

Forging Ahead...
Embracing Technology



FND Enterprise Cooperative
Credit Union Ltd.

Annual
Report
2017



FND Enterprise Cooperative
Credit Union Ltd.

| | |
|----------------------------|--|
| NAME | FND ENTERPRISE COOPERATIVE CREDIT UNION |
| DATE ESTABLISHED | 20TH JULY, 2009 |
| NUMBER OF MEMBERS | 3136 |
| NUMBER OF EMPLOYEES | 16 |
| TOTAL ASSETS | EC\$ 31,474,733 |
| TOTAL LOANS | EC\$ 24,060,410 |
| TOTAL DEPOSITS | EC\$ 18,782,385 |
| EQUITY | EC\$ 12,127,953 |
| SHARE CAPITAL | EC\$ 3,493,960 |
| REGULATORS | Financial Services Regulatory Commission (FSRC) |
| AUDITORS | PKF |

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NOTICE OF 9TH ANNUAL GENERAL MEETING

Notice is hereby given that the Ninth (9th) Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited will be held at The **Royal St. Kitts Hotel, on Tuesday September 11, 2018, at 5:00 p.m.** to conduct the following business:

1. To confirm minutes of the 8th Annual General Meeting held on 19th October, 2017.
2. To consider matters arising from the minutes of the 8th 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 31st December, 2017.
4. To consider and approve the Auditors' Report and Financial Statements for the Year ended 31st December, 2017.
5. To declare Dividends for the year ended 31st December, 2017.
6. To elect officers to the Board of Directors, Credit Committee and Supervisory Committee.
7. To set maximum borrowing limit for the ensuing year allowing the Board to set the remuneration.
8. To appoint Auditors for the ensuing Year.
9. To transact any other general business of the Society.

By Order of the Board of Directors:



Trevor Phipps

SECRETARY

6th September , 2018.

Light refreshment will be served at the end of the meeting

AGENDA

THEME:

***“Forging Ahead...
Embracing Technology.”***

REGISTRATION - (5:00 p.m. to 5.30 p.m.)

OPENING SESSION - (5:30 p.m. to 6:00 p.m.)

1. Call to Order
2. National Anthem
3. Invocation
4. President's Remarks.
5. Introduction of Featured Speaker
6. Feature Address
7. Adjournment

BUSINESS SESSION

8. Call to order.
9. Ascertainment of a Quorum and Apologies for Absence
10. Confirmation of Minutes of the 8th Annual General Meeting
11. Matters Arising from the Minutes of the 8th Annual General Meeting.
12. Reports and Adoptions:
 - (a) Board of Directors' Report
 - (b) Auditors' Report and Audited Financial Statements
 - (c) Treasurer's Report
 - (d) Credit Committee's Report
 - (e) Supervisory Committee's Report
13. Declaration of Dividends
14. Setting of Maximum Liability
15. Appointment of Auditors
16. Election of Officers
17. Any Other Business
18. Vote of Thanks
19. Adjournment

CREDIT UNION PRAYER

Lord, make me an instrument of thy peace;

Where there is hatred, let me sow love;

Where there is injury, pardon;

Where there is doubt, faith;

Where there is despair, hope;

Where there is darkness, light; and

Where there is sadness, joy.

O Divine Master, grant that I may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving, that we receive;

For its 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 THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

Opening Session

The Opening Session was called to order at 5:15 p.m. by President Peter Jenkins. The National Anthem was sung by Mr. Dylan Browne and the invocation was said by staff member Mrs. Sonja Fyfield-Hazel. President Jenkins apologized for the late start and the late scheduling of the Annual General Meeting and gave a commitment to have the next Annual General Meeting held in the first quarter of 2018. President Jenkins recognized the presence of the following individuals:

- Mr. Rawlinson Isaac, featured speaker for the Opening Session
- Mr. Melvin Edwards, former President of the World Council of Credit Unions
- Mrs. Kjellin Rawlins-Elliott and Mrs. Shermel Edwards from the office of the Financial Services Regulatory Commission.
- Mr. Mario Wigley representing the Police Credit Union
- Mr. Clive Thompson, Registrar of Cooperatives
- Mr. Colin Walwyn and Mr. Sidney Newton from the Nevis Cooperative Credit Union and
- Mr. Omax Gardner and Ms. T. Manning representing Pannell Kerr Forster Auditors

Ms. Shonica Willett, staff member of **FNDECCU** introduced Mr. Rawlinson Isaac the guest speaker for the Opening Session.

Mr. Isaac spoke to the theme: "Fostering an Educated Credit Union Movement".

He noted that with total deposits of approximately EC\$5 - 6 billion held at SKNA National Bank and FNDECCU deposits totaling EC\$16 million that there was a lot of growth potential for the FNDECCU. Mr. Isaac also noted that although institutions can be engaged in the same business they may have entirely different mindsets. Success is not determined by where you stand; rather it is determined by the direction in which one looks.

Mr. Isaac spoke to his Model the H1W5 which captures the elements of strategy and can be used to guide organizations in their strategy building

The Model speaks to;

Why -Why does the organization exist? This is usually captured in the Vision and Mission statements of the organization.

What – What is the business about? What does the organization intend to achieve?

Where – What are the products to be promoted and how will the organization bring them to the customers?

When – What is the timing of the activities?

Who – Who are the persons tasked with various activities? Mr. Isaac also noted that for this to be effective, Leaders must be able to align people, train, expose, develop and motivate staff and volunteers at all levels of the organization.

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

How – What are the strategies to be employed to achieve the ideas assembled?

Mr. Isaac advised the FNDECCU that in order for the organization to progress it needs to:

- a. raise the bar of its performance and do it quickly
- b. embrace change and accept the challenges associated with change, and
- c. make organizational change a deliberate effort

In closing, Mr. Isaac implored the volunteers, staff and members of the FNDECCU never to be afraid to leave the shore...otherwise we would never have an opportunity to taste the ocean.

President Jenkins thanked Mr. Isaac for providing the FNDECCU with much food for thought which would result in a better FNDECCU.

Director Malvie James then presented Mr. Isaac with a gift and thanked him for his forthrightness.

The Opening Session was formally closed at 6:08 pm.

Business Session

President Jenkins called the meeting to order at 6:12 pm and called for one minute of silence in recognition of those members that had passed during the previous year.

Mrs. Kjellin Rawlins-Elliott from the Financial Services Regulatory Commission confirmed that the quorum was met and that the meeting was officially convened.

Confirmation of Minutes of the 7th Annual AGM

On Page 8 under “Election of Officers” the name Terrence Phipps was amended to read Trevor Phipps. The Minutes were accepted as amended on a motion moved by Mrs. Lyn Bass and seconded by Mr. Dennis Johnson.

Matters Arising

There were no matters raised.

Reports and Adoptions

a. Board of Directors

President Jenkins in presenting the highlights apologized for the late holding of the Annual General Meeting in October 2017. He noted that some decisions were taken which impacted the late holding of the meeting.

President Jenkins noted that performance improved in all areas and that progress was made in implementing recommendations made by the Regulators. Recommendations made were related to Fraud and Anti Money Laundering policies and their implementation. It was noted that the FNDECCU continues to face challenges related to regulations associated with FATCA and Anti Money Laundering. The President placed on record the FNDECCU's thanks to the Regulator and her team for their diligence and for helping the FNDECCU to improve its processes and enhance the overall Organization.

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

The President noted that performance was better than projected and the FNDECCU experienced growth in areas of operations. The loans portfolio increased by EC\$5 million or 32.5% moving from EC\$15.3 million to EC\$20.7 million.

Provision for Dad Debt decreased due to a write-off of some EC\$1.2 million.

President Jenkins noted that in spite of increased efforts on recoveries, delinquency continued to be one of the organization's major challenges. He described delinquency as members' not paying back the funds borrowed from members and appealed to members to make servicing their loans a priority. He also noted that the FNDECCU views the use of the court system as a last resort.

In describing the impact of delinquency on the members, the President noted that had it not been for the delinquency and the associated write-offs, the FNDECCU would have been easily able to pay dividends of 10 – 12 percent.

President Jenkins also noted an increase in the number of shareholders by 438 and an increase in the value of shares by EC\$ 1,007,815.

The President closed his remarks by expressing confidence in the future of FNDECCU and commended the Board for working together and thanked the present and past Board members for their contribution.

Mr. Clement Richardson indicated that a suggestion was made last year to reduce the interest rate on loans that are in difficulty and withhold dividends. The President responded that the regulations do not permit those types of actions. The interest rate must be applied across all members.

Mr. Samuel Lawrence drew members' attention to Promotion on page 50. Promotion expense recorded a significant decrease. Mr. Lawrence indicated that efforts should be made to increase marketing and keep the FNDECCU's brand in the public eyes.

Mr. Lawrence also asked that consideration be given to accepting US cheques and money orders and to provide a machine to assist the tellers with counting of coins.

In response, the President acknowledged that we did not get marketing right and pledged to improve in that area. He also indicated that he would confirm whether US cheques were accepted by the FNDECCU.

The Board of Directors report was accepted on a motion moved by Mr. Clive Christopher and seconded by Ms. Gloria Fraser.

b. Auditors' Report and Auditors' Financial Statement

The Auditors' Statement was read by Ms. Theresa Manning from Pannell Kerr Forster.

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

c. Treasurer's Report

Mr. Terrence Crossman presented the highlights of the Statement of Financial Position. Mr. Samuel Lawrence referenced the investment portfolio on page 49 of the Annual Report and asked that consideration be given to moving some of the investments from Treasury Bills to some other form such as shares in SKNA National Bank.

Mr. Lawrence also drew attention to the difference between business loans and personal loans as noted on pages 16 and 17. He called for a reduction in the interest rate and greater screening for debt consolidation loans.

The President thanked Mr. Crossman for his service to the FNDECCU

The Treasurer's Report was accepted on a motion moved by Mr. Samuel Lawrence and seconded by Ms. Janice Trotman.

d. Credit Committee's Report

The Credit Committee's report was presented by Chairman Wendell Huggins. He highlighted the growth in the loans portfolio and provided a breakdown of the loans disbursed during the financial year under review. He further noted that delinquency was a grave concern and that several efforts were taken to reduce delinquency, including the appointment of a Delinquency Manager to focus on collection and follow up with at-risk loans and more robust collection follow ups including phone calls, WhatsApp messages and referral to the solicitors where necessary. Mr. Huggins concluded by thanking the loan officers and staff for their support and encouraged members to save regularly and to borrow and repay.

President Jenkins thanked Mr. Huggins for his service to the FNDECCU.

The Report of the Credit Committee was accepted on a motion moved by Mr. Phillip Browne and seconded by Nigel Browne.

e. Supervisory Committee's Report

The Supervisory Committee's report was presented by Mr. Carl Osborne.

Mr. Osborne recognized Mr. Dennis Johnson and Mrs. Lawrence who were retiring from the Supervisory Committee.

Mr. Gary Moving questioned the validity of sampling loans for the period of September to December versus the entire year. Mr. Osborne indicated this was an initial audit activity being undertaken by the Committee, the Committee thought it best to perform a sample for a three-month period then perform a full audit the following year.

The Supervisory Committee's report was accepted on a motion moved by Ms. Beverly Herbert and seconded by Selwyn Liburd.

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

Declaration of Dividends

A 7.5 % dividend was proposed by the Board of Directors and accepted on a motion moved by Mr. Maurice Williams and seconded by Ms. Dawne Williams.

Setting of Maximum Liability at EC\$5 Million

The Board of Directors recommended a maximum liability of EC\$ 5,000,000 for the ensuing year. This was accepted on a motion moved by Mr. Clive Christopher and seconded by Mr. Cremoy Agard.

Appointment of Auditors

The Board of Directors commended Mr. Omax Gardner for his service to the FNDECCU and recorded its gratitude. The Board recommended that PKF be re-appointed as auditors for the ensuing year.

This was accepted on a motion moved by Mr. Nigel Browne and seconded by Mr. Terrance Williams

Election of Officers

Board of Directors

Election of officers was conducted by Mrs. Kjellin Rawlins-Elliott of the Financial Services Regulatory Committee:

On the recommendation of the Nomination Committee:

Ms. Channelle Pinney-Myers, Ms. Dawne Williams, Dr. Geoffrey Hanley and Mr. Glenn Quinlan were nominated to fill the vacant posts on the Board of Directors.

Nominations ceased on a motion moved by Mr. Terrance Williams and seconded by Mr. Maurice Williams.

Nominees were accepted as presented on a motion moved by Mrs. Gloria Fraser and seconded by Mr. Clive Christopher and the persons nominated were declared as duly elected by Mrs. Elliott.

Credit Committee

Ms. Amoy Heyliger, Mr. Cremoy Agard, Ms. Camillia Williams, Mr. Cyprian Williams and Mr. Denrick Connor were nominated by the Nominations Committee to fill the vacant posts on the Credit Committee.

Nominations were closed on a motion moved by Mr. Phillip Browne and seconded by Mr. Dennis Johnson and the persons nominated were declared as duly elected by Mrs. Elliott.

