,970	123,030	115,999	843,153
Carrying amount								
At December 31, 2012	<u>130,000</u>	<u>576,081</u>	<u>67,241</u>	<u>83,441</u>	<u>23,582</u>	<u>19,674</u>	<u>1</u>	<u>900,020</u>
At December 31, 2011	<u>130,000</u>	<u>474,922</u>	<u>76,783</u>	<u>90,755</u>	<u>35,975</u>	<u>35,622</u>	<u>1</u>	<u>844,057</u>
At December 31, 2010	<u>130,000</u>	<u>492,511</u>	<u>4,553</u>	<u>101,033</u>	<u>47,846</u>	<u>56,388</u>	<u>1</u>	<u>832,332</u>

At December 31, 2009 Property, Plant and equipment was transferred from the Foundation for National Development (St. Kitts-Nevis) Limited at the same costs as the closing entries of the Foundation. No depreciation was taken in the year of disposal but a full year's depreciation was taken in the year of acquisition by the Credit Union.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
7. Intangible Assets		
Software:		
Cost		
Opening Balance	121,859	118,208
Additions	<u>3,468</u>	<u>3,651</u>
	<u>125,327</u>	<u>121,859</u>
Accumulated amortization		
Opening Balance	53,555	29,041
Annual Amortisation (note 21)	<u>24,372</u>	<u>24,514</u>
	<u>77,927</u>	<u>53,555</u>
Carrying amount	<u>47,400</u>	<u>68,304</u>
8. Deferred cost	<u>540</u>	<u>540</u>

Intangible assets relate to software programs and are amortised at the rate of 20% per annum. Impairment loss becomes effective if there is a change in the programs before the assets are fully depreciated.

The amount against Deferred Cost refers to cost of pearls software not yet put into use.

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
9. Loans Payable		
Development Bank	37,184	103,453
Eastern Benevolent Society	103,946	98,996
Social Security Board	1,937,545	2,316,576
International Co-operation and Development Fund	940,870	1,075,280
	<u>3,019,545</u>	<u>3,594,305</u>
 Interest Payable	 <u>24,679</u>	 <u>27,591</u>
	<u>3,044,224</u>	<u>3,621,896</u>

The loan with the Development Bank of Saint Kitts and Nevis reflecting a balance of \$37,184 is secured by an equitable mortgage over the FND Enterprise Co-operative Credit Union Limited's property at Bladen's Commercial Development. The Loan is repayable in 120 equal monthly instalments of \$5,860.42 inclusive of Interest at 5.5% per annum which commenced three (3) months after the draw down of the loan. The draw down date was March 31, 2003.

The loan with the Eastern Benevolent Society Funeral Home Ltd bears interest at the rate of 5% per annum and is repayable on demand.

The loan with Social Security Board reflecting a balance of \$1,937,545 bears an interest rate of 7% per annum. It is secured by every new mortgage that is written by the FNDECCU and every new bill of sale that stands in its favour as a mortgagee.

The loan with the International Co-operation and Development Fund is unsecured and bears an interest rate of 5% per annum. The loan is repayable in seven years after a grace period of three years, commencing from the date of the loan agreement. The loan will be repaid in eight consecutive and semi-annual equal installments, provided however that the final installment shall be the balance of the loan. The first such installment was paid on 15th September, 2012.

10. Security Deposits	<u>3,540</u>	<u>45,337</u>
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This represents security deposits for loans that were granted to clients of the Foundation For National Development, and were taken over by the FND Enterprise Co-operative Credit Union Limited.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
11. Members deposits		
Savings	2,468,347	1,992,227
Term Deposits	763,635	858,183
	3,231,982	2,850,410
Chequeing Accounts	9,303	-
Interest Due on Savings and Deposits	19,412	21,336
	3,260,697	2,871,746

Liquidity risk varies according to cash flows. The Credit Union controls its liquidity to enable it to cover its interest accrued to members' deposits. Cash in hand and the Investments Portfolio can satisfy any unlikely demand by members on their deposits.

