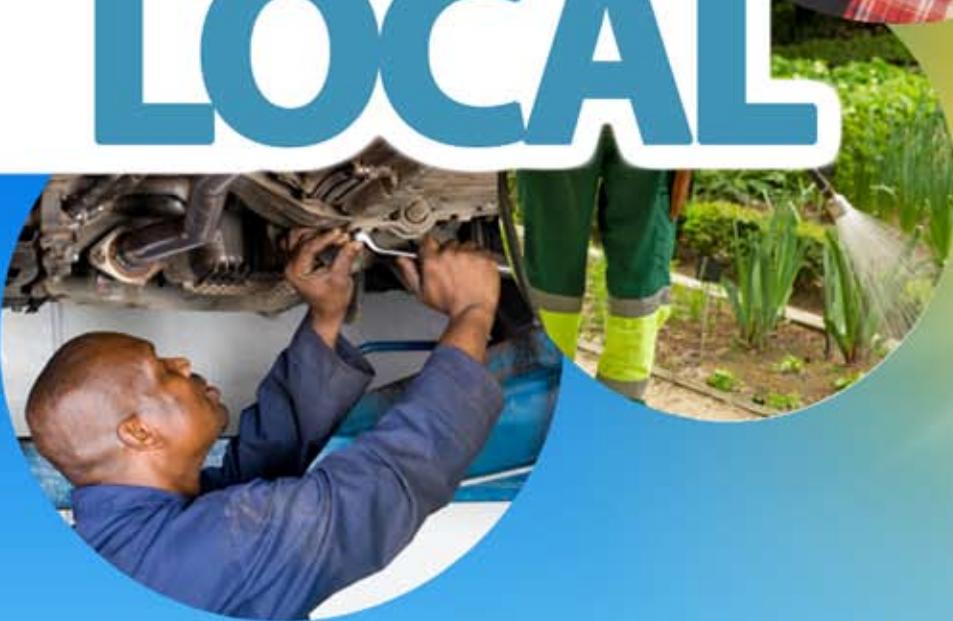


2011  
ANNUAL REPORT



# SAFE SOUND LOCAL



FND Enterprise Co-operative Credit Union Ltd.

||||| **F N D E C C U** |||||

[www.fndcuonline.com](http://www.fndcuonline.com)

## VISION STATEMENT

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

## MISSION STATEMENT

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



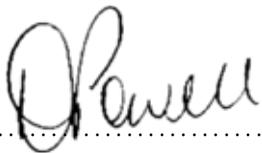
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Notice is hereby given that the third (3<sup>rd</sup>) Annual General Meeting of the FND Enterprise Co-operative Credit Union Limited will be held at the Conference Room of the Ocean Terrace Inn on Thursday July 26, 2012 at 5:00pm to conduct the following business:

1. To confirm minutes of the 2<sup>nd</sup> Annual General Meeting held on Thursday August 18, 2011.
2. To consider matters arising from the minutes of the 2<sup>nd</sup> Annual General Meeting.
3. To receive and approve the reports of the Board of Directors, Treasurer, Credit Committee and Supervisory Committee for the year ended December 31, 2011.
4. To consider and approve the Auditors' Report and Financial Statements for the Year ended December 31, 2011.
5. To approve dividends to be paid for the year ended December, 2011.
6. To elect officers to the Board of Directors, Credit Committee and Supervisory Committee.
7. To set maximum liability for the ensuing year.
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:



.....  
Diana Powell (Mrs.)  
SECRETARY

July 9, 2012.

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

THEME: **“SAFE, SOUND, LOCAL”**

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

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

1. Commencement, Invocation and Silent Tribute for departed brothers and sisters
2. Chairman’s Opening Remarks
3. Featured presentation by Caribbean Development Educators (CaribeDE)
4. Adjournment

6:01 p.m. - **BUSINESS SESSION**

5. Call to order and reading of the Notice of the Annual General Meeting
6. Ascertainment of a Quorum and Apologies for Absence
7. Confirmation of Minutes of the 2<sup>nd</sup> Annual General Meeting
8. Matters Arising from the minutes of the 2<sup>nd</sup> Annual General Meeting
9. Reports and Adoptions:
  - (a) Board of Director
  - (b) Auditor
  - (c) Treasurer
  - (d) Credit Committee
  - (e) Supervisory Committee
10. Declaration of dividends
11. Election of Officers
12. Setting of Maximum Liability
13. Appointment of Auditors
14. Any Other Business
15. Vote of Thanks
16. Adjournment



Lord, make me an instrument of thy peace

Where there is hatred, let me sow love;

Where there is injury, pardon;

Where there is doubt, faith;

Where there is despair, hope;

Where there is darkness, light; and

Where there is sadness, joy.

O Divine Master, grant that I may not

So much seek to be consoled as to console;

To be understood as to understand;

To be loved as to love;

For it is in giving that we receive

It is in pardoning that we are pardoned;

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

AMEN



## Standing Orders

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



MINUTES OF THE SECOND (2<sup>nd</sup>) ANNUAL GENERAL MEETING HELD AT THE OCEAN TERRACE INN CONFERENCE ROOM, BASSETERRE ON THURSDAY August 18, 2011

Theme: "Challenging Economy...Embrace the Cooperative Spirit!"

Guest Speaker: Ambassador Wendell Lawrence  
National Anthem: Mr. Alex Condell  
Chairperson: Mr. Dwight Warde, Assistant Treasurer  
Invocation: Reverend Joseph Edmeade

### **Chair's Opening Remarks**

Mr. Warde stated that in light of the global economic situation the FNDECCU's role is better understood and appreciated. He shared eight strategies on how small business can survive during the current global recession:

- Exit all other investment and focus on building your business;
- Keep and maintain an "evil eye" on business cash flow;
- Cut back on unnecessary expenses;
- Increase your budget and expense with respect to Marketing & Advertising;
- Run your business and pay as you go;
- Your overall strategic plan should focus on your overall survival;
- Take care of existing customers; and,
- Use the fear of the recession to inspire your employees.

### **President's Remarks**

President Ernest Pistana prefaced his remarks by informing members that the year under review was difficult and challenging. Even so, the FNDECCU "bit the bullet" to maintain good governance. He addressed two matters:

**The Question of Financial Responsibility:** Mr. Pistana reiterated that the underlying factor to successfully negotiate these trying times is self imposed discipline. He advised the membership that the FNDECCU can assist them to achieve that discipline by offering counselling and advice, working with members to ease the



burden. He reminded members that it is extremely important to development trust and it is necessary to remember that the funds borrowed were deposited by another member.

**The Question of Marketing of our Credit Union:** Mr. Pistana recounted a quote that was observed from his attendance to a seminar on Marketing Small Business in which a topic of 'Market or Die' was discussed. He presented some of the strategies learnt from the seminar for survival of small business in tough economic times.

Mr. Pistana opined that one of the business best marketing tools is their clients. He noted that the FNDECCU does not have clients, but members, who are owners of the institution who have a vested interest in the institution. He highlighted the point that marketing discussed referred to the whole branded product as opposed to the advertising of a particular service. The marketing effort is extremely important to the institution as the more members we attract utilizing our services the lower the unit cost will be. Additionally, some of the services that are planned to be introduced require critical mass.

Mr. Pistana mentioned that the FNDECCU has been actively involved in developing the Youth Outreach Programme in which several primary schools have been targeted. We were actively involved in Financial Literacy Month organized by the ECCB. A full slate of activities were also being planned leading up to International Credit Union day in October, celebrated under the theme "Credit Unions Build Better Worlds".

Mr. Pistana concluded by presenting a concept from Total Quality Management. He reiterated that Customers (members) were the most important people in our organization. Those who serve customers directly are next and management is there to guide those who serve customers.

### **Presentation by Guest Speaker Ambassador Wendell Lawrence**

The highlights of Ambassador Lawrence comments are shown below:

- The FND's conversion into a full-fledged credit union is a significant symbol of self reliance and natural growth after relying for many years on donor assistance.
- In the current environment credit unions have some attributes that make them stronger than many other institutions. The main business is loans, credits and deposits which were regarded with suspicion in yester years. The perception is that if one borrows, they are living beyond their means. In modern times, credit and loans are perhaps the major fuel that automates and propels the economy throughout the world. Credit and loans are based on a fundamental principle that credit unions have a lot of – the principle of trust. The nature of credit is actually trust.



- A credit union loan officer cannot be a bank loan officer because they must remember that they are a member of a club. They are brothers and sisters with the people who come before them and they have to look for those invisible attributes that make those persons good members. Mr. Lawrence recounted a quote he learnt during his management training that said “you could not be a good manager unless you are a good person”. He then stated that by extension, “You cannot be a good credit union member unless you are a good person.”
  - o Credit unionism calls upon you to show love for each other, to demonstrate responsibility to your brothers. When you take that loan and refuse to pay it back, you are not demonstrating responsibility.
  - o Credit unionism calls on you to display empathy, it calls on you to have integrity.
  - o It means the credit union must create opportunities for people to interact.
  - o It means when a person comes before you and does not qualify for a loan you must recognize that the person perhaps needs counselling. It is not a person you can just send out on the street because he is a member, a brother.

The Ambassador concluded by indicating that because the credit union exists in an economy, things that happen in the economy will also affect the institution. Looking locally and globally there are things that affects the credit union. For example:

- o Persons who got loans when things were good have lost their jobs.
- o Businesses are not generating enough business.

**A Minute of Silence was observed, in lieu of an adjournment for those members who had passed and in recognition of what was taking place in the country.**

### **Business Session**

The business session was called to order by the President, Mr. Pistana. Mr. Hector, Secretary, read the notice of the meeting. The Registrar of Cooperatives ascertained the quorum to proceed with the meeting. The meeting continued using the agenda circulated in the 2<sup>nd</sup> AGM report.

### **Confirmation of Minutes of 1<sup>st</sup> Annual General Meeting**

The minutes were circulated in the 2<sup>nd</sup> Annual Report. The following amendments were made.



- o Page 9, para 5 'be' was inserted between should and replace
- o Page 9, para 37, line 1: replace the word 'change' to 'changed'
- o Page 12, table second row: replace 'Board of Directors' with 'Credit Committee'
- o Page 13, line 2: insert 'by' between 'seconded' and 'Mr. Valdemar'
- o 'Raffle Drawing' should be bolded as a sub heading

A Motion to approve minutes of 1<sup>st</sup> AGM as amended was moved by Mrs. Diana Bowrin Powell and seconded by Mrs. Deloris Stephens.

## **Matters arising from Minutes of 1<sup>st</sup> AGM**

There were no matters arising from the minutes.