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

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Supervisory & Compliance Committee

Ms. Brontie Duncan and Mrs. Evadney Morris-Liburd were nominated by the Nominations Committee to fill the vacant posts on the Supervisory Committee.

Nominations were closed on a motion moved by Mr. Clive Christopher and seconded by Mr. Dennis Johnson and the nominees were declared as duly elected by Mrs. Elliott.

Mr. Jenkins thanked Mrs. Elliott for conducting the elections and also the membership for placing their confidence in the Board of Directors and committee members

Pastor Cyprian Williams then offered a prayer for the new Board and committee members

Any Other Business

Resolution seeking to change the share par value from EC\$ 5.00 to EC\$ 1.00

Director Crossman, on behalf of the Board of Directors presented the Board's recommendation to change the share par value from EC\$ 5.00 per share to EC\$ 1.00 per share. It was noted that there was no loss of value or benefit to existing shareholders and that this was more of a branding exercise as the change in par value allows for easier investment in the FNDECCU.

The process would involve a recall of old share certificates and the issuance of new certificates.

The recommendation was put to the floor and accepted on a motion moved by Mr. Gary Moving and seconded by Mr. Glanville Boring.

Recognition/Raffle for Members

The names of four members were randomly selected from a pool of members who were current on their loan payments. Each member selected received EC \$1000.00 payment toward their loan account.

Recognition of Retiring Volunteers

Awards were presented to the following volunteers in recognition of their years of contribution and service to the FNDECCU.

- Mr. Wendell Huggins served 6 years on the Credit Committee, three years as its Chairman.
- Ms. Tonya Lawrence and Mr. Dennis Johnson served 6 years on the Supervisory Committee

Mr. Terrance Williams thanked the FNDECCU and expressed his gratitude to the FNDECCU as he was one of the founding members of FNDECCU, then FND. Mr. Williams indicated that when he

MINUTES OF THE FNDECCU 8TH ANNUAL GENERAL MEETING

October 19th, 2017, at the Ocean Terrace Inn.

had nowhere to turn it was the FND that helped him. He reminded the FNDECCU that it is not a commercial bank and challenged the Board to stay focused amidst the changing regulatory environment and not lose sight of the small man.

Vote of Thanks

Mrs. Cerene Esdaille-Henry, staff member, presented the vote of thanks and thanked all who made the Annual General Meeting possible.

Mention was made of Mr. Dylan Browne, Mr. Rawlinson Isaac, guest speaker; Pastor Cyprian Williams: Master of Ceremonies Mr. Peter Jenkins; the Auditors, Pannell Kerr Forster; the Board of Directors; Management and Staff for a successful Annual General Meeting.

Mrs. Esdaille-Henry offered a special word of thanks to the membership for attending in their large numbers as that Annual General Meeting represented the largest turnout to date.

Adjournment

The 8th Annual General Meeting of the FND Enterprise Cooperative Credit Union Ltd was adjourned at 8:31 p.m. on a motion moved by Mr. Francis and seconded by Richard Caines.



.....
Trevor Phipps
BOARD SECRETARY

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

Fellow co-operators, your Board of Directors is pleased to present its report on the operations and performance of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) for the financial year ended December 31, 2017.

OVERVIEW

The financial year, 2017 was indeed another successful year for the FND Enterprise Cooperative Credit Union. The financial performance was impressive in all areas. The Credit Union continued to implement recommendations made by the Financial Services Regulatory Commission and trained our officers in various disciplines with a view to finding solutions to the many challenges we are faced with.

The advent of IFRS-9 will add to the many challenges. The Credit Unions are now faced with the US imposed FATCA and AML Regulations. This standard attempts to replace 'incurred losses' with 'expected losses' model loan impairment. This will have a serious effect on the bottom line of all financial Institutions as Bad Debt provisions will have to be made for most loans when granted.

However, your Board is not daunted because we are making the effort to strengthen our capacity to deal with these new challenges.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

At the 8th Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited held on 19th October, 2017, Ms. Dawne Williams, Mrs. Chanelle Myers, Mr. Glenn Quinlan and Dr. Geoffrey Hanley were elected to serve their first three-year term. They replaced Mr. R.A. Peter Jenkins and Mr. Trevor Cornelius, both of whom completed two terms in office, and Mr. Dennis Phillip and Mr. Steve Wrensford who resigned their positions. The Officers of the new Board were elected in accordance with section 16 of the By - Laws of the Credit Union. The directors' position, terms, years remaining and year of retirement are as follows:

| NAME | POSITION | TERM | YEARS REMAINING | YEAR RETIRING |
|-----------------------|---------------------|-----------------|-----------------|---------------|
| Mr. Terrence Crossman | President | 2 nd | 1 | 2019 |
| Mrs. Malvie James | Vice President | 2 nd | 1 | 2019 |
| Mr. Trevor Phipps | Secretary | 2 nd | 1 | 2019 |
| Mrs. Chanelle Myers | Treasurer | 1 st | 2 | 2020 |
| Mr. Jamir Claxton | Assistant Secretary | 1 st | 0 | 2018 |
| Ms. Dawne Williams | Assistant Treasurer | 1 st | 2 | 2020 |
| Ms. Maretta Manners | Director | 1 st | 0 | 2018 |
| Mr. Glenn Quinlan | Director | 1 st | 2 | 2020 |
| Dr. Geoffrey Hanley | Director | 1 st | 2 | 2020 |

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

Meetings

During the period under review, your Board of Directors met monthly, in compliance with section 15 of the by-laws to conduct the regular business of the Credit Union; When it was considered necessary, the Board met more than once per month to deal with specific issues. Thirteen (13) Board meetings were held during the year. Two joint Committee meetings were held during 2017. The Board also held a meeting with all Staff members with a view to improving staff morale and productivity. Staff members were allowed to air their views and make recommendations for improvement in terms of policies procedures and systems

ADMINISTRATION AND MANAGEMENT

Staffing:

The following staff changes occurred during the year under review:

Employment:

- Mrs. Sonja Fyfield-Hazel was employed as Accounting Officer in January.
- Mr. Shakeem Parris was employed as a Members Service Clerk/ Teller in March.
- Ms. Kasheema Gumbs was employed as a Members Service Clerk/Teller in October.

Termination:

- Mrs. Nicole Nisbett, Head Teller terminated her employment with the FNDECCU in February.
- Ms. Eustacia Morton, Members Service Clerk/ Teller terminated her employment with FNDECCU in September, 2017.

Promotion

- Ms. Karista Dunrod was promoted to Operations Assistant in March.
- Mrs. Lyn Bass was appointed as Compliance Officer in September. She will perform this role in addition to her Collection Manager duties.

Staff, Committee and Members' Education and Training

During the year under review, Board, committee and staff members were again exposed to training at home and abroad 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.

- **Mr. Elleston Welsh, Loans Officer**, attended a one-week workshop from January 15th -21st, in Jamaica where he was trained as a Credit Union Development Educator (**CaribDE**). This course was established in 2010 by Mr. Melvin Edwards and facilitated by the National Credit Union Foundation in the USA along with support from World Council of Credit Unions (WOCCU) and, the Credit Union National Council (CUNA). Topics included the history, principles and values of the Credit Union Movement and various current issues affecting the Movement.

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

- **Mrs. Lyn Bass, Collection Manager/Compliance Officer and Shauna Daniel, Administrative Officer, Nevis Branch** attended a two- day AML/CFT Awareness Seminar and training workshop at the Four Seasons Resort on 6th and 7th March. The workshop was organized by the Nevis Financial Services Regulatory and Supervision Department. The main speaker was Mr. Steven Platt of Steven Platt & Associates of the United Kingdom. The theme was, **“Increasing Awareness Through Smarter Compliance – Forging New Connections to Combat Financial Crime”**.
- **Mrs. Lyn Bass** was attached to **Community First Cooperative Credit Union Limited** in Antigua in March for one working week where she was exposed to the **Collection Policies and System** with a view to adopting methods to alleviate the delinquency problem.
- **President Terrence Crossman**, who was then Treasurer, also attended the one-week (**CaribDE**) training workshop in Jamaica from March 12th -18th.
- **Mrs. Dawne Heyliger, Loans/ H.R. Manager** attended the first-ever Canada DE program which was held from June 3-10. The CaribDE Faculty co-implemented the Program. She therefore was designated by both Canadian and the Caribbean Faculties.
- **Mrs. Cerene Esdaille-Henry, Loans Officer**, also completed the **CaribDE** course in St. Lucia later in the year from September 17th – 28th.
- **Mrs. Sonja Fyfield Hazel, Accounting Officer**, attended a one day workshop on **IFRS 9 – Financial Instruments** organized by the Institute of Chartered Accountants of the Eastern Caribbean (St. Kitts branch) on 2nd November.
- **Mr. James Webbe, General Manager, and Mrs. Sonja Fyfield Hazel, Accounting Officer** attended a one-day training session on 6th November on the topic “ Significant Changes to IFRS 9 and its Implications”. This workshop was organized by the Financial Services Regulatory Commission, St. Kitts Branch and was facilitated by Mr. Kyle Rudden of KR Consulting out of Trinidad and Tobago.

Caribbean Confederation of Credit Unions:

The Board has decided that it must expose volunteers and staff to varied training in order to stay abreast of the issues affecting the Credit Union Movement and find solutions to such. **The main education event is the Annual International Convention of the Caribbean Confederation of Credit Unions.** A nine-member delegation from the FND Enterprise Cooperative Credit Union was among hundreds of participants who attended the 60th Annual International Convention and 46th Annual General Meeting held in Varadero, Cuba, from 16th to 21st June, 2017. The training sessions were led by experts in various disciplines.

Topics discussed included:

- Building Generational Wealth for Members
- Achieving Sustainability Through Digital Financial Services

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

- Creating Risk Intelligent Credit Unions
- Trends, Issues and Challenges Impacting Credit Unions and Solutions
- Digital Framework for Sustainable Development of Credit Unions
- Mitigating the Impact of De-risking on Financial Institutions
- Eight (8) Strategies for Emerging Credit Union Leaders
- Maximizing Social Media & IT Platforms towards Business Enhancement.

Strategic Planning Sessions:

A one day Volunteer and Staff Retreat was held on 14th December, 2017 at the St. Kitts Marriott Resort in Frigate Bay. There were participants from the Board, Supervisory and Credit Committees and all staff members.

The Planning Session was facilitated by Ms. Tamu Petra Browne. The aim of the session was to use a collaborative approach to have the participants deliver the following:

1. Complete a SWOT analysis based on renewed vision
2. Create a Strategy Map using the Balanced Scorecard paradigm
3. Craft an action plan based on institution's priority areas

This information will be used to amend the Strategic Plan for the Credit Union for the next three year but with more emphasis on the ensuing year.

MARKETING AND EDUCATION AWARENESS PROGRAMMES:

Marketing and Marketing Research

The Marketing and Educational Awareness Programmes carried out the previous year continued in 2017. The FNDECCU continued to disseminate information to the local market using cost efficient advertising in a variety of categories including radio, online, text messaging, word of mouth, bus banners and fliers.

Education and Awareness

All new members were presented with foundation principles of the credit union movement, which include Operating, Governance, Safety and Soundness and Consumer Protection. The kit also included advice on tracking and managing one's finances.

Last year, the Credit Union invested in **Digital Notice Boards** for both offices. The intention is be able to display various products, information and events to members, visitors and employees. It is hoped that it will bring an impressive change to the Credit Union in terms of displaying messages, images, photos and videos. Visitors to the office are exposed to continuous advertisement of products and services.

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

PERFORMANCE

Financial

The performance of the FNDECCU during the 2017 financial year was again better than projected. The Credit Union recorded considerable positive growth in all areas of operations generating a surplus of EC\$1,086,235 after recording a surplus of EC\$539,582 in the previous year.

Details of the Credit Union's financial performance are presented in the Treasurer's Report on pages 19-20 and the Financial Statements on pages 31-65.

Loans Portfolio and Delinquency

The FND Enterprise Cooperative Credit Union increased its net Loans portfolio during the year by a noticeable EC\$2,843,668 or 14 % moving from EC\$20,798,134 to EC\$23,641,802. This performance was not as impressive as the previous year when the portfolio increased by EC\$5,421,997 or 35.2%. The Bad Debt Provision decreased from EC\$1,047,599 to EC\$597,478 as a result of EC\$926,696 written off against it. However another EC\$479,610 was expensed as Bad Debts during the year. Bad Debt recovered amounted to EC\$143,642 compared with EC\$71,571 in 2016. These amounts were netted off against Bad Debt expense in the Financial Statements.

Despite the enormous effort exerted to reduce delinquency, it continues to be a problem. We urge staff to meet with members who have genuine financial problems to counsel and if deemed necessary re-schedule loans to make life easier for the members. However, we also continue to support management in taking all steps necessary, including repossessions and legal action on a timely basis to recover funds from members who have rescinded on their responsibility and commitment to repay their loans.