12. Trade payables

Audit fees	27,100	23,400
Social Security Fund	11,358	10,523
Bills of Sale	9,787	8,102
Other payables	39,107	54,170
	87,352	96,195

Other Payables refer to sundry accruals paid for early in the following year.

13. Share capital

Opening Balance	513,665	378,310
Shares issued	114,145	135,355
Balance to date	627,810	513,665

Section 96 of the Co-operative Societies Act, No.31 of 2011 of the Laws of St. Christopher and Nevis Article VIII Section 24 of the By-Laws of the Credit Union provide for the sale of an unlimited quantity of non withdrawal, redeemable shares at a par value of \$5.00 each to its members.

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
14. Statutory reserve and Development fund		
Balance at beginning of year	95,297	73,165
Entrance fees	2,960	4,370
25% of surplus	-	17,762
	<u>98,257</u>	<u>95,297</u>

Section 125 of the Co-operative Societies Act, 2011 and Article XXI of the By-Laws of the Credit Union requires it to make an allocation of all entrance fees, transfer and other fees and fines and not less than twenty five percent of the Net Surplus in each year to a Statutory Reserve Fund.

15. Special Reserve

Donated Funds	4,293,083	4,293,083
Retained Earnings	2,405,950	2,405,950
Balance to date	<u>6,699,033</u>	<u>6,699,033</u>

Special Reserve refer to Donated Funds given to the Credit Union's predecessor over the years, and the Retained Earnings accumulated by its predecessor.

16. Capital Grant

Balance brought forward	169,466	178,114
Write-offs for the year	(6,275)	(8,648)
	<u>163,191</u>	<u>169,466</u>

Capital Grants are the amortised amounts against certain fixed assets financed by international donor agencies. The amortised amounts are offset against the total depreciation on the Fixed Assets.

17. Fees and Other Charges

Loan fees	184,961	165,588
Entrance fees	2,960	4,370
Conference Facilities	43,257	58,791
Rental of Equipment	4,070	6,282
Technical Assistance	20,000	22,150
	<u>255,248</u>	<u>257,181</u>

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
18. Interest income		
Interest on deposit accounts	29,179	20,357
Interest on held to maturity investment- treasury bills	14,155	13,655
Interest on loans	<u>1,658,669</u>	<u>1,768,349</u>
	<u>1,702,003</u>	<u>1,802,361</u>
19. Other income		
Amortisation of capital grant	6,275	8,648
Miscellaneous Income	<u>16,023</u>	<u>9,880</u>
	<u>22,298</u>	<u>18,528</u>
20. Administrative expenses		
Salaries	720,636	677,870
Emoluments imposts	70,861	63,783
Electricity and water	78,715	69,944
Rents	42,000	42,000
Conference Room Expense	8,814	4,928
Telecommunication	38,602	40,067
Stationery and office supplies	39,653	50,740
Postage	9,443	6,744
Group Insurance	21,394	16,967
Travel Allowances	31,680	30,990
Vehicle Expenses	23,926	15,185
Promotion and Advertising	149,772	111,813
Staff Benefits	1,260	9,660
Training	<u>8,101</u>	<u>18,768</u>
	<u>1,244,857</u>	<u>1,159,459</u>

FND ENTERPRISE CO-OPERATIVE CREDIT UNION LTD

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
21. Other expenses		
Office consumables	2,752	5,219
Equipment maintenance	14,143	11,468
Office Maintenance	41,255	47,756
Depreciation	85,760	86,825
Amortisation of intangible assets (note 7)	24,372	24,514
Donation and subscription	6,725	6,223
Entertainment	467	7,234
Security	5,090	3,117
Travelling expenses	1,140	1,754
Insurance	9,529	8,629
Affiliation dues	11,536	12,829
Meetings and conventions	63,822	74,169
Professional Fees	4,120	2,000
MIS Support	33,601	34,784
Audit fees and expenses	30,787	23,400
Legal fees	842	1,368
Bad debts and provisions	184,582	170,618
Member Benefit/Training	3,510	1,632
Miscellaneous	1,751	341
	<u>525,784</u>	<u>523,880</u>

22. Finance Costs

Interest expenses:		
Interest on Loans	214,008	244,213
Interest and bank charges	111,777	79,469
	<u>325,785</u>	<u>323,682</u>

23. Taxation

Under the provision of the Income Tax Ordinance of St. Kitts and Nevis, all friendly Societies are exempted from income Tax. The Credit Union is classified as a friendly Society.