## **Reports and Adoption**

### Board of Director's Report

The Board of Directors Report was presented by Mr. Pistana. During the ensuing discussions, Mr. Cosbert Manchester enquired whether the report was the first from the new FNDECCU Board. This was confirmed and he then extended congratulations to the Board and the organization as a whole for "weathering the teething problems in a manner that was non-violent to the organization." It is true that due to circumstances we did not make a profit in the first year but he expressed the view that all in all when everything was considered in respect to the immediacy of the change over and all that it entailed the Board should be given a round of applause for a job that was very well done".

A motion to accept the report as presented was moved by Mr. Valdemar Warner and seconded by Mr. Manchester.

### Treasurer's Report

The Treasurer's Report was presented by Mr. Gary Moving. He explained the failure of the FNDECCU to make a profit during the reporting period as a result of:

- o The impacts of the global recession on the economy in St. Kitts and Nevis; and,
- o Business and individuals saw their cash negatively impacted while affecting their ability to pay loans and meet interest payments. Provision was made for loans inherited from the predecessor, FND. The impact of such provisioning caused the FNDECCU to make a loss. It is expected, with some aggressive scrutiny of loans in the future that the delinquency will not



continue in the ensuing year.

He also reported the following:

- Assets grew by 1.6% (both current and total assets);
- Liabilities grew by 5.6% due mainly to increased savings and fixed deposits;
- Equity fell because of the loan impairment. Despite the fall in total equity, share capital increased by 91.5% to \$378,310;
- Despite losses of \$190,000 there were positive signs of growth. Fees and charges grew by 150% moving from \$101,000 to \$260,000;
- There was good growth in interest by 147% (\$713,000 in 2009 to \$1.7 million in 2010);
- Administrative expense exceeded expectations mainly due to additional staff, increases for management and increases in electricity. It is expected that the electricity cost will continue to rise in 2011 but the credit union will spare no effort in conserving electricity usage;
- There was a significant increase in 'other expenses' due to the bad debt charge of \$498,500 compared to \$13,000 in the previous year;
- It was noted that even though provision had been made for bad debts the FNDECCU will still actively pursue all delinquent loan holders for the funds of the FNDECCU;
- Financial cost increased by \$223,000 due to interest paid on increased deposits and savings that were generated;
- Cash resources decreased by \$111,000 due to the purchase of software to properly account for transactions of the FNDECCU. Cash was also impacted by the purchase of equipment and furniture as well as delinquency on loans. He advised that cost will continue to be monitored with a view to reduce where possible. Delinquency will continue to be addressed; and,
- The FNDECCU remains very strong with good reserves, both liquid and capital. There is the intention to diversify our portfolio in the ensuing year to reduce financial risk.

A Motion to accept the Treasurer's Report was moved by Mr. Faron Lawrence and seconded by Mr. Earl Thomas.

#### Auditors Report

The Auditor's Report was presented by Mr. Walter Simmonds of "Simmonds and Associates". The following were also highlighted by President Pistana in clarifying the financial statements and answering questions from the membership.

- Comparisons of the figures as at December 31 2009 were only for 5 months. The figures under the

reporting period was for a full year, thus making it somewhat difficult to compare against the previous year. A true comparison will be achieved by the next AGM which will review another 12 month of activity and performance;

- The notes to financial statements highlight the depreciation policy;
- There was a decrease in the loan balances from December 31<sup>st</sup>, 2009 to December 31<sup>st</sup>, 2010. The decrease came about mainly because of the provision that had to be made;
- The end of the reporting period compared favourably with the previous year;
- Property, plant and equipment highlighted what was purchased in regards to software, etc;
- With respect to members deposits, December 31, 2009 compared to December 31 2010 means that approximately \$1.6 million in deposits were received from members during that year. Add the increase in membership in shareholding, then approximately \$2 million was raised in 2010. This is a commendable feat. The members were thanked for the confidence placed in the FNDECCU and were encouraged to invest in their Credit Union;
- Unearned interest was reduced to almost \$800,000. The main reason is that loans were previously done on the add-on basis. Loans are currently done on the reducing balance basis. Accumulated interest from the add-on basis is being taken into profit as those loans are being repaid;
- Main income is generated from loans and loan fees. There is a trend with an increase in late fees which indicates there is a little struggle in some members meeting loan payments and other commitments on time. The President urged members to pay their loans on time so we don't charge you any late fee as "We Profit **For** You, Not **From** You";
- He advised that with respect to administrative expenses, salary cost should not exceed 45% of operational cost. He stated that even though the Credit Union was small all positions must be staffed, thus the drive for more members to use more of our services.
- Mr. Clement Richardson asked the President to explain how the FNDECCU save its monies, whether it keeps its monies or save it in other banks? He responded that FNDECCU money is saved in a number of banks. He explained that monies are spread so that too much of the funds are not in any one bank. At this point in time there is an effort to keep minimal balances in current accounts and more of the funds in interest earning accounts. The only investment the FNDECCU has is a Treasury Bill for \$200,000. The risk is spread across all banks.
- Mr. Nigel Weekes inquired whether the FNDECCU had a generator. The response was affirmative as it was explained that the organisation could not operate in the financial space without backup power. The previous generator carried about 30 KVA and the Credit Union now has one that carries about 80 KVA to be able to carry the load of current computers and equipment;
- The issue of the presence of a guard within the premises was also raised. The response was that whilst there is no guard physically present, several security measures were implemented. For



example, one cannot enter the building unless the door is opened from inside by a staff. Guard services are expensive however, security of staff and assets is primary. Thus, if it becomes necessary, then it will be implemented.

A motion to approve the Financial Statements and the Auditors Report, as presented, was moved by Mrs. Deloris Stephens and seconded by Mr. Elvis Herbert.

#### Credit Committee Report

The Credit Committee Report was presented by Mr. Dennis Phillip, on behalf of Chairman Mr. Esrick Lanns.

A motion to accept the report of the Credit Committee was moved by member Mr. James Pemberton and seconded by Mr. Dwight Warde.

#### Supervisory Committee Report

The Supervisory Committee Report was presented by Chairman, Mr. David Fox. He reported that no complaints had been received by the Supervisory Committee for the reporting year. He further stated that, after examination, there was nothing found to suggest that the FNDECCU was not operating in keeping with the Act and By-laws.

A motion to accept the report of the Supervisory Committee was moved by Mr. Cosbert Manchester and seconded by Mr. Gawain Fraités.

#### Nominating Committee Report and Election of Officers

The Nominating Committee Report was presented by Chairman, Mr. Auckland Hector.

The election of officers was supervised by Registrar Mr. Clyde Thompson and held in conformity with section 12 of the By-laws which is in accordance with the Cooperative Society's Act. Members were apprised of their rights in regards to the elections and the nomination of members for three vacancies on the Board and three on the Supervisory Committee.

Members elected the following officers to serve on the Board of Directors:

- Mr. Faron Lawrence was nominated to the Board on a motion by Mr. Auckland Hector and seconded by Mr. Earl Thomas;
- A motion to cease nominations to the Board was moved by Mr. Valdemar Warner seconded by Mr. Elvis Herbert; and,

- Elected unopposed were Messrs Peter Jenkins, Trevor Cornelius and Faron Lawrence.

Members elected the following officers to serve on the Credit Committee:

- A motion that nomination be ceased was moved by Mrs. Deloris Stephens and seconded by Mr. Shanwa Broadbelt;
- Elected unopposed to the Credit Committee were Ms. Galio Gumbs and Mr. Wendell Huggins.

Members elected the following officers to serve on the Supervisory Committee:

- Mr. Howard McEachranch nominated Mr. Ashford Franks and was seconded by Mr. James Pemberton;
- A motion to cease nominations was moved by Mr. Cosbert Manchester and seconded by Mrs. Diana Bowrin-Powell.

Congratulations were given by Mr. Pistana to volunteers who were re-elected and new members joining the various committees.

## **Setting of the maximum limit**

It was reported that no funds had been borrowed by the Board over the past year. However, the Board sought the approval of membership to reinstate the limit of \$600,000 as the statutory borrowing limit to borrow funds in order to continue the operations of the FNDECCU, when and if necessary. Members concurred. A motion to accept the maximum statutory borrowing limit of \$600,000 was moved by Mrs. Deloris Stephens and seconded by Mr. Terrance Williams.

## **Appointment of Auditors**

The Board recommended the re-appointment of Simmonds and Associates as auditors for the FNDECCU. A motion to accept the re-appointment of Simmonds and Associates was moved by Mr. Howard McEachrane and seconded by Mrs. Juliette Caines.

## **Entertainment Session**

Following the business session, there was a prize-giving ceremony in which FNDECCU members were awarded the following prizes:



- The winner of the Youth with the highest savings as at December 31st, 2010 was four year old Khalen Fraités. His gift of school supplies was donated by Harpers Office Depot. The second runner up was Makeda Williams. Her gift was donated by the FNDECCU;
- Staff referrals to the AGM competition was won by Mrs Jovil Taylor. She received a prize of \$250.00 provided by the FNDECCU.
- The most helpful staff, as identified by the Management team was Ms. Joanna Farrell. Her prize was donated by Delisle Walwyn's, Nirvana Restaurant.
- The most improved staff, as recognized by the Management team, was Ms Karista Dunrod, who received a \$250.00 shopping voucher from Island Hopper.
- The earliest members to arrive at the 2<sup>nd</sup> AGM were:
  - o Mrs. Althea Adams, who received a shopping voucher from RAMS;
  - o Ms. Galio Gumbs, who received movie tickets two from Caribbean Cinemas; and,
  - o Mr. Wendell Huggins, who received a shopping voucher from Best Buy Supermarket.
- Winners of the raffle were as follows:
  - o 1<sup>st</sup> prize: Ms. Neisha Merritt won a 19" Flat Screen TV donated by Courts St. Kitts Limited;
  - o 2<sup>nd</sup> Prize: Mrs. Gloria Byron won a Black Berry 8520 donated by Digicel; and,
  - o 3<sup>rd</sup> Prize: Ms. Myrthlyn Loncke won a MP4 video media player donated by TechSperts.
- The "Lucky Seat Number" prize of a lunch at Marshall's Restaurant was won by Mr. Wilbert Spencer.

### **Vote of Thanks**

Mr. James Webbe, General Manager thanked the following persons and organisations for making the 2<sup>nd</sup> AGM a success:

- Mr. Dwight Warde for chairing the proceedings;
- Mr. Alex Condell for playing the National Anthem;
- Rev. Joseph Edmeade for the Invocation;
- Chairman Mr. Ernest Pistana for a very informative speech;
- Mrs. Vera Manchester for the introduction of the guest speaker;
- Ambassador Wendell Lawrence for the feature remarks;
- Special thanks to the Registrar for conducting the elections; and
- All chairpersons who presented their reports.
- Companies who presented gifts:
  - o Harpers;
  - o Island Hopper;
  - o RAMS;



## Minutes of the 2<sup>nd</sup> Annual General Meeting

- o Delisle Walwyn;
- o Caribbean Cinemas;
- o Courts;
- o Digicel;
- o TechSperts;
- o Marshall's; and,
- All members of staff; and,
- Members for attending the event in their numbers.