Membership and Services

At 31st December, 2016, there were 2744 shareholders valuing EC\$2,583,835, indicating an average share value per member of EC\$941.63. When compared with the period under review, the number of shareholders has grown to 3136 with a total share value of EC\$3,493,960 showing an average value of shares per member of EC\$1,114.15. The figures show that the number of shareholders increased by 392 or 14% and the corresponding value of shares also increased by EC\$910,125 or 35%. Although the increase in Share Capital was impressive, the performance the previous year was better when the number of new members increased by 438 and the corresponding Share Capital by \$1,007,815.

Deposits

Total Deposits as at December 31, 2017, was EC\$18,953,709, an increase of EC\$2,895,000 or 18% over December 2016. The growth in Total Deposits is mainly as a result of the increase in our savings accounts increasing by EC\$2,372,470.

BOARD OF DIRECTORS' REPORT

For the year ended December 31, 2017.

FUTURE OUTLOOK

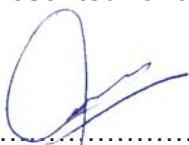
Last year we told you that FNDECCU must focus on growing our youth membership in order to continue to be relevant. We also stated that we must meet the needs of both the elderly and the young. These young members are requiring the latest technologies, thus Internet and mobile banking must be a service offered by our Credit union if we are serious about encouraging our youth to grow the Movement.

The future of payments for us will soon include bill payments on-line. Member experience will be automated systems and processes. We will offer loan applications and disbursements online while ensuring regulatory compliance and reporting. All these services are slated to be introduced in 2018.

CONCLUSION

Your Board wishes to thank you - the **general membership, volunteers, staff and other stakeholders** for your commitment to and support of the FND Enterprise Cooperative Credit Union during 2017. The collective efforts of the membership and supporting institutions including the Regulators to the success of the FND Enterprise Cooperative Credit Union were exceptional and the Board looks forward to your continued support in the future.

Presented for and on behalf of the Board of Directors.


.....
Terrence Crossman
President

TREASURER'S REPORT

For the year ended December 31, 2017.

OVERVIEW

For the Fiscal year ended 31st December, 2017, FNDECCU, for the first time in its history, achieved a profit in excess of one million dollars. The actual profit for the year was EC\$1,086,235 against an asset base of EC\$31,474,733. This performance doubled that of the previous year by EC\$546,653 or 101%. This is a very positive trend and demonstrates prudent fiscal management.

The loans portfolio grew from EC\$20,958,846 in 2016 to EC\$23,822,884 or 12% and it continues to grow. However, efforts to balance the growth in the portfolio against the risks have to be managed in tandem. Hence, more deliberate efforts were made in ensuring risk minimization with responsible portfolio growth.

ASSETS

Total assets increased to EC\$31,474,733 moving from EC\$26,889,693 in 2016. This movement of EC\$4,585,040 represents a 17% movement over the prior year. The growth in the loans portfolio is largely responsible for the increase in assets in 2017. The cash position moved from EC\$3,790,842 in 2016 to EC\$5,432,884 in 2017, which is an increase of EC\$1,642,042. Both current and non-current assets increased by EC\$2,285,946 and EC\$2,299,094 respectively.

Liabilities

Total Liabilities increased by EC\$2,774,778. Members' deposits moved from EC\$16,058,709 to EC\$18,953,709, an increase of EC\$2,895,000 or 18%. Savings accounts saw a movement from EC\$7,965,180 to EC\$10,337,650, and term deposits moved from EC\$4,983,925 to EC\$5,376,708. Trade payables and provisions decreased from EC\$509,753 to EC\$389,531.

Equity

Total Equity, which is the total of Share Capital, Statutory Reserve, Special Reserve, Capital Grants and Retained Earnings, increased by EC\$1,810,262 mainly due to the surplus of EC\$1,086,235 and the increase of Share Capital by a significant EC\$910,125.

Income

Total Income increased by EC\$653,305 or 20.39% over 2016. Interest Income also increased by EC\$655,369 or 23.79%. Fees and Other Charges showed a modest improvement from EC\$343,326 in 2016 to EC\$362,965 in 2017. However, other income declined from EC\$105,321 to EC\$83,618 due mainly to reduced project administration fees.

TREASURER'S REPORT

For the year ended December 31, 2017.

Expenses

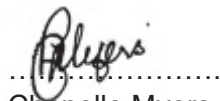
Total Expenses increased by EC\$141,652 or 5.3% over 2016.

Staff costs, comprising of salaries, social security contributions, pension plan and gratuity, increased from EC\$940,235 in 2016 to EC\$1,010,609 in 2017. Except for promotion and advertising, most costs did not show any significant movement in either direction. Staff benefits, which largely include uniforms grew from EC\$10,927 in 2016 to EC\$27,167 in 2017.

In keeping with our growth in deposits, finance costs increased by EC\$118,671, moving from EC\$322,894 in 2016 to EC\$441,565 in 2017. Bad debt expense net of recoveries decreased from EC\$464,897 to EC\$335,968. This represents a significant improvement over the last year

Conclusion

Despite the issue of delinquency that is proving to be the Achilles heel, the FNDECCU managed to make record profits while coping with and controlling the delinquency challenge. The year ahead promises to be bright with the recent additional investment in technology along with effective staff development plans.



Chanelle Myers
Treasurer

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

The Credit Committee is pleased to present to the membership of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU) the report on its activities and the loans portfolio performance for the year ended December 31st, 2017. Our recommendation to increase Credit Committee membership from 5 to 7 was approved by the Board of Directors. We are of the view that this has allowed our Committee to be more effective, expansive and proficient.

The members of the Credit Committee are:

- Mr. Cremoy Agard, Chairman
- Ms. Camilia Williams, Secretary
- Mr. Cyprian Williams, Assistant Secretary
- Mr. Osbert DeSuza, Member
- Mr. Sean Lawrence, Member
- Ms. Amoy Heyliger, Member
- Mr. Denrick Connor, Member

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

| NAME | POSITION | TERM | YEARS REMAINING | YEAR RETIRING |
|----------------------|---------------------|-----------------|--------------------|---------------|
| Mr. Cremoy Agard | Chairman | 2 nd | 2 | 2020 |
| Ms. Camilia Williams | Secretary | 1 st | 2 | 2020 |
| Mr. Cyprian Williams | Assistant Secretary | 1 st | 0 | 2018 |
| Mr. Sean Lawrence | Member | 2 nd | 2 | 2019 |
| Mr. Osbert DeSuza | Member | 2 nd | 2 | 2019 |
| Ms. Amoy Heyliger | Member | 1 st | 2 | 2020 |
| Mr. Denrick Connor | Member | 1 st | 0 | 2018 |

MEETINGS & RESPONSIBILITIES:

The meetings of the Committee were held three or four times for most months of the year under review. The Committee mostly convened during the work week, but held meetings on Saturdays when required. The primary tasks undertaken by the Committee included reviewing loan applications, ratifying loans granted, assessing delinquency and other related activities including loan policy and procedural changes. One of the policy changes that has been actualized is that all loans with a Total Debt Service Ratio (TDSR) over 45% now require Credit Committee approval. This has increased the work of the Committee substantially. The Members were committed to executing our task efficiently and would have short meetings via social media and otherwise to decrease the time needed to analyze and support or reject proposed loans. An example of the Committee Members' commitment was displayed at the Credit Union's annual dinner in December where the Members met to deliberate a loan that was time sensitive. We maintained confidentiality by having a side bar, recusing ourselves from our invited guests. Additionally, for effective risk management practices all loans EC\$100,000 and greater require a face-to-face meeting of the Committee. The Committee also found it fit to meet with members who had more complex proposals to adequately satisfy the knowledge requirement to make an informed decision.

Committee Members participated in a joint meeting with the Board of Directors and the Supervisory Committee as part of the Credit Union's strategic initiative to advance and develop the Organization.

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

For the first time in four years, the Committee visited the Branch Office in Nevis and examined a number of files. We made recommendations which included ways to improve the maintenance of files and methods to improve AML/CFT compliance. It also gave us the opportunity to discuss loans in excess of the then General Manager's limit.

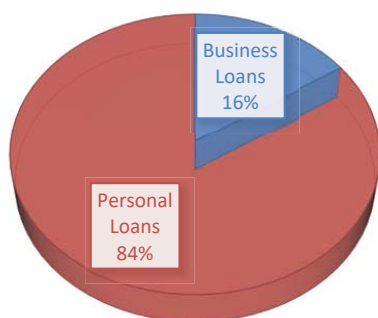
Another important recommendation of the Committee was that it be mandatory that a special account be set up for motor insurance when granting loans to purchase vehicles. We feel that this was important in ensuring that our assets/collateral would be at minimal risk of being uninsured.

LOANS PORTFOLIO

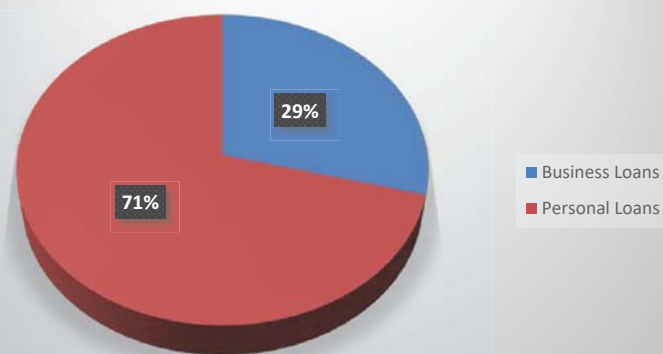
At December 31st, 2017, the Business Loans portfolio consisted of 168 loans totaling EC\$7,275,874 representing an increase of EC\$1,684,443 (30.1 percent) year-over-year. Conversely, the number of loans contracted by 20 or 10.6 percent. In addition, the Personal Loans portfolio was composed of 904 loans for a total value of EC\$17,752,831. This reflected portfolio growth of 134 (17.4 percent) loans and EC\$1,630,480 (10.1 percent) in value relative to the portfolio as at December 31st, 2016. Notably, the Personal Loans portfolio accounted for 84.3 percent of the overall number of loans and 70.2 percent of the value of the Total Loan portfolio. The demand for personal loans continued to grow. As in 2016 the Personal Loans portfolio was responsible for 76.4 percent of loans and 60.9 percent of loan value. With respect to the number of loans, these results continue to reflect the weakening demand for business loans as well as the competitive pressures for the loan product.

| Loan Type | 2017 | | 2016 | | 2015 | |
|----------------|--------------|---------------------|------------|---------------------|------------|---------------------|
| | No. | Value | No. | Value | No. | Value |
| Business Loans | 168 | \$6,698,874 | 188 | \$5,591,431 | 202 | \$6,678,622 |
| Personal Loans | 904 | \$17,752,831 | 770 | \$16,122,351 | 647 | \$10,411,641 |
| Totals | 1,072 | \$24,451,705 | 958 | \$21,713,782 | 849 | \$17,090,263 |

**TOTAL LOANS
DISBURSED (NUMBER)**



Total Loans Disbursed (Value)



CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

LOANS DISBURSED BUSINESS LOANS DISBURSED BY PURPOSE

| | 2017 | | 2016 | | 2015 | |
|-------------------------|-----------|--------------------|-----------|--------------------|-----------|--------------------|
| PURPOSE | | | No. | Value | No. | Value |
| ADMINISTRATIVE SERVICES | | | | | 2 | 52,000 |
| AUTO MECHANIC | | | 1 | 10,500 | | |
| BUS | 6 | 283,636 | 5 | 163,699 | 15 | 676,116 |
| CONSTRUCTION | 2 | 154,800 | 2 | 129,000 | 3 | 124,273 |
| CLEANING SERVICES | 1 | 45,000 | 1 | 25,000 | | |
| ENTERTAINMENT | | | 1 | 10,000 | 2 | 50,000 |
| FARMING | 5 | 99,345 | 3 | 31,000 | 4 | 217,000 |
| FISHING | 1 | 7,200 | | | 4 | 110,000 |
| CATERING | | | | | | |
| RESTAURANT/CATERING | 9 | 162,818 | 5 | 94,544 | 8 | 165,434 |
| RETAIL | 8 | 132,227 | 8 | 456,000 | 12 | 461,639 |
| SECURITY SERVICES | 1 | 60,000 | | | 2 | 48,500 |
| TAXI/TOURISM SERVICES | 1 | 8,000 | | | 6 | 212,100 |
| MANUFACTURING | 5 | 151,000 | 4 | 53,527 | 6 | 82,634 |
| TRUCKING | 5 | 452,220 | 12 | 657,223 | 7 | 709,000 |
| VEHICLE RENTALS/LEASING | 3 | 69,550 | 1 | 15,000 | 2 | 20,000 |
| FINANCIAL SERVICES | 4 | 77,886 | 1 | 450,000 | | |
| LEGAL SERVICES | | | 1 | 118,000 | | |
| WASTE DISPOSAL | 3 | 340,000 | | | | |
| LANDSCAPING | 2 | 36,000 | | | | |
| TOTALS | 56 | \$2,079,682 | 45 | \$2,188,493 | 72 | \$2,928,696 |

CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

The number of Business Loans issued totalled to 56 for a value of EC\$2,079,682. This was an increase of 11 in number, but a decrease in value of EC\$108,811. The head office disbursed 42 facilities totaling EC\$1,588,246, while the Branch office in Nevis credited 14 loans amounting to EC\$491,436. The nominal decline in loans disbursed was in part owing to initiatives undertaken by other lending agencies which targeted small and micro businesses.