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

24. Events after the end of the reporting period

The Credit Union issues letters of guarantees in the normal course of business. There were no contingent liabilities nor capital commitments at December 31, 2012.

25. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions. The Credit Union grants loans to Board and Committee members and key management staff.

	Year ended December 31, 2012 \$	Year ended December 31, 2011 \$
Loans disbursed to Directors and key management	<u>50,000</u>	<u>-</u>
Loan balances to Key management including directors and committee members	<u>280,138</u>	<u>213,138</u>
Key management compensation	<u>387,128</u>	<u>390,056</u>

26. Capital Management

The Credit Union manages its funds to ensure that it will continue as a going concern while maximising returns for members at minimum risk. Capital is managed as per the guidelines established by the Co-operative Societies Act, 2011, the Co-operatives Societies Regulations, 1997 and International Prudential Standards for Credit Unions (PEARLS).

Capital is managed by the board and management in accordance with established policy. This policy implementation is monitored by the Supervisory committee and implemented by management.

The Credit Union currently has 36.8% of its liabilities held as reserve which far exceed the current Co-operatives Act requirement of a minimum of 10% of liabilities be held as liquid reserves.

Two primary ratios used by PEARLS to assess capital adequacy are

Net Loans/ Total assets	Standard range (70 to 80%)	Actual 88%
Net Value of Assets/Total Shares & Deposits	Standard \geq 111%	Actual 217%

The capital and funds of the society consists of qualifying shares, savings, deposit and loans from members and non-members, donated capital and institutional capital transferred from the Foundation For National Development (St. Kitts-Nevis) Limited.

Liquid reserves are managed such that its total is at all times greater than 10% of Total assets.

The share capital of the institution is not allowed to exceed 10% of the total Assets to the Credit Union and no member is allowed to own more than 20% of the total shares of the society.

Loans are not made to members if the total lent to that member exceeds 10% of the Credit Union's share capital, retained earnings and liquid reserves or members' ordinary deposits and the Credit Union's reserves whichever is less.

27. Financial Instruments

Categories of financial instrument.

	31-Dec-12	31-Dec-11
Financial assets		
Cash and bank balances	1,830,434	2,539,762
Loans and Receivables	10,901,213	10,487,753
Held-to-maturity investments	196,750	196,750
Available for Sale investments	100	100
	<u>12,928,497</u>	<u>13,224,365</u>
Financial Liabilities		
Amortised cost	<u>6,395,813</u>	<u>6,635,174</u>

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

27. Financial Instruments (continued)

Risk management

The Credit Union manages its risk through the use of internal reports and by ensuring that financial assets remain within established guidelines set by the Board of Directors and those mandated by law and PEARLS. The Supervisory Committee on a monthly basis confirms and monitor financial instruments and monitors the risk management of the Credit Union. These risks include interest risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk of changes to profitability as a result of interest rate changes. Cash at Bank, Treasury Bills, members deposits and loans, as well as loans from institutions are all subjected to interest rate changes. However, these rates have remain constant over the years. Loans from institutions are all fixed and are not subject to changes in base rates. The Credit Union is therefore not subject to any significant interest rate risk due to rate changes.