The 2<sup>nd</sup> Annual General Meeting of the FND Enterprise Cooperative Credit Union Ltd. adjourned at 8.23pm



.....  
Auckland O. Hector (Mr.)  
Board Secretary

# SAFE



Presentation of 'Curb Your Spending, Grow Your Saving' to students of the Saddlers Secondary School



Loan Officer Mr. Elleston Welsh speaking with employees at Kajola Kristada

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, 2011.

## **OVERVIEW**

In 2011, economic conditions in the Federation remained depressed and our citizens experienced further increases in the cost of living due to increased taxes, food prices and the cost of essential services. Many small businesses were forced to close their doors because of their inability to cover operational costs and the larger businesses opted to lay off workers with a view to cutting cost. This reality has affected some of our members directly, limiting their disposable income and therefore their ability to meet their loan obligations and save regularly.

Consequently, the Board initiated programmes to educate members and the general public about the credit union movement and specifically how the FNDECCU was trying to enhance peoples' lives during these challenging economic times. Your Board also ensured that staff and committee members were geared to manage the Credit Union during this challenging financial economic period by exposing them to training, networking and knowledge transfer in credit union operations and management.

Despite the challenges being encountered, the FNDECCU experienced growth in assets, deposits and loans, although at a much slower pace than was previously anticipated. Your Credit Union was also able to generate a surplus this year.

## **CORPORATE GOVERNANCE**

### BOARD OF DIRECTORS

At the 2<sup>nd</sup> Annual General Meeting of the Credit Union held on October 2, 2010, Mr. Earl Thomas, Mr. Joseph Edmeade and Mr. Faron Lawrence retired by rotation. Messrs Thomas and Edmeade did not seek re-election and were replaced by Mr. Peter Jenkins and Mr. Trevor Cornelius. Mr. Faron Lawrence was returned for a second term. Your Board wishes to place on record its deep appreciation to the two members that left, for their excellent service to the FND Credit Union in its start up phase. At the first meeting of the new Board of Directors held in accordance with Article No.16 of the by-laws of the Credit Union, officers were elected to hold positions as follows:



<b>NAME</b>	<b>POSITION</b>	<b>TERM</b>	<b>YEARS REMAINING</b>	<b>YEAR RETIRING</b>
Dwight Warde	President	1 <sup>st</sup>	1	2013
Ernest Pistana	Vice President	2 <sup>nd</sup>	1	2013
Diana Powell	Secretary	2 <sup>nd</sup>	1	2013
Gary Moving	Treasurer	1 <sup>st</sup>	1	2013
Auckland Hector	Assistant Secretary	1 <sup>st</sup>	0	<b>2012</b>
Spencer Howell	Assistant Treasurer	1 <sup>st</sup>	0	<b>2012</b>
Faron Lawrence	Director	2 <sup>nd</sup>	2	2014
Peter Jenkins	Director	1 <sup>st</sup>	2	2014
Trevor Cornelius	Director	1 <sup>st</sup>	2	2014

## Meetings

During the period under review, your **Board of Directors** met monthly, in compliance with Article 15 (1) of the by-laws to conduct the regular business of the Credit Union; and when it was considered necessary, the Board met more than once per month to deal with specific issues. Fourteen (14) Board meetings were held during the year. The **Joint Committee** which is comprised of the Board of Directors, Credit Committee and Supervisory Committee held three (3) meetings, one less than was required to be compliant with Article 19 of the By-laws.

## ADMINISTRATION AND MANAGEMENT

### Staffing

In January, Mr. Elvis Morton was appointed to the position of Office Attendant/ cleaner replacing Mr. Roysden Richards who resigned to take up a job with the Federal Government as a Counsellor, an occupation for which he was trained.

In April, Mrs. L. Patricia Williams was appointed as the new Marketing and Member Relations Officer. She has brought a wealth of experience and versatility to the position which should redound to our members through improved member service.

In August, Ms. Shakari Fahie resigned her position as teller to pursue studies overseas. We wish to thank her for her excellent service given to the Credit Union for the year and a half stint that she work with the



institution and wish her every success in all her future endeavours.

Ms. Joanna Farrell resigned as Administrative Assistant in November. All vacant positions were filled in the ensuing year.

## Staff Training and Development

Members of staff participated in seminars and workshops during 2011 as follows:

- **Joanna Farrell: Record Management (Electronic & Manual)** - (Jan- June) conducted by Mrs. Averil Archibald.
- **Ms. Idona Browne**, Manager of the Nevis Branch attended a one day workshop in **Anti- Money Laundering and Counter Financing on Terrorism (AML/CFT)** hosted by the Nevis Financial Services and Supervision Department.
- **Mr. Shanwa Broadbelt and Ms. Idona Browne** attended a one-week workshop from March 20-26, in St. Lucia where they were trained as **Credit Union Development Educators (CUDE)**. The course was organized by Mr. Melvin Edwards and was facilitated by the National Credit Union Foundation along with financial support from the World Council of Credit Unions (WOCCU), the Credit Union National Association (CUNA) and CUNA Mutual Group.
- **Mrs. Patricia Francis**, Loans Officer attended a one week course in **Credit Risk Analysis & Credit Management** – (March 21 - 26). This course was organized by the Eastern Caribbean Institute of Banking (ECIB) and facilitated by Mr. Patrick Thompson of Barbados.
- Mrs. Nicole Nisbett, Ms. Karista Dunrod and Ms. Shakari Fahie attended a 25 hour course in Savings and Investments- (March to May) organized by the Eastern Caribbean Central Bank.
- **Mr. Shanwa Broadbelt and Mr. Elleston Welsh** attended a one day **Trainer of Trainers** workshop in March facilitated by the Eastern Caribbean Central Bank.
- **Director Gary Moving, Mr. James Webbe and Mrs. Lyn Bass** attended a one day **Corporate Compliance Seminar** on 9<sup>th</sup> July, 2011. This workshop was sponsored by SKNA National Bank Ltd. and attended by employees of Financial Institutions from the OECS.
- **Mrs. Patricia Williams and Mrs. Nicole Nisbett** participated in a one day **Trainer of Trainers' Workshop** facilitated by the ECCB in July.
- **Mrs. Lyn Bass and Ms. Shauna Daniel** attended a one day Strategic Planning Implementation workshop in the area of **Anti- Money Laundering and Counter Terrorist Financing (AML/ CTF)** on 5<sup>th</sup> October, 2011. This workshop was organized by the Financial Services Regulatory Commission.
- **Mrs. Lyn Bass**, Operation Manager attended a one hour WEBINAR training session on **Suspicious**



**Activity Reports (SAR)** in November, 2011.

### **Staff, Committee and Members' Education**

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

#### Caribbean Confederation of Credit Union:

A five member delegation including the President, the Credit Committee Chairman, the General Manager and the Nevis Branch Manager represented the FND Credit Union at its 54th Annual International Convention and 40<sup>th</sup> Annual General Meeting of the **Caribbean Confederation of Credit Unions (CCCU)** which was held at the RENAISSANCE Curacao Resort & Casino, Otrobanda, Curacao in June.

Topics covered included:

- The development of Shared Services
- Growth Strategies for the Credit Union Business Model
- Meeting Members Needs and Maintaining Sound Practices
- The Essence of Leadership: Leading and Motivating Performance
- Market Segmentation and Low-income Consumers
- Credit Rating and Analysis

#### OECS Credit Union Summit

Treasurer, Gary Moving and Chief Financial Officer, Shanwa Broadbelt participated in the **9<sup>th</sup> Annual OECS Credit Union Summit** held in Grenada, August 24<sup>th</sup>- 27<sup>th</sup>, under the Theme " Credit Union Embracing Change, Fostering cooperation and resilience". The main objectives of the OECS Summit were to discuss ideas, share knowledge and develop common skills and strategies in response to challenges faced by the credit union sector in the Eastern Caribbean Currency Union.

Topics covered included:

- Risk Management
- Investment Planning
- Regulation- panacea or fetter
- Community Capitalism- A credit Union Response



- The development of Shared Services
- Participation of credit unions in Microfinance
- Development of Money and Capital Markets- opportunities for the Credit Union Sector

### CCCU Round Table Discussion

On Thursday, 3<sup>rd</sup> November, 2011, representatives from all four Credit Unions in the Federation met with the General Manager and Deputy General Manager of CCCU on their request to discuss “Strategic Responses to Credit Union Operational and Development Challenges in St. Kitts & Nevis”. The FNDECCU was represented by the President, the Treasurer and the General Manager.

Topics covered included:

- Philosophies and values of the Credit union. - Never move away from them
- Trust- Members and the general public must have trust that it’s the members’ interest is always first. Safeness and Security is an underlying factor.
- Services & Products- from conception to extinction.
- Prices – cost structures must always be heading down, improve efficiencies etc.
- The need for an increase in our foot print in technology but cost is a challenge.
- Cooperation amongst in terms of marketing, compliance and technology platform.
- Need for proper functioning of our local league.

### **MARKETING, EDUCATION AND AWARENESS**

Your Board continued to promote the FNDECCU and the Credit Union movement through various outlets including Electronic Media; Print Media, the Internet, Passenger Buses and Bill Boards.

During the month of May FNDECCU organized and hosted a successful Members Educational Seminar at which presentations were made by the Past President, General Manager and other members of staff.

The FNDECCU joined with the credit union movement, worldwide, during the third week of October to celebrate International Credit Union Week under the theme “Credit Unions Build A Better World. The General Manager made appearances on ZIZ TV “Upfront” and on Win FM “Breakfast with Toni” to talk about the Credit Union Movement and FNDECCU more specifically. Credit Union Day, 20<sup>th</sup> October, 2011 was designated as “Members’ Appreciation Day” when staff members shared important information about the Credit union with members while they partook in light snacks.



The Credit Union also collaborated with the ECCB to organize a workshop for our members in “Money Management” during the month of October designated as Financial Information Month. Over 40 Members benefitted from a very informative and inspirational session.

During the year staff members visited a number of businesses where presentations on the history and philosophy of the Credit Union Movement were made. Most sessions ended with information sharing on the products offered by the FND Credit Union and encouraging employees and owners alike to join our noble institution.

The youth and schools were a major focus for us this year. Presentations on Savings were made to primary and secondary schools. Piggy banks and lunch bags were also donated to the school children and sponsorships in various areas were made to some schools.