PERSONAL LOANS DISBURSED

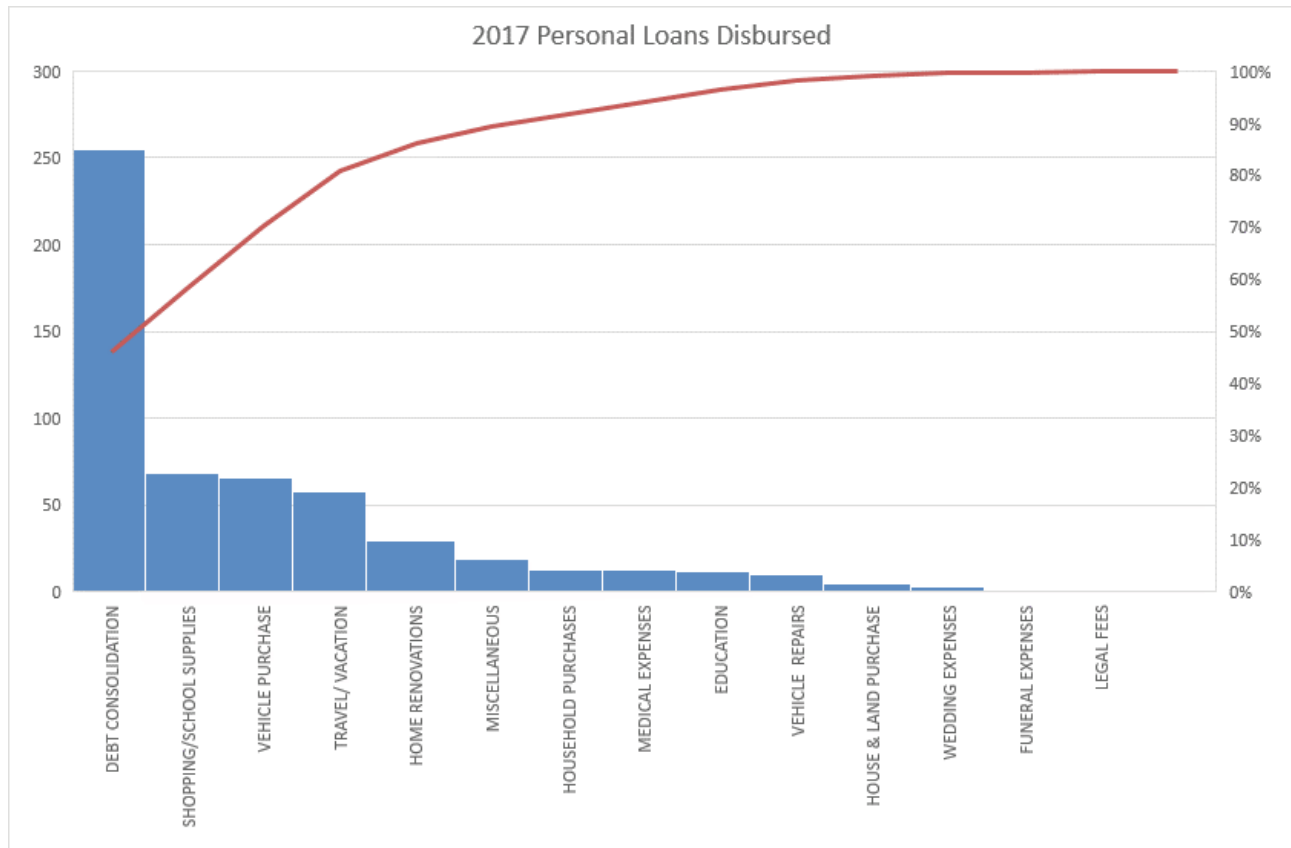
| PURPOSE | 2017 | | 2016 | | 2015 | |
|---------------------------------|------------|-------------------|------------|-------------------|------------|------------------|
| | No. | Value | No. | Value | No. | Value |
| DEBT CONSOLIDATION | 257 | 5,278,942 | 161 | 3,824,190 | 57 | 1,029,734 |
| EDUCATION | 12 | 299,083 | 14 | 203,701 | 20 | 472,276 |
| FUNERAL EXPENSES | 1 | 20,000 | 2 | 14,000 | 1 | 3,500 |
| HOUSE & LAND PURCHASE | 5 | 350,050 | 10 | 758,800 | 11 | 561,997 |
| HOUSEHOLD PURCHASES | 13 | 178,000 | 16 | 247,379 | 33 | 547,895 |
| HOME RENOVATIONS | 29 | 869,356 | 42 | 1,126,938 | 16 | 182,511 |
| LEGAL FEES | 1 | 4,000 | 2 | 52,000 | | |
| MEDICAL EXPENSES | 13 | 338,654 | 23 | 400,818 | 22 | 253,917 |
| SHOPPING/SCHOOL SUPPLIES | 68 | 1,075,833 | 44 | 534,572 | | |
| TRAVEL/ VACATION | 58 | 795,400 | 101 | 1,528,665 | 166 | 1,372,568 |
| VEHICLE PURCHASE | 66 | 1,843,284 | 99 | 2,462,253 | 82 | 1,915,522 |
| VEHICLE REPAIRS & MAINTENANCE | 10 | 76,200 | 14 | 175,315 | 12 | 97,011 |
| WEDDING EXPENSES | 3 | 61,000 | 9 | 203,000 | 5 | 49,510 |
| MISCELLANEOUS PERSONAL EXPENSES | 19 | 153,395 | 24 | 345,967 | 6 | 78,826 |
| TOTAL | 554 | 11,379,352 | 561 | 11,877,598 | 431 | 6,565,269 |

Five hundred and fifty-four personal loans with a value of EC\$11,379,352, were disbursed during fiscal year 2017. The St. Kitts Office provided 426 loans for a value of EC\$9,320,241 and the Nevis Branch issued another 128 loans amounting to EC\$2,022,956. Conversely to previous years, the Credit Union's performance declined relative to fiscal year 2016. In 2016, a total of 561 loans valuing EC\$11,877,598 were processed with 444 loans in St. Kitts amounting to EC\$10,197,651 and 117 loans in Nevis at EC\$1,679,946. Hence, there was a contraction of 19 loans valuing EC\$877,410 (8.6 percent) in the head office while Nevis exceeded its 2016 performance by 11 loans and EC\$343,000 (20.4 percent) in value. Competition from various lending agencies such as banks, other credit unions and money service businesses were the principal cause of the reduction in market share as many of these entities held campaigns which offered consumers attractive products.

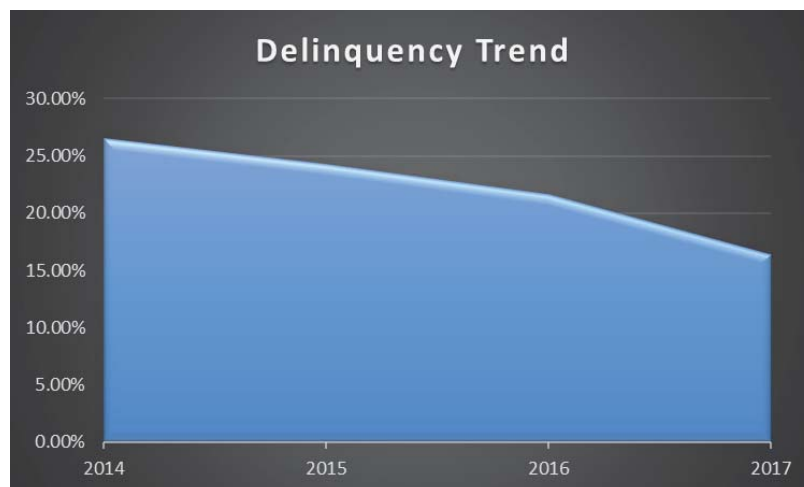
CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

We are of the view that there is a need for increased marketing of our Credit Union. It must be mentioned, however, that the Credit Union did undertake a Christmas and Consolidation campaign to attract business. These campaigns produced 158 loans for EC\$2,459,200, 87 loans valuing EC\$1,510,700 from the Christmas initiative while our Consolidation promotion saw a total of 71 loans amounting to EC\$948,500. Other reasons for the decline include more prudent lending practices, length of time to provide credit and the financial advice given to over-extended members. The financial advice that we gave to members was intended to enable persons to improve their financial health and by extension their standard of living.



DELINQUENCY



CREDIT COMMITTEE REPORT

for the Year Ended, December 31st, 2017

Delinquency continues to be a concern of the Credit Committee, the Board of Directors and Management. Loan arrears stood at 16.3 percent, 5.3 percent below the rate as at December 2016. Despite our efforts to arrest the delinquency problem, our Credit Union remained well above the 5 percent benchmark. However, we have seen a downward trend in recent times as seen in the table above. During the year under review a total of EC\$926,696 was written off. The category with the highest delinquency tended to be self-employed individuals.

The employment of the Collections Manager coupled with robust collection efforts including visits, telephone calls, warning letters and more expedient repossession of collateral has aided in reducing arrears. The Committee recommended initiatives such as having one of our members and a management staff approach a delinquent member at their place of employment or at their residence.

CONCLUSION

As our mandate dictates, the Credit Union continues to provide you, our members with the financial support you need as we strive to enhance our lives by building 'financially strong communities'. However, we must remind you that 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 Management team, the entire Loans Division, and the Branch officers for the reliable support given during the year.

We also thank the members who used the FND Credit Union as their first choice for their financial needs as this is the only way to ensure that we all succeed. Finally, we continue to remind you to SAVE regularly, BORROW prudently and REPAY promptly.



.....
Cremoy Agard

Chairman

On behalf of the
Credit Committee

SUPERVISORY COMMITTEE'S REPORT

for the Year Ended, December 31st, 2017

In accordance with the FNDECCU By-Law 17, Sections 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 internal and external auditors;
- Auditing the functions of the management and staff;
- Auditing the asset-liability management and liquidity of the Credit Union;
- Paying attention to the risk management of the Credit Union;
- Verifying the assets of the society to determine whether they were properly protected;
- Investigating complaints made by any member, which affect the proper management of the Credit Union;
- Conducting annual, random verification of a sample of members' pass books and accounts;
- Ensuring that all advances, loans, deposits, other transactions and other decisions involving Directors, Committee members and employees, are following the Act, Regulations, By-Laws and Policies of the Credit Union.

The volunteers on the Supervisory Committee are as follows:

- Mr. Carl Osborne - Member
- Mrs. Velda Irish-Browne - Chairperson
- Mrs. Evadney A. Morris Liburd - Secretary
- Ms. Brontie Duncan – Member

The Supervisory Committee's main focus was a review of the 2016 external auditors' Management Letter. This letter provided the team with a rounded view of the risks discovered in the 2016 operations of the Credit Union.

The following concerns were chosen for investigation:

a CASH AND DEPOSITS

Teller Cash: A concern was raised regarding the lack of physical evidence to support the checking of Tellers' cash position at end-of-day by a supervisor.

Our investigation and discussion with Management provided us the assurance that this is presently being done.

Customer Cash: There were instances where follow-up was not done to secure proof of address and a second identification; and for large deposits, there were instances where there was no written evidence for the source of funds.

All customers are required to provide proof of address and present two (2) forms of identification when opening a new account. Anti-Money Laundering procedures require that sufficient identification and proof of address are obtained from customers and that customers are asked to declare source of funds when depositing large amounts: equivalent to US\$10,000 and more.

SUPERVISORY COMMITTEE REPORT

for the Year Ended, December 31st, 2017

Policies are in place to ensure in operating that the requirements are met. Management advised that checks are in place to mitigate such occurrences. The function of a compliance officer is to ensure that management follow internal policies and adhere to Anti-Money Laundering procedures.

The Committee felt that “ KYC - knowing your customer” is a major factor when faced with large deposits. This might assist in avoiding questionable deposits.

Loans: There was lack of documentary evidence for some items on the mandatory checklist for loans granted, and some other deficiencies in the granting of loans.

Management provided proof that operating policies were revised and that loan reviews were being done by a senior officer. Additionally, work practices were upgraded to include scanned loan documents in the computer software.

b. VALUATIONS

Solicitors Payable: A selection of loans sampled, showed variations in the calculation of fees payable to solicitors. This arose in cases where loan amounts were adjusted after initial approval and in others, legal fees were charged to members for documents with no physical evidence that documents were prepared.

Management provided evidence that policies and operations activity have been changed, which ensured that a security register was maintained, and updated checks shown on outstanding items. Also, the necessary training of loan officers was provided to promote standardized calculations.