As at December 31, 2012

	1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
Assets					
Cash resources	1,257,145	-	-	573,289	1,830,434
Loan and other receivables	272,154	8,428,655	2,174,898	25,506	10,901,213
Investments	196,850	-	-	-	196,850
	<u>1,726,149</u>	<u>8,428,655</u>	<u>2,174,898</u>	<u>598,795</u>	<u>12,928,497</u>
Liabilities					
Loans Payable	844,132	2,200,092	-	-	3,044,224
Security Deposits	-	-	-	3,540	3,540
Members deposits	2,675,895	584,802	-	-	3,260,697
Trade payables	-	-	-	87,352	87,352
	<u>3,520,027</u>	<u>2,784,894</u>	<u>-</u>	<u>90,892</u>	<u>6,395,813</u>
	(1,793,878)	5,643,761	2,174,898	507,903	6,532,684

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

27. Financial Instruments Interest rate risk (Continued)

As at December 31, 2011

	1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
Assets					
Cash resources	734,310	-	-	1,805,452	2,539,762
Loan and other receivables	7,217,128	3,238,585	-	32,040	10,487,753
Investments	196,850	-	-	-	196,850
	<u>8,148,288</u>	<u>3,238,585</u>	<u>-</u>	<u>1,837,492</u>	<u>13,224,365</u>
Liabilities					
Loans Payable	629,759	2,659,018	333,119	-	3,621,896
Security Deposits	-	-	-	45,337	45,337
Members deposits	2,515,193	356,553	-	-	2,871,746
Trade payables	-	-	-	96,195	96,195
	<u>3,144,952</u>	<u>3,015,571</u>	<u>333,119</u>	<u>141,532</u>	<u>6,635,174</u>
	500,336	223,014	(333,119)	1,695,960	6,589,191

The Credit Union manages its credit risk by spreading its cash resources with different reputable financial institutions and establishing maximum levels to be deposited at each institution. Loans are granted to members after careful consideration of their character, financial condition and sureties to ascertain the ability to repay fully and promptly their obligation. Loans over stipulated limits must be approved by the Board. The Credit Union also monitors its loan portfolio to ensure it is not unduly exposed to any particular business sector.

Liquidity risk

The loan portfolio comprises short, medium and long term loans. There are also loans from institutions for which monthly and quarterly payments have to be made. These liabilities are financed by members' deposits and shares. The Credit Union has to have adequate liquid resources to meet demands on deposits and loan repayments. The guidelines established by PEARLS and the Co-operatives Act 2011 as well as experience gained over the years are used to manage the Credit Union's liquidity risk.

As at December 31, 2012

	1 year	1 to 5 years	Over 5 years	Total
Assets				
Cash resources	1,830,434	-	-	1,830,434
Loan and other receivables	297,660	8,428,655	2,174,898	10,901,213
Investments	196,850	-	-	196,850
	<u>2,324,944</u>	<u>8,428,655</u>	<u>2,174,898</u>	<u>12,928,497</u>

ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

27. Financial Instruments Liquidity risk (Continued)

Liabilities

	1 year	1 to 5 years	Over 5 years	Total
Loans Payable	844,132	2,200,092	-	3,044,224
Security Deposits	3,540	-	-	3,540
Members deposits	2,675,895	584,802	-	3,260,697
Trade payables	87,352	-	-	87,352
	<u>3,610,919</u>	<u>2,784,894</u>	<u>-</u>	<u>6,395,813</u>
Net Liquidity Gap	(1,285,975)	5,643,761	2,174,898	6,532,684

As at December 31, 2011

Assets

	1 year	1 to 5 years	Over 5 years	Total
Cash resources	2,539,762	-	-	2,539,762
Loan and other receivables	7,249,168	3,238,585	-	10,487,753
Investments	196,850	-	-	196,850
	<u>9,985,780</u>	<u>3,238,585</u>	<u>-</u>	<u>13,224,365</u>

Liabilities

	1 year	1 to 5 years	Over 5 years	Total
Loans Payable	629,759	2,659,018	333,119	3,621,896
Security Deposits	25,541	19,796	-	45,337
Members deposits	2,515,193	356,553	-	2,871,746
Trade payables	96,195	-	-	96,195
	<u>3,266,688</u>	<u>3,035,367</u>	<u>333,119</u>	<u>6,635,174</u>
Net Liquidity Gap	6,719,092	203,218	(333,119)	6,589,191

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NOTES

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ANNUAL REPORT 2012

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