The Christmas loans campaign was very successful. Some ninety members were able to access funding to consolidate debts and carry out some much needed shopping for the Christmas season.

## **PERFORMANCE**

### **Financial**

The performance of FNDECCU during the 2011 financial year was considered successful with positive growth in all areas of operation, which resulted in a positive net operational surplus of \$71,049.00.

Details of the Credit Union’s financial performance are presented in the Treasurer’s Report pages 25-27 and Financial Statements pages 45-63.

### **Delinquency**

Several strategies including counseling and loan rescheduling were employed by your Board and Management to assist members in meeting their obligations. However, we regret to report that we had to pursue legal action in some cases in order to realize security held and recover overdue loans. Your Board and Management continue to work diligently to collect all delinquent amounts, thereby decreasing our Loan Provisioning and increasing our surplus.



## Membership

At 31<sup>st</sup> December, 2010, there were 760 shareholders valuing \$378,360.00 indicating an average share value per member of \$497.84. When compared with the period under review ended 31<sup>st</sup> December, 2011, the membership, that is shareholders, was 1206 with a share value of \$513,665.00 showing an average value of shares per member of \$425.92. This represents an increase of 446 shareholders or 59% increase. It also indicates that the value of shares increased by \$135,305.00 or 36% for the same period.

Total Deposits as December 31, 2011 stand at \$2,832,410.00, an increase of \$1,108,341.00 or 64% from December 2010. However, despite what is a good showing the rate of increase was slower than the previous year due to the continued depressed economy.

## CONCLUSION

Your Board is cognizant of the challenging economic environment that we are experiencing and is equipping itself and all our members with the awareness and education to manage during this difficult time. We are positive that if we stick to the philosophy and principles of the Cooperative Movement we will weather this turbulent period that we all face.

The Board wishes to thank the general membership, staff and other stakeholders for their commitment during 2011 and looks forward to your commitment to the ideal of the Credit Union movement and your continued support as we strive to build a "Safe, Sound and Local" institution to enhance the standard of living of all our people.

Presented for and on behalf of the Board of Directors.



.....  
Dwight Warde  
President

## OVERVIEW

We have continued to see the impact of the sluggish economy on the Credit Union. More and more businesses have been facing financial difficulties and potential entrepreneurs are increasingly reluctant to expand or invest in businesses. This has resulted in a less than anticipated growth in our loan portfolio. Delinquency has continued to be a problem in spite of the efforts made to address it. Our Christmas Loan program was an unmitigated success and brought much needed business for the Credit Union.

## PROVISION FOR LOAN IMPAIRMENT

In an effort to become more in line with PEARLS, the guidelines issued by the World Organisation of Credit Unions, the Board decided to change the way we provide for doubtful debts. This change will be implemented gradually over five years starting this year. Previously the provision was calculated by adding 1% of current loans to those sent to the solicitors. The new method of provision is that all loans that are delinquent for more than 1 year will be provided for in full and those loans that are delinquent for more than one month but less than a year, 35% will be provided. This change in policy has resulted in a higher amount being provided, and we have increased the provision that was reflected in the 2010 financials so that the figures can be comparable.

## THE NEW CO-OPERATIVES ACT

Although the change in loan impairment policy negatively impacts the Net Surplus of the Credit Union it acts as a safeguard on the reserves. The new Co-operatives Act issued in October 2011 has placed tougher guidelines for reserves requirement of credit unions. I am happy to disclose that FND Enterprise Co-operative Credit Union has met all these guidelines. Below is a summary of the guidelines outlined in the new law showing how FNDECCU has complied. These figures were calculated using total assets of \$14,175,409 and total deposits and short-term liabilities of \$3,643,037.

	Actual	%	Required by law	
Statutory and other reserves	7,026,570	50%	1,417,541	10% of Assets
Liquid reserves	2,539,762	70%	546,456	15% of deposits & Short term liabilities



## **UPGRADE FROM IFRS FOR SME's TO FULL IFRS**

We have also upgraded the financial statements to comply fully with International Financial Reporting Standards (IFRS). There are more disclosure requirements under IFRS especially for financial instruments such as loans, investments and cash. The changeover has however had no significant effect on the results of the Credit Union.

## **ASSETS**

Assets grew by 7% over 2010 mainly from an increase in cash which came from members increasing their deposits with the Credit Union. There was a negligible increase in loans.

## **LIABILITIES**

Our members have continued to show strong confidence in the Credit Union as members' deposits increased by 65% to \$2,871,746. This increase resulted in an additional \$668,108 being added to total liabilities growing by 11% over the preceding year.

## **EQUITY**

Total Equity increased by 3% which is an improvement on last year when there was a decrease in equity. Share Capital has shown strong growth, we are now at 102,733 issued shares valued at \$513,665, a 36% increase over 2010.

## **PROFIT FOR THE YEAR**

### **Income**

We have managed to make a profit of \$71,049 this year compared to the revised loss of 325,001 last year. This was due to a 2.5% growth in interest income over 2010 and a much smaller provision for doubtful debts \$170,618 (2010 = \$632,895 (revised)).

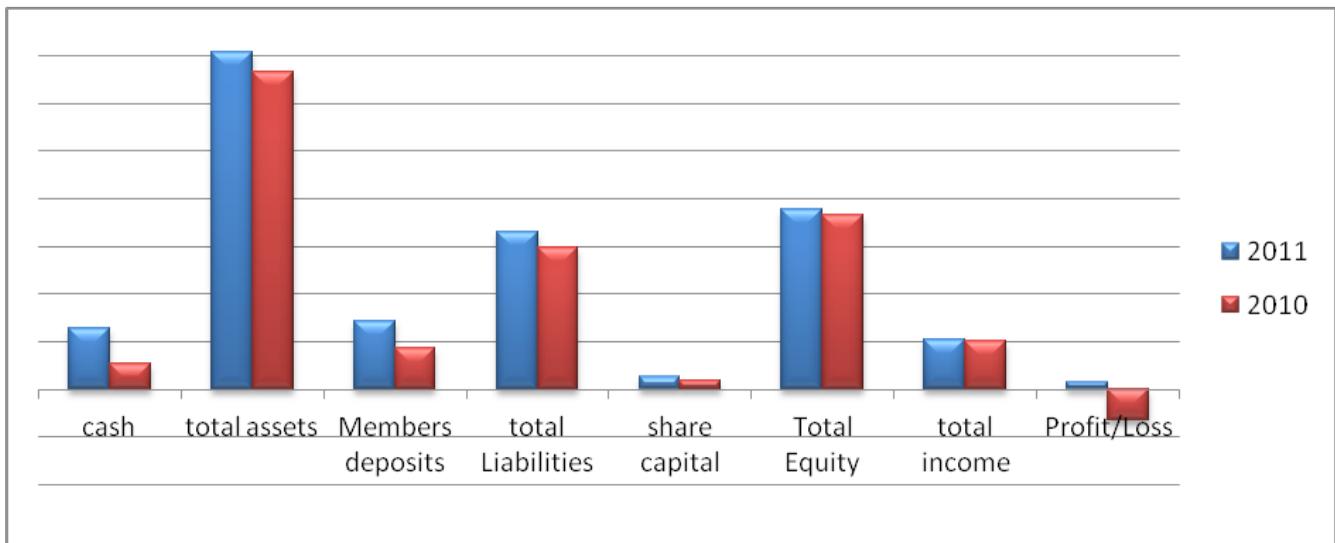
### **Expenses**

Administrative expenses increased by 9.3% or \$98,818 largely from additional promotion and advertising expenditure to encourage depositors and borrowers to use the facilities of the Credit Union. We also saw



increases in electricity costs (12%) as anticipated and increases in training costs as the Credit Union sees the development of staff as a priority in order to better serve the members of this institution. Salaries and related costs also contributed to the overall increase in administrative expenses.

Other Expenses fell dramatically because the bad debt provision was much lower this year at \$170,618 compared to the revised charge for 2010 of \$632,895



**CONCLUSION**

We shall be exploring new areas to safely invest short-term funds of the credit union in 2012 so as to maximise returns for members. Special attention will continue to be placed in 2012 on the reduction of delinquent accounts held by members.

Our strong asset and capital base coupled with our ability to easily comply with the regulatory requirements of the new Co-operatives Act, place us in an enviable position to easily serve our members with new products once vibrancy returns to the economy and members feel more confident to borrow.

*[Signature]*  
 Gary Moving  
 Treasurer



It is with pleasure that the Credit Committee presents its report for the period January to December, 2011 to you, the members of the FND Enterprise Co-operative Credit Union Ltd (FNDECCU). The honour has been ours over the year to have served you.

The members of the Credit Committee were:

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

At the 2<sup>nd</sup> Annual General Meeting of the Credit Union, Mr. Howard Richardson and Mrs. Cynthia Morton resigned from the Credit Committee. Ms. Gallio Gumbs and Mr. Wendell Huggins respectively were elected to replace them.

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

NAME	POSITION	TERM	YEARS REMAINING	YEAR RETIRING
Esrick Lanns	Chairman	2 <sup>nd</sup>	1	2013
Gallio Gumbs	Secretary	1 <sup>st</sup>	2	2014
Dennis Phillip	Member	2 <sup>nd</sup>	1	2013
Wendell Huggins	Member	1 <sup>st</sup>	2	2014
Valdemar Warner	Member	1 <sup>st</sup>	0	2012

#### MEETINGS:

Meetings of the committee were held on average on a monthly basis to review/approve loan applications and to scrutinize the delinquent loans and provide advice/directives. Approvals were based on the guidelines set out in the Credit Union's By-laws and Loan Policy. During 2011, a total of 13 meetings were held. Due to the continued depressed economy, some members experienced financial challenges in meeting their commitments, thus a significant amount of time was spent devising ways to better serve and guide our members.