Property, Plant & Equipment: It was cited that the valuation of property, plant and equipment at the financial year end had not been based on the requirement of the relevant International Accounting Standard (ISA).

Management informed that fixed assets valuation basis had been changed in accordance with the standard and industry practices. There now exists proper records of asset revaluations.

Management further indicated that there has been a tightening of timeliness in performing other controls such as reconciliations to safeguard the assets of the Credit Union.

The Committee noted the improvements which took place at the FNDECCU during the 2017 financial year and those on-going changes to further improve overall efficiencies in 2018.

The Supervisory Committee presents the report to the Membership and states that to the best of its knowledge, the management and staff adhered to the policies and procedures outlined in the By-laws No. 1 of 2009 and the Policy Manual during the period of review.

The Committee gives the Membership its assurance that it will continue to work diligently to further the progress of the FND Enterprise Cooperative Credit Union, and assist Management and Staff to further the growth goal.



Mrs. Velda Irish-Browne
Chairperson

NOMINATING COMMITTEE'S REPORT

for the Year Ended, December 31st, 2017

In accordance with the By-Laws of the FND Enterprise Cooperative Credit Union (FNDECCU) Article 12 Section 1(a), the Nominating Committee shall nominate one member for each vacancy. The Nominating Committee approved by the Board of Directors deliberated and considered suitable candidates to serve on the Board of Directors and Supervisory Committee.

The Nominating Committee comprised of the following persons:

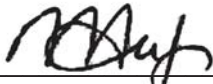
1. Terrence Crossman - Chief Executive Officer
2. Dawne Williams - Asst. Secretary (Director)
3. J. Dawne Heyliger – Credit & HR Manager

The Committee deliberated and ensured that all nominees were in good standing, meeting the fit and proper standards and were both willing and able to serve. In keeping with the Cooperatives Act, the required due diligence was carried out.

The nominees will be presented to the membership at the institution's Annual General Meeting for consideration. Members who are present, can also nominate any suitable candidate of their choosing from the floor. In this event, nominations from the floor can be elected by a show of hands or by the distribution and collection of ballots which would then be tallied.

The Nominating Committee is pleased to present the following persons for consideration, who we feel are the most eligible candidates to fill the vacant positions. These persons are all willing to serve the Credit Union utilizing their talents and experience, sacrificing their time to fulfil the mandate and direction of the Board of Directors for the further development of the FNDECCU.

The Committee would like to take this opportunity to thank all of the retiring members who have served with distinction, in some cases a total of six (6) consecutive years.



J. Dawne Heyliger
Chairperson

NOMINATING COMMITTEE'S REPORT

for the Year Ended, December 31st, 2017

| Volunteers | Position | Current Period | Status | Term | Retiring Year | Nominee |
|------------------------------|-----------------|----------------------|----------|------|---------------|---------------------------|
| BOARD OF DIRECTORS | | | | | | |
| Terrence Crossman | President | 2 nd year | Resigned | 2 | 2019 | Howard Mc Eachrane |
| Malvie James | Vice President | 2 nd year | Serving | 2 | 2019 | |
| Trevor Phipps | Secretary | 2 nd year | Serving | 2 | 2019 | |
| Jamir Claxton | Asst. Secretary | 3 rd year | Serving | 1 | 2018 | Up for re-election |
| Chanelle Myers | Treasurer | 1 st year | Serving | 1 | 2020 | |
| Dawne Williams | Asst. Treasurer | 1 st year | Serving | 1 | 2020 | |
| Glen Quinlan | Member | 1 st year | Serving | 1 | 2020 | |
| Geoffrey Hanley | Member | 1 st year | Serving | 1 | 2020 | |
| Maretta Manners | Member | 2 nd year | Resigned | 1 | 2018 | Clyde Richardson |
| | | | | | | |
| CREDIT COMMITTEE | | | | | | |
| Cremoy Agard | Chairperson | 1 st year | Serving | 2 | 2020 | |
| Camilla Williams | Secretary | 1 st year | Serving | 1 | 2020 | |
| Sean Lawrence | Member | 2 nd year | Serving | 2 | 2019 | |
| Osbert Desuza | Member | 2 nd year | Serving | 2 | 2019 | |
| Cyprian Williams | Asst. Secretary | 1 st year | Serving | 1 | 2018 | Up for re-election |
| Amoy Heyliger | Member | 1 st year | Serving | 1 | 2020 | |
| Denrick Connor | Member | 1 st year | Serving | 1 | 2018 | Up for re-election |
| | | | | | | |
| SUPERVISORY COMMITTEE | | | | | | |
| Velda Irish Browne | Chairperson | 2 nd year | Serving | 2 | 2019 | |
| Shermel Jeffers | Secretary | 2 nd year | Resigned | 2 | 2018 | Eslyn Swanston |
| Brontie Duncan | Member | 1 st year | Serving | 1 | 2020 | |
| Evadney Morris-Liburd | Member | 1 st year | Serving | 1 | 2020 | |
| Carl Osborne | Member | 3 rd year | Retiring | 2 | 2018 | Lincoln Connor |

INDEPENDENT AUDITORS' REPORT

for the Year Ended, December 31st, 2017

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FND ENTERPRISE CO-OPERATIVE CREDIT UNION LIMITED

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT

for the Year Ended, December 31st, 2017

Report on the Audit of the Financial Statements

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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


Chartered Accountants

BASSETERRE – St Kitts
24 August 2018


FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.


Statement of Financial Position As At 31 December, 2017 (Expressed in Eastern Caribbean Dollars)

| ASSETS | Notes | 2017 | 2016 |
|---------------------------------------|-----------|---------------------|---------------------|
| Current Assets | | | |
| Cash | 3 | 5,432,884 | 3,790,842 |
| Loans and Other Receivables - Current | 4 | 8,365,557 | 7,765,396 |
| Investments – short-term | 5 | <u>1,315,627</u> | <u>1,271,884</u> |
| | | <u>15,114,068</u> | <u>12,828,122</u> |
| Non-Current Assets | | | |
| Loans – Non-Current | 4 | 15,457,327 | 13,193,450 |
| Investments – Non-current | 5 | 135,100 | 50,100 |
| Property, Plant and Equipment | 6 | 768,231 | 817,817 |
| Intangible Assets | 7 | <u>7</u> | <u>204</u> |
| | | <u>16,360,665</u> | <u>14,061,571</u> |
| TOTAL ASSETS | | <u>\$31,474,733</u> | <u>\$26,889,693</u> |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Security Deposits | 8 | 3,540 | 3,540 |
| Members' Deposits | 9 | 18,009,370 | 13,538,338 |
| Trade Payables and Provisions | 10 | <u>389,531</u> | <u>509,753</u> |
| | | <u>18,402,441</u> | <u>14,051,631</u> |
| Non Current Liabilities | | | |
| Members' Deposits | 9 | <u>944,339</u> | <u>2,520,371</u> |
| TOTAL LIABILITIES | | <u>19,346,780</u> | <u>16,572,002</u> |
| Equity | | | |
| Share Capital | 11 | 3,493,960 | 2,583,835 |
| Statutory Reserve Fund | 12(a) | 3,218,092 | 3,218,092 |
| Development Fund | 12(a) | 2,620 | 2,620 |
| Special Capital Reserve | 12(b) | 1,190,025 | 1,185,988 |
| Capital-based Grants | 13 | 131,805 | 144,079 |
| Unrealised Holding Gain | 2(i) (ii) | 35,000 | - |
| Retained Earnings | | <u>4,056,451</u> | <u>3,183,077</u> |
| | | <u>12,127,953</u> | <u>10,317,691</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>\$31,474,733</u> | <u>\$26,889,693</u> |

The accompanying Notes form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 24 August 2018.


Chanelle Pinney-Myers (Treasurer)


Terrence Crossman (President)

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Statement of Comprehensive Income

For Year Ended 31 December, 2017
(Expressed in Eastern Caribbean Dollars)

| | <u>Notes</u> | <u>2017</u> | <u>2016</u> |
|----------------------------|--------------|--------------------|--------------------|
| INCOME | | | |
| Fees and Other Charges | 14 | 362,965 | 343,326 |
| Interest Income | 15 | 3,409,664 | 2,754,295 |
| Other Income | 16 | <u>83,618</u> | <u>105,321</u> |
| | | <u>3,856,247</u> | <u>3,202,942</u> |
| EXPENSES | | | |
| Administrative Expenses | 17 | (1,393,414) | (1,271,981) |
| Other Expenses | 18 | (970,033) | (1,068,485) |
| Finance Costs | 19 | <u>(441,565)</u> | <u>(322,894)</u> |
| | | <u>(2,805,012)</u> | <u>(2,663,360)</u> |
| NET INCOME FOR THE YEAR | | 1,051,235 | 539,582 |
| OTHER COMPREHENSIVE INCOME | | | |
| Unrealised Holding Gain | | <u>35,000</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME | | <u>\$1,086,235</u> | <u>\$539,582</u> |

The accompanying Notes form an integral part of these Financial Statements.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Statement of Changes in Members' Equity

For Year Ended 31 December, 2017

(Expressed in Eastern Caribbean Dollars)

| | Share Capital | Statutory Reserve Fund | Special Capital Reserve | Development Fund | Capital-based Grants | Unrealised Holding Gain | Retained Earnings | Total |
|--|------------------|---------------------------|-------------------------------|---------------------|-------------------------|----------------------------|----------------------|--------------|
| Balance at December 31, 2015 | 1,576,020 | 3,218,092 | 1,181,558 | 2,620 | 156,353 | - | 2,748,818 | 8,883,461 |
| Shares Issued | 1,007,815 | - | - | - | - | - | - | 1,007,815 |
| Dividend Paid (\$0.35 per share) (Note 23) | - | - | - | - | - | - | (100,893) | (100,893) |
| Capital-based Grants amortized in the Year (Note 13) | - | - | - | - | (12,274) | - | - | (12,274) |
| Entrance Fees | - | 4,430 | - | - | - | - | (4,430) | - |
| Transfer to Special Capital Reserve (Note 12(b)) | - | (4,430) | 4,430 | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | - | - | - | 539,582 | 539,582 |
| Balance at December 31, 2016 | 2,583,835 | 3,218,092 | 1,185,988 | 2,620 | 144,079 | - | 3,183,077 | 10,317,691 |
| Shares Issued | 910,125 | - | - | - | - | - | - | 910,125 |
| Dividends (\$0.38 per share) (Note 23) | - | - | - | - | - | - | (173,824) | (173,824) |
| Capital-based Grants amortized in the Year (Note 13) | - | - | - | - | (12,274) | - | - | (12,274) |
| Entrance Fees | - | 4,037 | - | - | - | - | (4,037) | - |
| Transfer to Special Capital Reserve (Note 12(b)) | - | (4,037) | 4,037 | - | - | - | - | - |
| Total Comprehensive Income | - | - | - | - | - | 35,000 | 1,051,235 | 1,086,235 |
| Balance at December 31, 2017 | \$3,493,960 | \$3,218,092 | \$1,190,025 | \$2,620 | \$131,805 | \$35,000 | \$4,056,451 | \$12,127,953 |

The accompanying Notes form an integral part of these Financial Statements.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Statement of Cash Flows For Year Ended 31 December, 2017 (Expressed in Eastern Caribbean Dollars)

| | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Income for the Year | 1,051,235 | 539,582 |
| Adjustment for non-cash income and expenses: | | |
| Depreciation of property, plant and equipment | 101,917 | 109,401 |
| Amortisation of intangibles | 197 | 891 |
| Amortisation of capital-based grants | (12,274) | (12,274) |
| Changes in operating assets and liabilities: | | |
| Short-term Investments | (43,743) | (42,530) |
| Increase in loans and other receivables – current | (600,161) | (1,375,198) |
| Increase in trade payables and provisions | (120,222) | 106,659 |
| Increase in members' deposits – current | 4,471,032 | 2,136,408 |
| Loss on Disposal of Property, Plant & Equipment | — | 2 |
| Net cash from operating activities | <u>4,847,981</u> | <u>1,462,941</u> |
| Cash flows from investing activities | | |
| Purchase of Investments | (50,000) | - |
| Purchase of property, plant and equipment | (52,331) | (134,638) |
| Net cash used in investing activities | <u>(102,331)</u> | <u>(134,638)</u> |
| Cash flows from financing activities | | |
| Non-current members' deposits | (1,576,032) | 1,758,449 |
| Increase in loans receivable – non-current | (2,263,877) | (4,072,366) |
| Issue of shares | 910,125 | 1,007,815 |
| Dividends paid to shareholders | (173,824) | (100,893) |
| Net cash used in financing activities | <u>(3,103,608)</u> | <u>(1,406,995)</u> |
| Net Increase/(Decrease) in cash | 1,642,042 | (78,692) |
| Cash at beginning of year | <u>3,790,842</u> | <u>3,869,534</u> |
| Cash at end of year | <u>\$5,432,884</u> | <u>\$3,790,842</u> |

The accompanying Notes form an integral part of these Financial Statements

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017
(Expressed in Eastern Caribbean Dollars)

1 INCORPORATION AND PRINCIPAL ACTIVITIES

Incorporation:

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 20 July 2009. A resolution was passed on 24 June 2010 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 31 December. Consequently the first Financial Statements were for the five months ended 31 December 2009. Although the Credit Union was formed on 20 July it began operations effective 1 August 2009. The credit union was automatically re-registered on 17 October 2011 under the new Co-operative Societies Act, 2011 which has replaced the Co-operatives Societies Act of 1995.