**BUSINESS LOANS DISBURSED**

PURPOSE	2011		2010	
	No	Value	No	Value
AIR CHARTERS	-	-	1	45,868.00
AIR CONDITIONING	1	25,000.00	-	-
BAKERY	-	-	1	57,000.00
BOAT TRANSPORTATION	-	-	1	120,000.00
BUS	13	288,489.56	21	553,679.19
CATERING	-	-	1	2,000.00
CHURCH SERVICES	-	-	1	30,000.00
CONSTRUCTION	-	-	7	126,000.00
CONSULTANCY	-	-	1	14,000.00
DAY CARE CENTRE	3	210,000.00		-
EGG PRODUCTION	-	-	1	7,000.00
ENTERTAINMENT	5	234,300.00	5	154,880.50
DENTISTRY	-	-	1	10,300.00
FARMING	4	53,000.00	12	363,250.03
FISHING	4	99,600.00	3	27,981.00
GRAPHIC ARTS	3	96,000.00	1	12,000.00
HAIRDRESSING/BARBER	-	-	5	79,000.00
LANDSCAPING	1	25,000.00	4	64,200.00
LEGAL SERVICES	-	-	1	60,000.00
PAINTING SERVICES	-	-	1	6,000.00
PHOTOGRAPHY	-	-	1	8,000.00
PROPERTY RENTAL	-	-	1	25,000.00
RESTAURANT	1	5,000.00	1	40,000.00
RETAIL	24	454,000.00	29	726,747.65
TAXI/TOURISM	1	50,000.00	13	333,542.47
MANUFACTURING	5	76,700.00	7	157,628.34
TRUCKING	4	213,000.00	9	466,000.00
VEHICLE RENTALS	1	50,000.00	1	25,000.00
VEHICLE REPAIRS	1	21,000.00	-	-
VIDEO SERVICES	-	-	2	19,000.00
MECHANIC	-	-	21	25,000.00
PEST CONTROL	-	-	1	50,000.00
WATER SPORTS	-	-	1	125,000.00
<b>TOTAL</b>	<b>71</b>	<b>1,901,089.56</b>	<b>136</b>	<b>3,734,077.18</b>

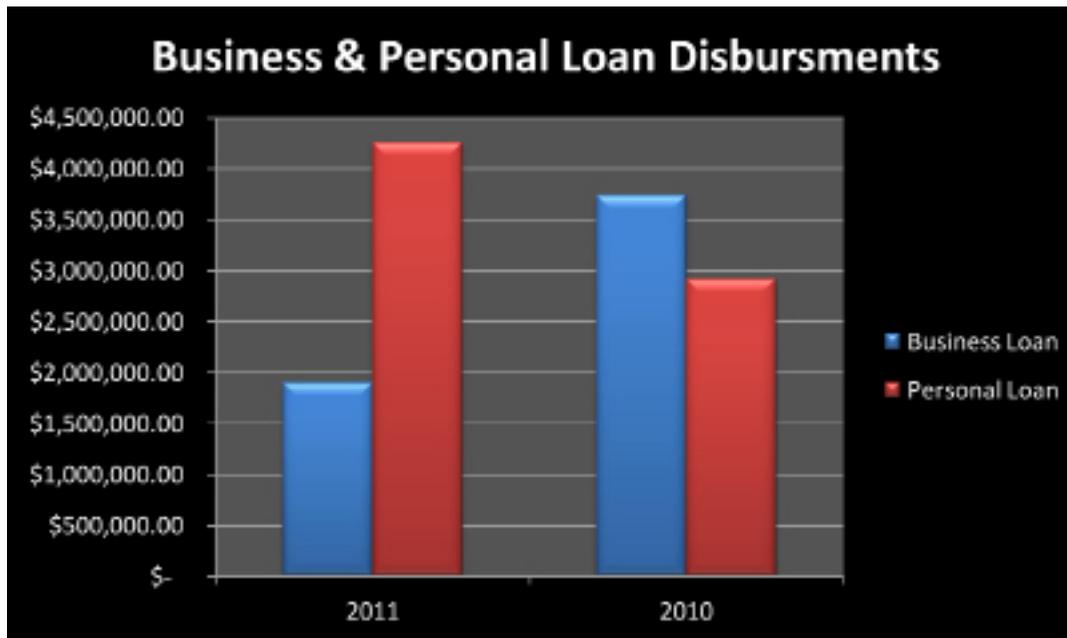


- 71 Business Loans were disbursed for a total of \$1,901,089.56 during 2011. These figures were made up as follows: 54 loans totaling \$1,489,389.56 for St. Kitts and 17 loans totaling \$411,700.00 for Nevis. This represented a significant decrease of 65 loans value \$1,832,987.62 or 49% less than in 2010. This is worrisome as it indicates that fewer members are using our loan facilities to engage in business activities. We also recognized that because of the continued depressed economy, new business ventures have slowed considerably, while some businesses have closed.

**PERSONAL LOANS DISBURSED**

PURPOSE	2011		2010	
	No	Value	No	Value
BUILDING CONSTRUCTION	5	48,000.00	5	82,495.96
CHILD CARE	1	10,000.00	-	-
COMPUTER PURCHASE	4	18,600.00	2	13,500.00
DEBT CONSOLIDATION	92	1,386,820.13	43	633,411.43
EDUCATION	6	47,600.00	8	195,500.00
FUNERAL EXPENSES	4	49,700.00	2	28,235.00
GENERATOR PURCHASE	2	12,000.00	-	-
HOUSEHOLD PURCHASES	24	226,000.00	13	131,328.30
LEGAL FEES	5	32,641.50	1	13,500.00
MEDICAL EXPENSES	12	178,600.00	14	103,264.26
MUSICAL EQUIP. PURCHASE	2	8,000.00	1	3,000.00
PROPERTY FENCING	6	50,400.00	-	-
LAND PURCHASE	5	158,204.00	4	128,453.57
PROPERTY REPAIRS	24	364,400.00	15	192,160.00
PROPERTY INSURANCE	1	6,000.00	1	2,000.00
MARINE INSURANCE	-	-	1	25,000.00
RECORDING MUSIC	1	5,000.00	2	21,895.35
SCHOOL SUPPLIES	4	16,000.00	18	52,044.37
TRAVEL/SHOPPING	114	924,900.00	98	676,417.40
VACATION	27	156,100.00	12	51,100.00
VEHICLE PURCHASE	15	361,600.00	22	341,900.00
VEHICLE MAINTENANCE	24	188,700.00	23	181,275.64
WEDDING EXPENSES	2	3,000.00	4	51,722.40
<b>TOTAL</b>	<b>380</b>	<b>4,252,265.63</b>	<b>289</b>	<b>2,918,203.68</b>





- 380 Personal loans amounting to \$4,252,265.63 were disbursed during the year 2011: 234 loans in St. Kitts totaling \$3,076,065.63 and 146 loans in Nevis totaling \$1,176,200.00. These figures indicate an increase of \$1,334,061.95 or 45.7% over 2010.
- Members made use of the Christmas Loan promotions during November and December. Utilization of the loan funds were mainly for debt consolidation and Christmas shopping.

## LOAN PORTFOLIOS

- At 31<sup>st</sup> December, 2011 the Business loans portfolio amounted to \$5,789,941.81 for 230 loans when compared to \$7,221,285.87 for 333 loans at 31<sup>st</sup> December, 2010. This indicates a substantial decrease of \$1,431,344.06 or 20% during year 2011.
- The Personal loans portfolio as at 31<sup>st</sup> December, 2011 was \$4,297,157.99 for 391 loans compared with 384 loans valuing \$3,942,778.71 as at 31<sup>st</sup> December, 2010. This indicates an increase of \$804,397.28 or 23% over 2010.
- The Business loans portfolio has been decreasing while the Personal loans portfolio has been increasing albeit not at a rate to compensate for the decline in the business sectors.
- We intend to carry out campaigns during 2012 with a view of generating members' interest in starting business ventures. We are of the view that the economy will only recover from this depressed state if economic activities are ignited.



## **DELINQUENCY SITUATION AS AT DECEMBER, 2011**

Delinquency continues to be a concern of the Credit Committee, the Board and Management. Concentrated efforts were made to collect overdue loans balances with staff being aggressive in debt collections during the year. Unfortunately, some members had to be referred to our solicitors for collections.

During the year the Board made a decision to work gradually towards meeting WOCCU's Standard of Excellence for loan provisioning using the PEARLS method that was describe in the Treasurer's Report. This is to ensure that your savings/investments in FND Enterprise Cooperative Credit Union Limited are well protected.

At 31<sup>st</sup> December, 2011, the Credit Union had made a provision of 64% of what was required to meet the WOCCU standard and efforts are being made to meet this standard in the shortest possible time. We urge members to be responsible and pay their debts in a timely manner.

## **CONCLUSION**

In spite of the difficult economic situation in our Federation, the Credit Union continues to provide its members with invaluable financial support as we strive to enhance our lives by building 'financially strong communities'. We will only succeed if all our members live up to the mantra of 'people helping people.' It is imperative that members honour their commitments and obligations to your Credit Union. We again wish to remind you to **SAVE** regularly, **BORROW** prudently and **REPAY** promptly. This is the only way we can respectfully help each other to succeed.

The Credit Committee would like to thank the General Manager, the Deputy General Manager and the entire Loans Division for the invaluable support given during the year. We also thank you the membership for putting your trust in us and allowing us to help you to manage your business affairs and monies.

For and on behalf of the Credit Committee.



Esrick Lanns  
Chairman

The Supervisory Committee is pleased to present to the membership report of the FND Enterprise Cooperative Credit Union Ltd. for the year ended 31<sup>st</sup> December, 2011.

The Supervisory Committee continued its effort to comply with FNDECCU's By-Laws, Rules and Regulations. However, we must report that there were challenges in meeting the requirements due to work pressures by some members. Consequently, members responded by resigning their positions or have not offered themselves for re-election, but with some disheartenment.

At the 2<sup>nd</sup> Annual General Meeting held on 18<sup>th</sup> August, 2011, Mr. Denis Johnson was elected to replace Ms. Judith Rawlins on the Supervisory Committee. The Committee composition was as follows:

Mr. David Fox	Chairman
Mr. Randolph Taylor	Secretary
Mr. Howard Mc. Eachrane	Member
Mr. Ashford Franks	Member
Mr. Denis Johnson	Member

The Supervisory Committee held three (3) meetings between its election on 18<sup>th</sup> August, 2011 and 31<sup>st</sup> December, 2011. At its first meeting after the Annual General Meeting, both Mr. David Fox and Mr. Randolph Taylor were re- elected as Chairman and Secretary respectively. Two of the meetings were held at the FND Credit Union's Headquarters at Bladen Commercial Development and the other was convened at the Nevis Branch at the Waterfront in Charlestown.

During the period, the following areas of the Credit Union's operational procedures and internal control system were reviewed by the committee:

- Scrutinized the policies and operating procedures;
- Confirmed cash instruments, property and security;
- Confirmed shares, deposits;
- Circulars were sent to a random pool of members with the intention for them to verify their passbooks balances with those recorded in the books of FND Credit Union;
- Monitored the management of the society;
- Reviewed the functions of the management and staff;
- Paid attention to the risk management of the Society;



- Verified the assets of the society to determine whether they were properly protected
- Made enquiries regarding complaints;
- Sample advances, loans, deposits, other transaction and other decisions involving Directors, Committee members and employees were in compliance with the Act, Regulations, By Laws and Policies of the FNDECCU.

The Supervisory Committee found that conditions under which loans were approved were being followed; collateral conditions were being properly implemented, and that loans for the most part were within the approval limits established for the General Manager, Credit Committee and Board of Directors.