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

Principal Activities:

The Credit Union's principal activities are to safeguard, uphold and represent the best interests of all its members, especially in financial matters and to undertake all other acts and devices as are incidental or conducive to or consequential upon the attainment of its objectives.

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 Limited are prepared on the accruals basis under the historical cost convention. They are presented in Eastern Caribbean Dollars (EC \$), the functional currency (US \$1 = EC \$2.70).

c) Use of Estimates and Judgements:

The preparation of financial statements in conformity with International Financial Reporting Standards require 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.

The estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

2

BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**c) Use of Estimates and Judgements (cont'd)****Depreciation of Property, Plant and Equipment:**

The Credit Union estimates the useful lives and residual values of property, plant and equipment based on the intended use of these assets, the periodic review of actual asset lives and the resulting depreciation determined thereon.

Impairment of Financial Assets:

Management makes judgements at each statement of reporting date to determine whether financial assets are impaired. A financial asset is impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The fair value of an asset is measured using the assumptions that the market participants would use when pricing the asset, assuming that the market participants act in their economic best interest.

Fair Value Measurement:

A number of assets included in the Credit Union's financial statements require measurement at, and/or disclosure of fair value.

The Credit Union measures some of its assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants and the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset takes place either:

- In the principal market for the asset, or
- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of non-financial assets at fair value takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Credit Union uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**c) Use of estimates and judgements (cont'd)****Fair Value Measurement: (cont'd)**

Fair value measurement of the Credit Union's financial and non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurement are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market price included within Level 1 that are observable for the asset or liability either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The Credit Union measures the following at fair value:

- Land and buildings – property, plant and equipment (see note 6)
- Available-for-sale investments – unquoted (see note 5)

Fair values are based on quoted market prices for the specific instrument or comparisons with other similar financial instruments. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in deteriorating economic conditions, types of instruments or currencies and other factors.

d) Accounting Standards and Interpretations:

The accounting policies which are followed are set out below. These accounting policies adopted are consistent with those of the previous financial year and include the adoption of new and amended IAS, IFRS and IFRIC interpretations effective for periods beginning on or after the dates indicated:

2

BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**d) Accounting Standards and Interpretations: (cont'd)****New and amended pronouncements in effect and applicable:****Amendments to IAS 7 – Statement of Cash Flows (Disclosure Initiative)**

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective for annual periods beginning on or after 1 January 2017.

This amendment has no effect on the Credit Union's financial position or performance.

Standards and interpretations in issue but not yet effective and not early adopted

The Credit Union intends to adopt the following standards and amendments, if applicable, when they become effective:

| | | |
|---------|---------------------------------------|--------------------------|
| IFRS 9 | Financial Instruments (2014) | effective 1 January 2018 |
| IFRS 15 | Revenue from Contracts with Customers | effective 1 January 2018 |
| IFRS 16 | Leases | effective 1 January 2019 |

Assessment is being made of the potential impact of these new standards and amendments.

e) Revenue Recognition:

The credit union principally derives its revenue from the rendering of services and interest.

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.

2

BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**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 the income.

h) Property, Plant and Equipment:

Property, plant and equipment 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.

| | | | |
|----------------------|------------|---------------------|---------|
| Buildings | 2.5% | Computer Equipment | 33 1/3% |
| Furniture & Fittings | 15-20% | Plant and Equipment | 10% |
| Motor Vehicles | 20% | | |
| Office Equipment | 20-33 1/3% | | |

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is derecognised.

Each year the residual values, useful lives and method of depreciation of property, plant and equipment are reviewed and any impairment is recognised in the Statement of Comprehensive Income.

2

BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**i) Impairment of financial assets:**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered impaired when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) 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 financial asset have been affected.

During the year, provision for Loan Losses is estimated using PEARLS where 35% of delinquent debts older than 30 days but less than 12 months are provided for and all delinquent debts over one year are provided for in full.

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

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

i Financial assets measured at amortised cost

The difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**i) Impairment of financial assets: (cont'd)****ii Available-for-Sale Investments**

For securities where there is no quoted market price, fair value has been estimated at cost less amounts written off. While it is not practical to determine the current market value of these investments, impairment is assessed and provisions for permanent impairment in the value of investments is made through the Statement of Comprehensive Income.

Investments in companies quoted on the Securities Exchange are carried at fair value based on quoted market prices at the year end. All unrealised gains and losses on revaluation, are reported as part of shareholders equity in the capital reserve account, until the securities are disposed of, at which time the cumulative gain or loss previously recognised in equity is included in the income statement.

j) 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 and other short-term investments are non-derivative 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 cost less any provision for 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 impairments. These include trade and other receivables, bank balances and loans to members.

2

BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)**j) Financial Instruments: (cont'd)**

A financial asset is primarily derecognised when:

- the rights to receive cash flows from the assets have expired;
- the credit union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party.

Financial Liabilities:

The credit union's financial liabilities comprise primarily deposits and other payables. The credit union has not designated any financial liabilities upon recognition as at fair value through profit or loss.

All financial liabilities are recognised initially at fair value. Due to their short-term nature, the carrying value of deposits and other payables approximate their fair value.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

k) Intangibles:

Intangible assets are identifiable non-monetary assets without physical substance. Computer software meets this description. Acquired computer software licences, upgrades to software and related costs that are expected to contribute to the future economic benefit of the Credit Union are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives at a rate of 20% per annum.

Costs associated with maintaining computer software programs are recognised as an expense when incurred.

l) Share Capital:

Financial instruments issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The credit union's ordinary shares are classified as equity instruments.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont'd)

m) Dividends:

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is initially approved by the directors and confirmed at the Annual General Meeting. In the case of final dividend, this is approved by the shareholders at the Annual General Meeting.

n) Provisions:

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

Provisions are recognised in the Statement of Comprehensive Income and are reviewed annually.

o) Capital-based Grants: (See Note 13)

Capital-based grants are treated as deferred credits, a portion of which is transferred annually to the Statement of Comprehensive Income over the expected useful life of the asset.

| 3 | CASH | <u>2017</u> | <u>2016</u> |
|---|------------------|---------------------------|---------------------------|
| | Current Accounts | 1,461,838 | 677,249 |
| | Savings Accounts | 3,800,829 | 2,955,304 |
| | Cash in Hand | <u>170,217</u> | <u>158,289</u> |
| | TOTAL | <u>\$5,432,884</u> | <u>\$3,790,842</u> |

The Savings accounts bear interest within the range of 0.5% to 2% per annum.

Amounts totalling \$2,224,314 (2016 = \$2,224,314) held in savings accounts with Bank of Nevis and Nevis Co-operative Credit Union have been earmarked to support the Statutory Reserve in the amount of \$3,218,092 (2016 = \$3,218,092) (See Notes 5 & 12 (a)).

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|---|--|---------------------|---------------------|
| 4 | LOANS AND OTHER RECEIVABLES | <u>2017</u> | <u>2016</u> |
| | General Loans | 24,060,410 | 21,713,782 |
| | Interest Receivable | 178,870 | 132,551 |
| | Unearned Interest on Discount Loan | — | (600) |
| | Total Loans Receivable | 24,239,280 | 21,845,733 |
| | Less: Provision for Loan Losses | (597,478) | (1,047,599) |
| | | 23,641,802 | 20,798,134 |
| | Miscellaneous Receivables | <u>151,665</u> | <u>121,980</u> |
| | | 23,793,467 | 20,920,114 |
| | Less: Non-current loans and other receivables | (15,457,327) | (13,193,450) |
| | | 8,336,140 | 7,726,664 |
| | Prepayments | <u>29,417</u> | <u>38,732</u> |
| | Total Current Portion of Loans and Other Receivables | <u>\$8,365,557</u> | <u>\$7,765,396</u> |
| | Analysis of provision for loan losses: | | |
| | | <u>2017</u> | <u>2016</u> |
| | Balance brought forward | 1,047,599 | 1,797,551 |
| | Charge for the Year | 476,575 | 534,569 |
| | Amount Written Off | (926,696) | (1,284,521) |
| | | <u>\$597,478</u> | <u>\$1,047,599</u> |
| | Ageing of loans net of provisions: | | |
| | Neither past due nor impaired | 23,543,490 | 19,878,571 |
| | Past due but not impaired – 30 to 90 days | 50,977 | 188,600 |
| | Past due but not impaired – over 90 days | <u>46,735</u> | <u>730,963</u> |
| | | <u>\$23,641,202</u> | <u>\$20,798,134</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

4

LOANS AND OTHER RECEIVABLES (cont'd)

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.

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.

Interest rates between 10% and 15% per annum are charged on general loans.

FND Loan Agreements with St Kitts and Nevis Sugar Industry Diversification Foundation (SIDF)

Small Entrepreneur and Enterprise Development (SEED) and Local Entrepreneur Assistance (LEAP) Programs

The FND entered into two (2) agreements with the St Kitts and Nevis Sugar Industry Diversification Foundation (SIDF), namely the Small Entrepreneur and Enterprise Development (SEED) Program dated 26 February 2014 and the Local Entrepreneur Assistance (LEAP) Program dated 1 May 2014. The purpose of these programs is to facilitate the funding of new and existing business enterprises.

The FND earns annual administration fees of 5% per annum plus Value Added Tax (VAT) on the aggregate outstanding loan balances calculated on the reducing balance basis for loans advanced and administered under the SEED program and for support services provided. Under the LEAP agreement, the FND earns administration fees of 3% of the interest charged on loans disbursed or 50% of the interest collected plus VAT.

The amount of \$35,129 represented services provided under these agreements at 31 December 2017 (2016 = \$46,763) and was paid in full subsequent to the year end.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|---|---|--------------------|--------------------|
| 5 | INVESTMENTS | <u>2017</u> | <u>2016</u> |
| | Available-for-sale: | | |
| | Bank of Nevis | | |
| | 20,000 shares of no par value – At Valuation | 85,000 | - |
| | St Kitts Co-operative Credit Union Limited | | |
| | 20 Shares of \$5 each - At Cost | 100 | 100 |
| | Nevis Co-operative Credit Union Limited | | |
| | 10,000 Shares of \$5 each – At Cost | <u>50,000</u> | <u>50,000</u> |
| | Sub-total | <u>135,100</u> | <u>50,100</u> |
| | Short-term Investments: | | |
| | Government of St Kitts and Nevis | | |
| | Treasury Bills (face value \$200,000) – At Cost | 198,125 | 198,125 |
| | S L Horsford and Company Limited | | |
| | – Demand Loan Receivable | <u>1,117,502</u> | <u>1,073,759</u> |
| | Sub-total | <u>1,315,627</u> | <u>1,271,884</u> |
| | TOTAL | <u>\$1,450,727</u> | <u>\$1,321,984</u> |

The Government of St Kitts and Nevis Treasury bills mature on 6 February 2018 and are issued with interest earned at the rate of 3.75% per annum.

The demand loan receivable with S L Horsford and Company Limited is repayable on demand and bears interest at the rate of 4% per annum. This demand loan receivable is earmarked to support the Statutory Reserve in the amount of \$3,218,092 (See Notes 3 & 12 (a)).