The Supervisory Committee in its report to the Board of Directors and the Credit Committee drew their attention to a few minor exceptions and provided its recommendations for corrective action in each situation.

The Supervisory Committee wishes to thank all the members for demonstrating confidence in its ability to supervise the operation of the FNDECCU in fiscal year 2011; and hereby indicates that to the best of its knowledge, the Management and staff, as well as the Management Committees adhered to the policies and procedures outlined in the FNDECCU By-laws No 1 of 2009 and the Policy Manual, during the period of review.

For and on behalf of the Supervisory Committee.



.....  
David E. Fox  
Chairman

The Board of Directors appointed a Nominating Committee in accordance with Article 12, Section 1 (a) of the By-Laws of the FND Enterprise Cooperative Credit Union Limited, for the purpose of nominating members to fill vacancies for which elections will be held at the 3<sup>rd</sup> Annual General Meeting.

The Nominating Committee's role is to ensure that there is a smooth and legitimate nominating process of qualified persons who are evaluated before being presented as nominees for election.

The Nominating committee comprised of the following persons:

Mr. Gary Moving	-	Treasurer of the Board of Directors (Chairperson)
Mr. Randolph Taylor	-	Member, Supervisory Committee
Mr. Shanwa Broadbelt	-	Staff Member

The Nominating Committee is pleased to present its report to the 3<sup>rd</sup> Annual General Meeting. Both Mr. Spencer Howell and Mr. Auckland Hector of the Board of Directors are due to retire on rotation having served their first terms and being eligible for re-election have offered themselves for another term.

Mr. David Fox, Chairman of the Supervisory Committee, had to resign during his 2<sup>nd</sup> term due to personal commitments thus leaving a vacant position to be filled. Mr. Howard Mc. Eachrane and Mr. Ashford Franks are due to retire on rotation having served their first terms. Both have decided to take their leave thus creating three positions to be filled.

Mr. Valdemar Warner of the Credit Committee is due to retire on rotation having served his first term and being eligible for re-election have offered himself for another term.

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



**The Nominating Committee's recommendations are as follows:**

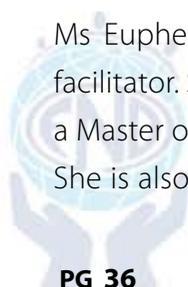
COMMITTEE	RETIRED/RESIGNED	NOMINATED	TERM	YEARS	RETIRING
Board of Directors	Mr. Auckland Hector	Mr. Auckland Hector	1 <sup>st</sup>	0	2012
	Mr. Spencer Howell	Mr. Spencer Howell	1 <sup>st</sup>	0	2012
Credit Committee	Mr. Valdemar Warner	Mr. Valdemar Warner	1 <sup>st</sup>	0	2012
Supervisory Committee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

**BRIEF BIOGRAPHY OF NEW NOMINEES**

For the past three years Mrs. Tonya Lawrence has been employed at the Inland Revenue Department as a Senior Tax Inspector, where she is currently assigned to the Audit Section as an Auditor. She attended Cameron University and graduated in 2008 Cum Laude with a Bachelor's in Accounting and a Minor in Foreign Languages. She is a former employee of the Foundation for National Development Ltd where she held posts both in the Accounting and Loans Department. She was also employed at Lanns-Monish & Associates and the St. Kitts Cooperative Credit Union Ltd and has been in the Accounting and Audit field since 1999. She is currently studying to sit the Certified Fraud Examination (CFE) at the end of the year and also looking forward to commencing her Masters in Forensic Accounting (Distance Learning) with the University of Portsmouth, to commence in September 2012.

Mr. Carl Osborne currently holds the position of Senior Auditor in the National Audit Office of the St. Kitts Government Headquarters. His responsibility involves, but is not limited to, managing the fiscal and compliance section within the Audit Office. He is no stranger to the field of audit as he has actually been involved in this important profession since 1992. As a result of his professional and meticulous persona, he assumed a managerial position within the department in 2010. His years of public service to his country date as far back as 1988 giving him 24 years to date of yeoman's service. In his spare time he attends the St Kitts Nevis Defense Force Camp where he holds the esteem rank of Sergeant in the military band and is an instructor of practical and theoretical music, teaching beginners the art and skill in wind and drumming instruments. Mr. Carl Osborne is no stranger to the musical scene as he is the guitarist for the popular Small Axe Band.

Ms Euphemia Brice-Roberts is a performance and life coach, gifted trainer, motivator, and programme facilitator. She holds a Bachelor of Science Degree (BSc) in Economics from the University of the West Indies, a Master of Business Administration (MBA) from the Manchester School of Business in the United Kingdom. She is also a qualified Accountant and Banker. Ms. Roberts' diverse work experience has amounted to over



thirty (30) years in the public and private sectors, in various capacities – teacher, auditor, accountant, Central banker, trainer, facilitator, consultant and manager. Her experience, which includes over twenty-five (25) years at the management level plus her multi-disciplinary training, has facilitated her making a positive impact in the public sector and corporate world. Mrs. Roberts is currently involved at management level in the field of offshore finance. At the community level and in keeping with the principles and values of the cooperative movement, Ms Roberts is committed to community service activities which support holistic people development and advancement, particularly youth development. She has also been responsible for the management of community based projects.

Presented for and on behalf of the Nominating Committee



Gary Moving  
Chairperson

# SOUND



**Donation to the Irishtown Primary School**



**Gifts presented to Teacher Shirley Wyatt of the Sandy Point Primary School**

**Simmonds and Associates**

Chartered Accountant

P.O. BOX 126

PARTNER: W.B.SIMMONDS FCCA  
NEW STREET

ASSOCIATE: A. St.R. KNIGHT

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We have audited the financial statements of FND Enterprise Co-operative Credit Union Limited as at December 31, 2011, which comprise the statement of financial position, the statement of comprehensive income and statement of cash flows for the year and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 25.

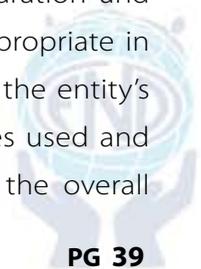
Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards(IFRS) for Small and Medium sized Entities(SMEs). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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



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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FND Enterprise Cooperative Credit Union Limited as of December 31, 2011, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.



FND Enterprise Co-operative Credit Union Ltd  
**Statement of Financial Position**  
as at December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

<b>ASSETS</b>		Year ended December 31, 2011	Year ended December 31, 2010
<b>Current assets</b>	Notes	\$	\$
Cash	3	2,539,762	1,606,112
Loans and other receivables	4	10,525,896	10,507,693
Investments	5	<u>196,850</u>	<u>196,850</u>
		<b><u>13,262,508</u></b>	<b><u>12,310,655</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	6	844,057	832,332
Intangible assets	7	68,304	89,167
Deferred cost	8	<u>540</u>	<u>77,390</u>
		<b><u>912,901</u></b>	<b><u>998,889</u></b>
<b>Total assets</b>		<b><u>14,175,409</u></b>	<b><u>13,309,544</u></b>
 <b>LIABILITIES AND EQUITY</b>			
	9	3,621,896	4,034,498
Loans Payable	10	45,337	114,540
Security Deposits	11	2,871,746	1,742,505
Members deposit	12	<u>96,195</u>	<u>75,523</u>
Trade payables		<b><u>6,635,174</u></b>	<b><u>5,967,066</u></b>
 <b>Equity</b>			
Share capital	13	513,665	378,310
Statutory reserve fund	14	95,297	73,165
Special Reserve	15	6,699,033	6,849,033
Development Fund		2,620	2,620
Capital grants	16	169,466	178,114
Retained earnings/(Accumulated deficit)		<u>60,154</u>	<u>(138,763)</u>
		<b><u>7,540,235</u></b>	<b><u>7,342,478</u></b>
<b>Total liabilities and equity</b>		<b><u>14,175,409</u></b>	<b><u>13,309,544</u></b>

The accompanying notes on pages 45 to 63 form an integral part of these financial statements. These financial statements were approved by the Board of directors on May 29, 2012 and signed on its behalf by:

Chairman:   
.....  
Mr. Dwight Warde

Treasurer:   
.....  
Mr. Gary Moving 

**Statement of Comprehensive Income**

For The Year Ended December 31, 2011

(Expressed in Eastern Caribbean Dollars)

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
		\$	\$
Fees and Other Charges	17	257,181	260,373
Interest income	18	1,802,361	1,758,133
Other Income	19	<u>18,528</u>	<u>20,278</u>
		<b><u>2,078,070</u></b>	<b><u>2,038,783</u></b>
Administrative expenses			
Other expenses	20	(1,159,459)	(1,060,641)
Finance costs	21	(523,880)	(975,384)
	22	<u>(323,682)</u>	<u>(327,760)</u>
Profit/(Loss) for the year		<b><u>71,049</u></b>	<b><u>(325,001)</u></b>



The Accompanying notes on pages 45 to 63 form an integral part of these financial statements.

FND Enterprise Co-operative Credit Union Ltd

# Statement of Changes in Members' Equity

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Share Capital	Special Reserve	Statutory Reserve Fund	Development Fund	Capital Grants	Retained Earnings	Total
<b>Balance at January 1, 2010</b>	197,540	6,849,033	68,025	2,620	188,172	191,378	7,496,768
Shares Issued	180,770	-	-	-	-	-	180,770
Amortized in the year	-	-	-	-	(10,058)	-	(10,058)
Entrance Fees	-	-	5,140	-	-	(5,140)	-
Loss for the year	-	-	-	-	-	(190,606)	(190,606)
<b>Balance at December 31, 2010</b>	<b>378,310</b>	<b>6,849,033</b>	<b>73,165</b>	<b>2,620</b>	<b>178,114</b>	<b>(4,368)</b>	<b>7,476,874</b>
Prior year adjustment due to change in accounting policy on provisioning for doubtful debts.	-	-	-	-	-	(134,395)	(134,395)
<b>Balance at December 31, 2010 restated</b>	<b>378,310</b>	<b>6,849,033</b>	<b>73,165</b>	<b>2,620</b>	<b>178,114</b>	<b>(138,763)</b>	<b>7,342,479</b>
Transferred from Special Reserves	-	(150,000)	-	-	-	150,000	-
Shares Issued	135,355	-	-	-	-	-	135,355
Amortized in the year	-	-	-	-	(8,648)	-	(8,648)
Entrance Fees	-	-	4,370	-	-	(4,370)	-
25% of Surplus to Statutory Reserve	-	-	17,762	-	-	(17,762)	-
Profit for the year	-	-	-	-	-	71,049	71,049
<b>Balance at December 31, 2011</b>	<b>513,665</b>	<b>6,699,033</b>	<b>95,297</b>	<b>2,620</b>	<b>169,466</b>	<b>60,154</b>	<b>7,540,235</b>