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statement For Year Ended 31 December, 2017 (Continued) (Expressed in Eastern Caribbean Dollars)

6 Property, Plant and Equipment

Gross Carrying Amounts

| | <u>Land/ Parking Lot</u> | <u>Buildings</u> | <u>Plant & Equipment</u> | <u>Furniture & Fittings</u> | <u>Office Equipment</u> | <u>Computer Equipment</u> | <u>Motor Vehicles</u> | <u>Total</u> |
|---------------------------------|------------------------------|------------------|----------------------------------|-------------------------------------|-----------------------------|-------------------------------|---------------------------|------------------|
| At January 1, 2016 | 251,794 | 703,588 | 84,050 | 248,192 | 116,856 | 181,823 | 100,000 | 1,686,303 |
| Additions | - | - | - | 100,481 | 13,373 | 20,784 | - | 134,638 |
| Disposals | - | - | - | (4,430) | (5,300) | - | - | (9,730) |
| At December 31, 2016 | 251,794 | 703,588 | 84,050 | 344,243 | 124,929 | 202,607 | 100,000 | 1,811,211 |
| Additions | - | - | - | 23,000 | 22,934 | 6,397 | - | 52,331 |
| At December 31, 2017 | 251,794 | 703,588 | 84,050 | 367,243 | 147,863 | 209,004 | 100,000 | 1,863,542 |
| Accumulated depreciation | | | | | | | | |
| At January 1, 2016 | 12,180 | 299,023 | 42,025 | 223,629 | 96,433 | 160,431 | 60,000 | 893,721 |
| Disposals for the year | - | - | - | (4,429) | (5,299) | - | - | (9,728) |
| Charge for the year | 3,045 | 17,590 | 8,405 | 31,284 | 10,877 | 18,200 | 20,000 | 109,401 |
| At December 31, 2016 | 15,225 | 316,613 | 50,430 | 250,484 | 102,011 | 178,631 | 80,000 | 993,394 |
| Charge for the year | 3,045 | 17,590 | 8,405 | 23,292 | 16,441 | 13,145 | 19,999 | 101,917 |
| At December 31, 2017 | 18,270 | 334,203 | 58,835 | 273,776 | 118,452 | 191,776 | 99,999 | 1,095,311 |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statement

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

6 Property, Plant and Equipment (cont'd)

| Net Carrying amounts | Land/ Parking Lot | Buildings | Plant & Equipment | Furniture & Fittings | Office Equipment | Computer Equipment | Motor Vehicles | Total |
|----------------------|----------------------|------------------|----------------------|-------------------------|---------------------|-----------------------|-------------------|------------------|
| At December 31, 2017 | <u>\$233,524</u> | <u>\$369,385</u> | <u>\$25,215</u> | <u>\$93,467</u> | <u>\$29,411</u> | <u>\$17,228</u> | <u>\$1</u> | <u>\$768,231</u> |
| At December 31, 2016 | <u>\$236,569</u> | <u>\$386,975</u> | <u>\$33,620</u> | <u>\$93,759</u> | <u>\$22,918</u> | <u>\$23,976</u> | <u>\$20,000</u> | <u>\$817,817</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/accumulated depreciation as the closing balances of the Foundation.

No depreciation is taken in the year of disposal but a full year's depreciation is taken in the year of acquisition by the Credit Union.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|---|---------------------------------------|----------------|----------------|
| 7 | INTANGIBLE ASSETS | <u>2017</u> | <u>2016</u> |
| | Software: | | |
| | Gross Carrying amount carried forward | <u>126,319</u> | <u>126,319</u> |
| | Accumulated Amortisation | | |
| | Opening Balance | 126,115 | 125,224 |
| | Current year's amortisation | <u>197</u> | <u>891</u> |
| | Closing Balance | <u>126,312</u> | <u>126,115</u> |
| | Net Carrying Amount | <u>\$7</u> | <u>\$204</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 amortised.

| | | | |
|---|-----------------------------|----------------|----------------|
| 8 | SECURITY DEPOSITS | <u>2017</u> | <u>2016</u> |
| | Balance – as at end of year | <u>\$3,540</u> | <u>\$3,540</u> |

This represents security deposits for loans granted to clients of Foundation for National Development (St Kitts-Nevis) Limited (FND).

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|---|--------------------------------------|---------------------|---------------------|
| 9 | MEMBERS' DEPOSITS | <u>2017</u> | <u>2016</u> |
| | Savings | 10,337,650 | 7,965,180 |
| | Term Deposits | <u>5,376,708</u> | <u>4,983,925</u> |
| | | 15,714,358 | 12,949,105 |
| | Chequing Accounts | 3,068,027 | 2,980,236 |
| | Interest Due on Savings and Deposits | <u>171,324</u> | <u>129,368</u> |
| | TOTAL | <u>\$18,953,709</u> | <u>\$16,058,709</u> |
| | Represented by: | | |
| | Current Portion | 18,009,370 | 13,538,338 |
| | Non-Current Portion | <u>944,339</u> | <u>2,520,371</u> |
| | TOTAL | <u>\$18,953,709</u> | <u>\$16,058,709</u> |

Liquidity risk varies according to cash flow. 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.

The Credit Union paid interest on its savings and term deposits at rates ranging from 2.5% to 4% per annum during 2017 (2016 = 2.5% to 4%).

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|----|-------------------------------|-------------------------|-------------------------|
| 10 | TRADE PAYABLES AND PROVISIONS | <u>2017</u> | <u>2016</u> |
| | Audit fee provision | 49,500 | 49,500 |
| | Social Security Payable | 12,408 | 10,943 |
| | Bills of Sale | 14,121 | 7,041 |
| | Other Payables | <u>313,502</u> | <u>442,269</u> |
| | TOTAL | <u>\$389,531</u> | <u>\$509,753</u> |

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

Other Payables - Defined Pension Plan - \$182,039 (2016 = \$256,859)

During the year ended 31 December 2016, Management entered into a Group Defined Contribution Pension Plan with Sagicor Life Inc to provide past service contribution for all present and future employees. The total expected Past Service Contribution of \$155,117 would be amortised over a five year period. Employees who met the retirement age within the year were not included in the Pension Plan. In lieu of joining the Pension Plan, a lump sum payment was provided for employees in this category at 31 December 2016.

The amount of \$182,039 represents first deposit and lump-sum payable at 31 December 2017 (2016 = \$256,859) relating to past services and is included in Other Payables.

| | | | |
|----|--|--------------------|--------------------|
| 11 | SHARE CAPITAL | <u>2017</u> | <u>2016</u> |
| | Issued and fully paid share capital 3,493,960 at \$1 each (2016 = 516,767 Shares at \$5 each) | <u>\$3,493,960</u> | <u>\$2,583,835</u> |
| | Opening Balance | 2,583,835 | 1,576,020 |
| | Shares issued during the year | <u>910,125</u> | <u>1,007,815</u> |
| | Balance at end of year | <u>\$3,493,960</u> | <u>\$2,583,835</u> |

Section 96 of the Co-operative Societies Act, No. 31 of 2011 of the Laws of St Christopher and Nevis, Section 7 (1) 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.

At the Annual General Meeting of the FND Co-Operative Credit Union Limited held on 19 October 2017, the membership approved a resolution to amend Section 5(2) of the By-Laws of the Credit Union to change the Par Value of shares held in the Credit Union from five dollars (\$5) to one dollar (\$1). This amendment was duly registered by the Registrar of Credit Unions.

Section 7 (6) of the By-Laws of the Credit Union provides that the total share capital purchased by the members is unlimited but may not exceed the equivalent of 10% of the total assets of the Credit Union.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|----|---|--------------------|--------------------|
| 12 | RESERVES | <u>2017</u> | <u>2016</u> |
| a) | Statutory Reserve and Development Fund | | |
| | Statutory Reserve: | | |
| | Balance at end of year | 3,218,092 | 3,218,092 |
| | Entrance Fees – at end of year | <u>4,037</u> | <u>4,430</u> |
| | | 3,222,129 | 3,222,522 |
| | Allocation (to)/from Special Capital Reserve | <u>(4,037)</u> | <u>(4,430)</u> |
| | Statutory Reserve | <u>3,218,092</u> | <u>3,218,092</u> |
| | Development Fund | <u>2,620</u> | <u>2,620</u> |
| | TOTAL | <u>\$3,220,712</u> | <u>\$3,220,712</u> |

Statutory Reserve

Section 125 of the Co-operative Societies Act, No. 31 of 2011 and Section 21 (1) of the By-Laws of the Credit Union require it to make an allocation of all entrance fees, transfers and other fees and fines and not less than twenty five percent of the Net Surplus in each year to a Statutory Reserve Fund.

Section 125 (5) of the Co-operative Societies Act No. 31 of 2011 states where at the end of any financial year the amount standing to statutory reserves and other institutional capital reserves before any transfer under this section is more than ten per cent of total assets, the co-operative society may not make any transfer to statutory reserves. As at 31 December 2017, the credit union's statutory reserves exceeded ten percent of total assets.

Amounts held in savings accounts with the Bank of Nevis and Nevis Co-operative Credit Union totalling \$2,224,314 and Demand Deposit held with S L Horsford and Company Limited in the amount of \$1,073,759 have been earmarked in support of the Statutory Reserve (See Notes 3 and 5).

Development Fund

In pursuit of section 126 of the Co-operative Societies Act, the Society shall establish and maintain a Development Fund. The proceeds of this fund shall be invested or caused to be invested in activities including member education, improvements in good governance, etc.

| | | | |
|----|---------------------------------------|--------------------|--------------------|
| b) | Special Capital Reserve | <u>2017</u> | <u>2016</u> |
| | Balance at beginning of Year | 1,185,988 | 1,181,558 |
| | Transfers to/(from) Statutory Reserve | <u>4,037</u> | <u>4,430</u> |
| | Balance at End of Year | <u>\$1,190,025</u> | <u>\$1,185,988</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

12 RESERVES (cont'd)

In a resolution dated 26 May 2016, it was resolved that the "Statutory Reserve" be restated to 15% of the total assets at 31 December 2015 and the difference reclassified as "Donated Funds" (being Funds donated by FND to the Credit Union on inception of the Credit Union) or Special Capital Reserve.

| 13 | CAPITAL-BASED GRANTS | <u>2017</u> | <u>2016</u> |
|----|-------------------------|-------------------------|-------------------------|
| | Balance brought forward | 144,079 | 156,353 |
| | Amortisation of Grants | (12,274) | (12,274) |
| | TOTAL | <u>\$131,805</u> | <u>\$144,079</u> |

The amount of \$131,805 (2016 = \$144,079) represents the deferred credit portion of grants received from international donor agencies to finance certain items of property, plant and equipment.

The amortisation amounts are offset against the total depreciation on the property, plant and equipment.

| 14 | FEES AND OTHER CHARGES | <u>2017</u> | <u>2016</u> |
|----|------------------------|-------------------------|-------------------------|
| | Loan Fees | 312,653 | 279,373 |
| | Entrance Fees | 4,037 | 4,430 |
| | Conference Facilities | 37,275 | 49,523 |
| | Technical Assistance | <u>9,000</u> | <u>10,000</u> |
| | TOTAL | <u>\$362,965</u> | <u>\$343,326</u> |

| 15 | INTEREST INCOME | <u>2017</u> | <u>2016</u> |
|----|--|---------------------------|---------------------------|
| | Interest on Deposit Accounts | 132,630 | 128,691 |
| | Interest on Held-to-Maturity Investment – Treasury Bills | 7,500 | 7,199 |
| | Interest on Loans | <u>3,269,534</u> | <u>2,618,405</u> |
| | TOTAL | <u>\$3,409,664</u> | <u>\$2,754,295</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|----|---|---------------------------|---------------------------|
| 16 | OTHER INCOME | <u>2017</u> | <u>2016</u> |
| | Amortisation of Capital-based Grant | 12,274 | 12,274 |
| | Loss on Disposal of Property, Plant and Equipment | - | (2) |
| | Project Administration | 32,185 | 54,454 |
| | Miscellaneous Income | <u>39,159</u> | <u>38,595</u> |
| | TOTAL | <u>\$83,618</u> | <u>\$105,321</u> |
| 17 | ADMINISTRATIVE EXPENSES | <u>2017</u> | <u>2016</u> |
| | Salaries | 830,778 | 785,839 |
| | Social Security Contributions | 76,013 | 67,515 |
| | Pension Plan (See Note 10) | 96,318 | 86,881 |
| | Gratuity | 7,500 | - |
| | Electricity and Water | 51,162 | 49,316 |
| | Rents | 50,820 | 50,050 |
| | Conference Room Expense | 3,033 | 5,130 |
| | Telecommunications | 56,270 | 49,325 |
| | Stationery and Office Supplies | 64,090 | 68,863 |
| | Postage | 13,741 | 16,921 |
| | Group Insurance | 23,480 | 20,997 |
| | Travel Allowances | 28,320 | 23,787 |
| | Vehicle Expenses | 9,138 | 6,959 |
| | Promotion and Advertising | 55,584 | 29,471 |
| | Staff Benefits | <u>27,167</u> | <u>10,927</u> |
| | TOTAL | <u>\$1,393,414</u> | <u>\$1,271,981</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

| | | | |
|----|--|-------------------------|---------------------------|
| 18 | OTHER EXPENSES | <u>2017</u> | <u>2016</u> (Restated) |
| | Office Consumables | 2,506 | 2,873 |
| | Equipment Maintenance | 47,538 | 15,155 |
| | Office Maintenance | 38,764 | 47,225 |
| | Depreciation | 101,917 | 109,401 |
| | Amortisation of Intangible Assets (Note 7) | 197 | 891 |
| | Donations and Subscriptions | 13,140 | 13,315 |
| | Entertainment and Appreciation | 71,681 | 54,000 |
| | Security | 21,744 | 10,594 |
| | Travelling Expenses | 2,673 | 1,200 |
| | Insurance | 10,645 | 10,645 |
| | Affiliation Dues | 21,656 | 17,851 |
| | Annual General Meeting | 51,556 | 60,206 |
| | Member's Relations | 6,352 | 6,166 |
| | Training, Meetings and Conventions | 143,516 | 98,835 |
| | Professional Fees | 6,473 | 48,700 |
| | Audit Fees and Expenses | 47,092 | 54,123 |
| | Legal Fees | - | 4,000 |
| | Bad Debts and Provisions less Recoveries | 335,968 | 464,897 |
| | Miscellaneous | 2,230 | 1,883 |
| | MIS Support | <u>44,385</u> | <u>46,525</u> |
| | TOTAL | <u>\$970,033</u> | <u>\$1,068,485</u> |
| 19 | FINANCE COSTS | <u>2017</u> | <u>2016</u> |
| | Interest Expense: | | |
| | Interest and Bank Charges | <u>\$441,565</u> | <u>\$322,894</u> |

20 TAXATION

Under the provisions of the Income Tax Act of St Christopher and Nevis, Chapter 20:22 Section 5 (1) (b), all friendly Societies are exempted from Income Tax. The Credit Union is classified as a friendly Society.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities:

There were no contingent liabilities at 31 December 2017 (2016 = Nil).

Capital Commitments:

There were no capital commitments at 31 December 2017 (2016 = Nil).

22 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.

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Amount due to Key Management including Directors and Committee Members | <u>\$611,077</u> | <u>\$737,297</u> |
| Loan Balances due by Key Management including Directors and Committee Members | <u>\$541,177</u> | <u>\$803,891</u> |
| Key Management Compensation | <u>\$547,743</u> | <u>\$434,846</u> |

Outstanding balances at year end were partially secured and bore interest at the normal commercial rate of 15% per annum.

23 DIVIDEND

The financial statements reflect dividend payment of \$173,824 and \$100,893 for the financial years 2016 and 2015 respectively.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

24 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, No 31 of 2011 the Co-operative Societies Regulations, 1997, the International Prudential Standards for Credit Unions (PEARLS) and relevant International Financial Reporting Standards.

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 capital and funds of the Co-operative Society consist of qualifying shares, savings, deposits 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 15% of members' unencumbered deposits and other short term liabilities.

The total Share Capital purchased by the members is unlimited but may not exceed the equivalent of 10% of the total Assets of the Credit Union and no single member or connected party is allowed to own more than 20% of the total shares of the Co-operative 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.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS

Fair Value:

The carrying amounts of the following financial assets and liabilities approximate their fair value:

| | Carrying Amount | Fair Value |
|--------------------------------|---------------------|---------------------|
| Financial Assets: | | |
| Cash and Bank Balances | 5,432,884 | 5,432,884 |
| Loans and Receivables | 23,793,547 | 23,793,547 |
| Held-to-maturity investments | 1,315,627 | 1,315,627 |
| Available for Sale Investments | <u>135,100</u> | <u>135,100</u> |
| | <u>\$30,677,158</u> | <u>\$30,677,158</u> |
| Financial Liabilities: | | |
| Members' Deposits | 18,953,789 | 18,953,789 |
| Trade Payables and Provisions | <u>393,071</u> | <u>393,071</u> |
| | <u>\$19,346,860</u> | <u>\$19,346,860</u> |

Financial and non-financial assets measured at fair value are as follows:

Financial Assets:

Available-for-sale investments (Unquoted)

These assets are categorised as Level 3 in the fair value hierarchy as inputs are not based on observable market data.

Available-for-sale (Quoted)

This asset is categorised as Level 1 in the fair value hierarchy as this instrument is traded in an active market and is based on the quoted market price at the reporting date.

Non-financial assets:

Freehold lands and buildings:

These assets are categorised as Level 3 in the fair value hierarchy.

Fair value is based on the net book values of freehold properties transferred to the Credit Union from the Foundation for National Development (St Kitts-Nevis) Limited at 31 December 2009 and adjusted subsequently for depreciation charges ie. unobserved inputs.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS (cont'd)

Fair Value: (cont'd)

Fair value measurement hierarchy for assets at 31 December 2017:

| | | Fair value measurements using | | | |
|--------------------------------------|------------------|-------------------------------|----------------------|--------------------|---------------------|
| | <u>Date of</u> | <u>Total</u> | <u>Quoted prices</u> | <u>Significant</u> | <u>Significant</u> |
| | <u>Valuation</u> | | <u>in active</u> | <u>Observable</u> | <u>Unobservable</u> |
| | | | <u>markets</u> | <u>inputs</u> | <u>inputs</u> |
| | | | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Assets valued at fair value: | | | | | |
| Available-for-sale financial assets: | | | | | |
| Quoted equity shares | 31 December 2017 | \$135,100 | \$85,000 | - | \$50,100 |
| Non-financial assets: | | | | | |
| Lands and buildings | 31 December 2017 | \$602,909 | - | - | \$602,909 |

Fair value measurements hierarchy for financial and non-financial assets at 31 December 2016:

| | | Fair value measurements using | | | |
|--------------------------------------|------------------|-------------------------------|----------------------|--------------------|---------------------|
| | <u>Date of</u> | <u>Total</u> | <u>Quoted prices</u> | <u>Significant</u> | <u>Significant</u> |
| | <u>Valuation</u> | | <u>in active</u> | <u>Observable</u> | <u>Unobservable</u> |
| | | | <u>markets</u> | <u>inputs</u> | <u>inputs</u> |
| | | | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Assets valued at fair value: | | | | | |
| Available-for-sale financial assets: | | | | | |
| Quoted equity shares | 31 December 2016 | \$50,100 | - | - | \$50,100 |
| Non-financial assets: | | | | | |
| Lands and buildings | 31 December 2016 | \$623,544 | - | - | \$623,544 |

For fair value measurement and valuation processes, see Note 2 (c).

There were no transfers between level 1, 2 or 3 fair values during the year.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS (cont'd)

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 (as modified) and IAS 39. The supervisory committee on a monthly basis confirms and monitors 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 subject to interest rate changes. Over the last two years, there has been a fall in interest rates for Treasury bills and savings accounts held with commercial banks. The Credit Union, however, was able to source alternative options which generate a higher yield. The Credit Union is therefore not subject to any significant interest rate risk at present.

The following table summarises the Credit Union's exposure to interest rate risks:

As at 31 December, 2017

| | <u>1 year</u> | <u>>1 to 5 years</u> | <u>Over 5 years</u> | <u>Non-Interest bearing</u> | <u>Total</u> |
|--------------------------|----------------------|-------------------------|---------------------|-----------------------------|---------------------|
| Assets | | | | | |
| Cash resources | 5,431,358 | - | - | 1,526 | 5,432,884 |
| Loans and Other | | | | | |
| Receivables | 8,553,920 | 14,741,419 | 333,552 | 164,576 | 23,793,467 |
| Investments | <u>1,315,627</u> | <u>135,100</u> | <u>-</u> | <u>-</u> | <u>1,450,727</u> |
| | <u>15,300,905</u> | <u>14,876,519</u> | <u>333,552</u> | <u>166,102</u> | <u>30,677,078</u> |
| Liabilities | | | | | |
| Security Deposits | - | - | - | 3,540 | 3,540 |
| Members' Deposits | 18,009,370 | 944,339 | - | - | 18,953,709 |
| Trade and Other Payables | <u>-</u> | <u>-</u> | <u>-</u> | <u>389,531</u> | <u>389,531</u> |
| | <u>18,009,370</u> | <u>944,339</u> | <u>-</u> | <u>393,071</u> | <u>19,346,780</u> |
| Interest Repricing Gap | <u>\$(2,708,465)</u> | <u>\$13,932,180</u> | <u>\$333,552</u> | <u>\$(226,969)</u> | <u>\$11,330,298</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS (cont'd)

As at 31 December, 2016

| | <u>1 year</u> | <u>>1 to 5 years</u> | <u>Over 5 years</u> | <u>Non-Interest bearing</u> | <u>Total</u> |
|--------------------------|----------------------|-------------------------|---------------------|-----------------------------|--------------------|
| Assets | | | | | |
| Cash resources | 2,954,078 | - | - | 836,764 | 3,790,842 |
| Loans and Other | | | | | |
| Receivables | 7,472,734 | 12,793,719 | 399,730 | 253,931 | 20,920,114 |
| Investments | <u>1,271,884</u> | <u>50,100</u> | <u>-</u> | <u>-</u> | <u>1,321,984</u> |
| | <u>11,698,696</u> | <u>12,843,819</u> | <u>399,730</u> | <u>1,090,695</u> | <u>26,032,940</u> |
| Liabilities | | | | | |
| Security Deposits | - | - | - | 3,540 | 3,540 |
| Members' Deposit | 13,538,338 | 2,520,371 | - | - | 16,058,709 |
| Trade and Other Payables | <u>-</u> | <u>-</u> | <u>-</u> | <u>509,753</u> | <u>509,753</u> |
| | <u>13,538,338</u> | <u>2,520,371</u> | <u>-</u> | <u>513,293</u> | <u>16,572,002</u> |
| Interest Repricing Gap | <u>\$(1,839,642)</u> | <u>\$10,323,448</u> | <u>\$399,730</u> | <u>\$577,402</u> | <u>\$9,460,938</u> |

Credit Risk

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 credit committee. The Credit Union also monitors its loan portfolio to ensure it is not unduly exposed to any particular business sector.

The Credit Union employs a range of policies and practices to mitigate credit risk ie., the taking of collateral security for funds advanced, inter alia. The principal collateral types for loans and advances are:

- Mortgage over properties; and
- Charges over assets such as vehicles

Liquidity Risk

The loan portfolio comprises short, medium and long term loans. There may be 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 as well as experience gained over the years are used to manage the Credit Union's liquidity risk.

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS (cont'd)

The following table summarises the maturity profile of the Credit Union's financial assets and liabilities:

As at 31 December 2017

| | <u>1 Year</u> | <u>>1 to 5 Years</u> | <u>Over 5 Years</u> | <u>Total</u> |
|-----------------------------|-----------------------------|----------------------------|-------------------------|----------------------------|
| Assets | | | | |
| Cash Resources | 5,432,884 | - | - | 5,432,884 |
| Loans and Other Receivables | 8,718,496 | 14,741,419 | 333,552 | 23,793,467 |
| Investments | <u>1,315,627</u> | <u>135,100</u> | <u>-</u> | <u>1,450,727</u> |
| | <u>15,467,007</u> | <u>14,876,519</u> | <u>333,552</u> | <u>30,677,078</u> |
| Liabilities | | | | |
| Security Deposits | 3,540 | - | - | 3,540 |
| Members' Deposits | 18,009,370 | 944,339 | - | 18,953,709 |
| Trade and Other Payables | <u>389,531</u> | <u>-</u> | <u>-</u> | <u>389,531</u> |
| | <u>18,402,441</u> | <u>944,339</u> | <u>-</u> | <u>19,346,780</u> |
| Net Liquidity Gap | <u>\$(2,935,434)</u> | <u>\$13,932,180</u> | <u>\$333,552</u> | <u>\$11,330,298</u> |

As at 31 December 2016

| | <u>1 Year</u> | <u>>1 to 5 Years</u> | <u>Over 5 Years</u> | <u>Total</u> |
|-----------------------------|-----------------------------|----------------------------|-------------------------|---------------------------|
| Assets | | | | |
| Cash Resources | 3,790,842 | - | - | 3,790,842 |
| Loans and Other Receivables | 7,726,665 | 12,793,719 | 399,730 | 20,920,114 |
| Investments | <u>1,271,884</u> | <u>50,100</u> | <u>-</u> | <u>1,321,984</u> |
| | <u>12,789,391</u> | <u>12,843,819</u> | <u>399,730</u> | <u>26,032,940</u> |
| Liabilities | | | | |
| Security Deposits | 3,540 | - | - | 3,540 |
| Members' Deposits | 13,538,338 | 2,520,371 | - | 16,058,709 |
| Trade and Other Payables | <u>509,753</u> | <u>-</u> | <u>-</u> | <u>509,753</u> |
| | <u>14,051,631</u> | <u>2,520,371</u> | <u>-</u> | <u>16,572,002</u> |
| Net Liquidity Gap | <u>\$(1,262,240)</u> | <u>\$10,323,448</u> | <u>\$399,730</u> | <u>\$9,460,938</u> |

FND ENTERPRISE COOPERATIVE CREDIT UNION LTD.

Notes to the Financial Statements

For Year Ended 31 December, 2017

(Continued)

(Expressed in Eastern Caribbean Dollars)

25 FINANCIAL INSTRUMENTS (cont'd)

Currency Risk

Substantially all of the Society's transactions and assets and liabilities are denominated in Eastern Caribbean Dollars. Therefore, the Society has no significant exposure to currency risk.

26 RECLASSIFICATION OF EXPENSES

Certain items of expenses included in the Statement of Comprehensive Income under Other Expenses were reclassified in the current year 2017 and prior year 2016 to improve the Financial Statements presentation for the two years. The reclassification of these expenses has no effect on the Net Income reported for these two years.

| <u>Other Expenses – 2016</u> | As previously <u>Classified</u> | <u>Reclassification</u> | As <u>Reclassified</u> |
|------------------------------------|------------------------------------|-------------------------|---------------------------|
| Entertainment and Appreciation | 82,765 | (28,765) | 54,000 |
| Training, Meetings and Conventions | 70,070 | 28,765 | 98,835 |



FND Enterprise Cooperative
Credit Union Ltd.