**Statement of Cash Flows**For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>Cash flows from operating activities</b>		
Profit/(Loss) for the period	71,049	(325,001)
Adjustment for non-cash income and expenses:		
Depreciation of property, plant and equipment	86,825	73,854
Amortisation of intangibles	24,514	28,037
Amortisation of capital grants	(8,648)	(10,057)
Changes in operating assets and Liabilities		
(Increase) in loans receivable	(9,321)	(916,431)
(Increase) in other receivables	(8,882)	(43,957)
(Decrease) in Loans payable	(412,602)	(424,447)
Increase/(decrease) in trade payables	20,672	1,354
Increase in members deposits	<u>1,060,038</u>	<u>1,540,381</u>
Net cash from operating activities	<b><u>823,645</u></b>	<b><u>(76,267)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of Software	(3,649)	(91,135)
Purchase of plant and equipment	<u>(21,701)</u>	<u>(124,412)</u>
Net cash used in investing activities	<b><u>(25,350)</u></b>	<b><u>(215,547)</u></b>
<b>Cash flows from financing activities</b>		
Issue of shares	<b><u>135,355</u></b>	<b><u>180,770</u></b>
Net Increase/(decrease) in cash and cash equivalents	933,650	(111,044)
Cash and cash equivalents at beginning of year	<u>1,606,112</u>	<u>1,717,156</u>
Cash and cash equivalents at end of year	<b><u>2,539,762</u></b>	<b><u>1,606,112</u></b>



The Accompanying notes on pages 45 to 63 form an integral part of these financial statements.

## 1. General information

FND Enterprise Co-operative Credit Union Limited was registered under section 241 of the Co-operatives Societies Act of 1995 of St. Christopher and Nevis on 20<sup>th</sup> July, 2009. A resolution was passed on 24<sup>th</sup> 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<sup>st</sup> December. Consequently the first Financial Statements was for the five months ending 31<sup>st</sup> December 2009. Although the Credit Union was formed on the 20<sup>th</sup> of July it began operations effective 1<sup>st</sup> August 2009. The Credit Union was automatically re-registered on October 17<sup>th</sup>, 2011 under the new Co-operatives Society Act, 2011 which has replaced the Co-operatives Societies Act of 1995.

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

## 2. Basis of preparation and accounting policies

(a) *Statement of Compliance*

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

(b) *Basis of preparation*

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

(c) *Use of estimates and judgements*

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

(d) *Standards and Interpretations to published standards effective in the financial year 2011 which are not relevant or have no significant effect on the Credit Union's financial statements.*

*IAS 1 (Amendment), 'Presentation of financial statements'*

*IAS 24 'Related Party Disclosures'*

IAS24 has changed the definition of related party and introduces a partial exemption from disclosures requirements for government-related entities



*IFRS 2, 'Amendment'*

'Group cash-settled Share-based Payment Transactions'

*IFRS 3 'Amendment' Business Combinations*

*IAS 32 'Amendment'*

Classification of rights issues

*IFRIC 14 (Amendment),*

IFRIC 14 addresses when refunds or reductions in future should be regarded as available in accordance with IAS 19

'Prepayments of a minimum funding requirement'

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

This interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments.

## 2. Basis of preparation and accounting policies

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

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

IFRS 10 replaces the parts of IAS 27 that deal with consolidated financial statements. Under IFRS 10 control is the only basis for consolidation. There is also a new definition for control that contains three elements: (a) power of an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investors return. IFRS 10 is required to be applied from 1 January 2013.

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

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

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



The above standards will be adopted from 1 January 2013 by the credit union and no significant impact is expected on the reported amounts in the financial statements as a result.

Amendments to IFRS 7, Disclosures - Transfers of Financial Assets effective for annual period beginning 1 July 2011.

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

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

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

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

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

## **2. Basis of Preparation and Accounting Policies**

### **(e) Revenue Recognition**

#### i) Interest

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

#### ii) Fees and other charges

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

### **(f) Borrowing Costs**

Borrowing Costs are interest and other costs that the Credit Union incurs in connection with borrowing of funds, members deposits, bank loans, bank overdrafts and any other financial liability. Interest is calculated using the effective interest method which is the rate that exactly discounts

estimated future cash payments through the expected life of the financial instrument or when appropriate, a shorter period, to the carrying amount of the financial liability.

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

**(g) Income Tax**

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

**(h) Property, Plant and Equipment**

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

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

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

**(i) Impairment of assets**

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

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

**(j) Account Receivables and Payables**

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



**(k) Financial Instruments**

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

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

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

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

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

**(l) Impairment of Financial Investment**

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



**Accounting Policies and Notes to the Financial Statements**

For The Year Ended December 31, 2011

(Expressed in Eastern Caribbean Dollars)

<b>3. Cash</b>	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>Current Accounts</b>		
First Caribbean International Bank	646,654	13,508
Royal Bank of Canada	612,861	14,362
Bank of Nova Scotia	429,722	34,549
SKNA National Bank Ltd	443,212	1,334,166
Nevis Co-operative Credit Union Ltd	(2,199)	65,744
<b>Savings Accounts</b>		
Bank of Nova Scotia	217,653	622
Nevis Co-operative Credit Union Ltd	62,526	2,039
St. Kitts Co-operative Credit Union Ltd	10,919	10,598
<b>Cash in Hand</b>	<u>118,414</u>	<u>130,524</u>
	<b><u>2,539,762</u></b>	<b><u>1,606,112</u></b>
Cash in hand comprises the following:-		
Petty cash	1,443	600
Cash Tellers	11,396	25,380
Cash EC\$ vault	<u>105,575</u>	<u>104,544</u>
	<b><u>118,414</u></b>	<b><u>130,524</u></b>



FND Enterprise Co-operative Credit Union Ltd

# Accounting Policies and Notes to the Financial Statements

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>4. Loans and Other Receivables</b>		
General Loans	10,998,200	10,967,503
Loans at Solicitors	710,932	812,381
Staff Loans	126,366	258,733
Unearned interest on Discount Loan	<u>(150,128)</u>	<u>(533,186)</u>
Total Loans receivable	11,685,370	11,505,431
Less: Provision for Loan Losses	<u>(1,229,657)</u>	<u>(1,059,039)</u>
	10,455,713	10,446,392
Miscellaneous Receivables	<u>32,040</u>	<u>44,495</u>
	10,487,753	10,490,887
Insurance Premiums Prepaid	<u>38,143</u>	<u>16,806</u>
	<u>10,525,896</u>	<u>10,507,693</u>

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

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

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

## 5. Investments

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



**Accounting Policies and Notes to the Financial Statements**

For The Year Ended December 31, 2011

(Expressed in Eastern Caribbean Dollars)

**6. Property, Plant and Equipment**

<b>Cost</b>	Land \$	Building \$	Plant & Equipment \$	Furniture & Fittings \$	Office Equipment \$	Computer Equipment \$	Motor Vehicles \$	Total \$
At January 1, 2010	130,000	703,588	34,150	179,133	120,856	94,761	116,000	1,378,488
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,776</u>	<u>34,953</u>	<u>41,683</u>	<u>-</u>	<u>124,412</u>
At December 31, 2010	130,000	703,588	34,150	226,909	155,809	136,444	116,000	1,502,900
Additions	<u>-</u>	<u>-</u>	<u>84,050</u>	<u>11,152</u>	<u>1,757</u>	<u>1,593</u>	<u>-</u>	<u>98,551</u>
At December 31, 2011	<u>130,000</u>	<u>703,588</u>	<u>118,200</u>	<u>238,061</u>	<u>157,566</u>	<u>138,037</u>	<u>116,000</u>	<u>1,601,451</u>

**Accumulated Depreciation**

At January 1, 2010	-	193,487	26,182	106,922	101,056	53,068	115,999	596,714
Charge for the year	<u>-</u>	<u>17,590</u>	<u>3,415</u>	<u>18,954</u>	<u>6,907</u>	<u>26,988</u>	<u>-</u>	<u>73,854</u>
At December 31, 2010	-	211,077	29,597	125,876	107,963	80,056	115,999	670,568
Charge for the year	<u>-</u>	<u>17,589</u>	<u>11,820</u>	<u>21,430</u>	<u>13,628</u>	<u>22,359</u>	<u>-</u>	<u>86,826</u>
At December 31, 2011	<u>-</u>	<u>228,666</u>	<u>41,417</u>	<u>147,306</u>	<u>121,591</u>	<u>102,415</u>	<u>115,999</u>	<u>757,394</u>

**Carrying Amount**

At December 31, 2011	<b><u>130,000</u></b>	<b><u>474,922</u></b>	<b><u>76,783</u></b>	<b><u>90,755</u></b>	<b><u>35,975</u></b>	<b><u>35,622</u></b>	<b><u>1</u></b>	<b><u>844,057</u></b>
At December 31, 2010	<b><u>130,000</u></b>	<b><u>492,511</u></b>	<b><u>4,553</u></b>	<b><u>101,033</u></b>	<b><u>47,846</u></b>	<b><u>56,388</u></b>	<b><u>1</u></b>	<b><u>832,332</u></b>
At December 1, 2009	<b><u>130,000</u></b>	<b><u>510,101</u></b>	<b><u>7,968</u></b>	<b><u>72,211</u></b>	<b><u>19,800</u></b>	<b><u>41,693</u></b>	<b><u>1</u></b>	<b><u>781,774</u></b>

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



FND Enterprise Co-operative Credit Union Ltd

# Accounting Policies and Notes to the Financial Statements

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>7. Intangible Assets</b>		
<b>Software:</b>		
<b>Cost</b>		
Opening Balance	118,208	2,295
Additions	<u>3,651</u>	<u>115,913</u>
	<b><u>121,859</u></b>	<b><u>118,208</u></b>
<b>Accumulated depreciation</b>		
Opening Balance	29,041	1,004
Annual Amortisation (note 21)	<u>24,514</u>	<u>28,037</u>
	<u>53,555</u>	<u>29,041</u>
Carrying Amount	<b><u>68,304</u></b>	<b><u>89,167</u></b>
<b>8. Deferred Cost</b>	<b><u>540</u></b>	<b><u>77,390</u></b>

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

The amount against Deferred Cost refers to the cost of Pearls Software not yet put into use.

<b>9. Loans Payable</b>	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
Development Bank	103,453	166,193
Eastern Benevolent Society	98,996	94,282
Social Security Board	2,316,576	2,670,246
International Co-operation and Development Fund	<u>1,075,280</u>	<u>1,075,280</u>
	<b>3,594,305</b>	<b>4,006,001</b>
Interest Payable	<u>27,591</u>	<u>28,497</u>
	<b>3,621,896</b>	<b>4,034,498</b>

The loan with the Development Bank of Saint Kitts and Nevis of EC\$540,000.00 is secured by an equitable mortgage over the FND Enterprise Co-operative Credit Union Limited's property at Bladen's Commercial Development. The Loan is repayable in 120 equal monthly instalments of \$5,860.42 inclusive of Interest at 5.5% per annum which commenced three (3) months after the draw down of the loan. The draw down date was March 31, 2003.

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

The loan with Social Security Board of EC\$3.8 million, bears an interest rate of 7% per annum. It is secured by every new mortgage that is written by the FNDECCU and every new bill of sale that stands in its favour as a mortgagee.

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

<u>45,337</u>	<u>114,540</u>
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**10. Security Deposits**

This represents security deposits for loans granted to clients of FND Enterprise Co-operative Credit Union Limited.



FND Enterprise Co-operative Credit Union Ltd

# Accounting Policies and Notes to the Financial Statements

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>11. Members Deposits</b>		
Savings	1,992,227	1,228,946
Term Deposits	<u>858,183</u>	<u>495,123</u>
	2,850,410	1,724,069
Interest Due on Savings and Deposits	<u>21,336</u>	<u>18,436</u>
	<b><u>2,871,746</u></b>	<b><u>1,742,505</u></b>

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

## 12. Trade Payables

Audit fees	23,400	18,098
Social Security Fund	10,523	10,586
Bills of Sale	8,102	20,333
Other payables	<u>54,170</u>	<u>26,506</u>
	<b><u>96,195</u></b>	<b><u>75,523</u></b>

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

## 13. Share Capital

Opening Balance	378,310	197,540
Shares issued	<u>135,355</u>	<u>180,770</u>
Balance to date	<b><u>513,665</u></b>	<b><u>378,310</u></b>

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



	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
<b>14. Statutory Reserve and Development Fund</b>		
Balance at beginning of year	73,165	-
Entrance fees	4,370	5,140
25% of surplus	<u>17,762</u>	<u>68,025</u>
	<b><u>95,297</u></b>	<b><u>73,165</u></b>

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

#### 15. Special Reserve

Donated Funds	4,293,083	4,293,083
Retained Earnings Transferred	<u>2,405,950</u>	<u>2,555,950</u>
Balance to date	<b><u>6,699,033</u></b>	<b><u>6,849,033</u></b>

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

#### 16. Capital Grant

Balance brought forward	178,114	188,172
Write-offs for the year	<u>(8,648)</u>	<u>(10,058)</u>
	<b><u>169,466</u></b>	<b><u>178,114</u></b>

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



FND Enterprise Co-operative Credit Union Ltd

# Accounting Policies and Notes to the Financial Statements

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
<b>17. Fees and Other Charges</b>		
Loan fees	165,588	160,246
Entrance fees	4,370	5,140
Conference Facilities	58,791	46,307
Rental of Equipment	6,282	680
Technical Assistance	<u>22,150</u>	<u>48,000</u>
	<b><u>257,181</u></b>	<b><u>260,373</u></b>
<b>18. Interest Income</b>		
Interest on deposit accounts	20,357	13,575
Interest on hold to maturity investment- treasury bills	13,655	36,378
Interest on loans	<u>1,768,349</u>	<u>1,708,180</u>
	<b><u>1,802,361</u></b>	<b><u>1,758,133</u></b>
<b>19. Other Income</b>		
Amortisation of capital grant	8,648	10,057
Miscellaneous Income	<u>9,880</u>	<u>10,221</u>
	<b><u>18,528</u></b>	<b><u>20,278</u></b>

**Accounting Policies and Notes to the Financial Statements**

For The Year Ended December 31, 2011

(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011 \$	Year ended December 31, 2010 \$
<b>20. Administrative Expenses</b>		
Salaries	677,870	648,749
Emoluments imposts	63,783	60,874
Electricity and water	69,944	62,309
Rents	42,000	37,800
Conference Room Expense	4,928	5,042
Telecommunication	40,067	42,900
Stationery and office supplies	50,740	46,521
Postage	6,744	1,826
Group Insurance	16,967	12,596
Travel Allowances	30,990	29,813
Vehicle Expenses	15,185	24,343
Promotion and Advertising	111,813	71,998
Staff Benefits	9,660	9,764
Training	18,768	6,106
	<b><u>1,159,459</u></b>	<b><u>1,060,641</u></b>

**21. Other Expenses**

Office consumables	5,219	4,840
Equipment maintenance	11,468	13,619
Office Maintenance	47,756	36,640
Depreciation	86,825	73,854
Amortisation of intangible assets (note 7)	24,514	28,037
Donation and subscription	6,223	10,314
Entertainment	7,234	6,610
Security	3,117	-
Travelling expenses	1,754	8,764
Insurance	8,629	11,282
Affiliation dues	12,829	8,968
Meetings and conventions	74,169	55,447
Professional Fees	2,000	29,390
MIS Support	34,784	31,132
Audit fees and expenses	23,400	22,250
Legal fees	1,368	500
Bad debts and provisions	170,618	632,895
Member Benefit/ Training	1,632	-
Miscellaneous	341	842
	<b><u>523,880</u></b>	<b><u>975,384</u></b>



FND Enterprise Co-operative Credit Union Ltd

# Accounting Policies and Notes to the Financial Statements

For The Year Ended December 31, 2011  
(Expressed in Eastern Caribbean Dollars)

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
<b>22. Finance Costs</b>		
Interest expenses:		
Interest on Loans	244,213	276,006
Interest and bank charges	<u>79,469</u>	<u>51,754</u>
	<b><u>323,682</u></b>	<b><u>327,760</u></b>

## 23. Taxation

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

## 24. Events after the end of the reporting period

The Credit Union issues letters of guarantees in the normal course of business. There were no contingent liabilities nor capital commitments at 31 December, 2011.

## 25. Related Party Transactions

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

Loans disbursed to key management	<u>40,000</u>	<u>40,000</u>
Loans balances by key management including Directors and Committee Members	<u>213,138</u>	<u>314,522</u>
Key management compensation	<u>390,056</u>	<u>336,856</u>

**26. Capital Management**

The Credit Union manages its funds to ensure that it will continue as a going concern while maximising returns for members at minimum risk. Capital is managed as per the guidelines established by the Co-operative Societies Act, 1995, the Co-operatives Societies Regulations, 1997 and International Prudential Standards for Credit Unions (PEARLS).

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

The Credit Union currently has 36.6% of its liabilities held as reserve which far exceed the current Co-operatives Act requirement of a minimum of 10% of liabilities be held as liquid reserves.

Two primary ratios used by PEARLS to assess capital adequacy are

Net Loans/ Total assets	Standard range (60 to 80%)	Actual	75%
Net Value of Assets/Total Shares & Deposits	Standard $\geq$ 111%	Actual	287%

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

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

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

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

**27. Financial Instruments**

Categories of financial instrument

	<b>Year ended December 31, 2011</b>	<b>Year ended December 31, 2010</b>
	\$	\$
<b>Financial assets</b>		
Cash and bank balances	2,539,762	1,606,112
Loans and Receivables	10,487,753	10,490,887
Held-to-maturity investments	196,750	196,750
Available for Sale investments	<u>100</u>	<u>100</u>
	<u>13,224,365</u>	<u>12,293,849</u>
<b>Financial Liabilities</b>		
Amortised cost	<u>6,626,197</u>	<u>5,967,066</u>

## 27. Financial Instruments (continued)

### Risk Management

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

### Interest Rate Risk

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

### As at December 31, 2011

	1 year	1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>					
Cash resources	734,310	-	-	1,805,452	2,539,762
Loan and other receivables	7,217,128	3,238,585	-	32,040	10,487,753
Investments	<u>196,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,850</u>
	<u>8,148,288</u>	<u>3,238,585</u>	<u>-</u>	<u>1,837,492</u>	<u>13,224,365</u>
<b>Liabilities</b>					
Loans Payable	629,759	2,659,018	333,119	-	3,621,896
Security Deposits	-	-	-	45,337	45,337
Members deposit	2,515,193	356,553	-	-	2,871,746
Trade payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,195</u>	<u>96,195</u>
	<u>3,144,952</u>	<u>3,015,571</u>	<u>333,119</u>	<u>141,532</u>	<u>6,635,174</u>
	<b>5,003,336</b>	<b>223,014</b>	<b>(333,119)</b>	<b>1,695,960</b>	<b>6,589,191</b>

**27. Financial Instruments Interest Rate Risk (continued)**

<b>As at December 31, 2010</b>	<b>1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>Assets</b>					
Cash resources	1,347,424	-	-	258,688	1,606,112
Loan and other receivables	8,209,360	2,237,032	-	44,495	10,490,887
Investments	<u>196,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,850</u>
	<u>9,753,634</u>	<u>2,237,032</u>	<u>-</u>	<u>303,183</u>	<u>12,293,849</u>
<b>Liabilities</b>					
Loans Payable	553,674	3,004,842	475,982	-	4,034,498
Security Deposits	-	-	-	114,540	114,540
Members deposit	1,742,505	801,564	-	-	2,544,069
Trade payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,523</u>	<u>75,523</u>
	<u>2,296,179</u>	<u>3,806,406</u>	<u>475,982</u>	<u>190,063</u>	<u>6,768,630</u>
	<b>7,457,455</b>	<b>(1,569,374)</b>	<b>(475,982)</b>	<b>113,120</b>	<b>5,525,219</b>

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

**Liquidity risk**

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

**As at December 31, 2011**

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



## 27. Financial Instruments Liquidity Risk (Continued)

### Liabilities

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

### As at December 31, 2010

### Assets

	1 year	1 to 5 years	Over 5 years	Total
Cash resources	1,606,112	-	-	1,606,112
Loan and other receivables	8,253,855	2,237,032	-	10,490,887
Investments	<u>196,850</u>	<u>-</u>	<u>-</u>	<u>196,850</u>
	<u>10,056,817</u>	<u>2,237,032</u>	<u>-</u>	<u>12,293,849</u>

### Liabilities

	1 year	1 to 5 years	Over 5 years	Total
Loans Payable	553,674	3,004,842	475,982	4,034,498
Security Deposits	67,540	47,000	-	114,540
Members deposit	1,742,505	801,564	-	2,544,069
Trade payables	<u>75,523</u>	<u>-</u>	<u>-</u>	<u>75,523</u>
	<u>2,439,242</u>	<u>3,853,406</u>	<u>475,982</u>	<u>6,768,630</u>
<b>Net Liquidity Gap</b>	7,617,575	(1,616,374)	(475,982)	5,525,219

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