



National Co-operative Credit Union Limited ANNUAL REPORT 2012

NCCU – A BEACON OF HOPE IN CHALLENGING ECONOMIC TIMES

CREDIT UNION PRAYER

Prayer of St. Francis of Assisi

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



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NCCU – A BEACON OF HOPE IN CHALLENGING ECONOMIC TIMES

MISSION, PRINCIPLES & VALUES

Mission Statement

“To be the Leading Financial Institution providing Services that Enhance the Quality of Life of All consistent with Cooperative Principles.”

Our Co-operative Identity

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

Our Co-operative Principles

- Voluntary and Open Membership
- Economic Participation
- Education, Training and Information
- Concern for the Community
- Democratic Member Control
- Autonomy and Independence
- Co-operation among Co-operatives

Our Co-operative Values

- Self-Help
- Democracy
- Equity
- Self-Responsibility
- Equality
- Solidarity

Our Values

- Integrity
- Loyalty
- Human Resource Development
- Responsiveness to Members' Needs and Environment
- Professionalism
- Innovation
- Good Governance



STANDING ORDERS

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

NOTICE & AGENDA

For the year ended December 31, 2012

NOTICE

Notice is hereby given that the Third Annual General Meeting of the National Co-operative Credit Union (NCCU) Limited will be held on Wednesday 8th May 2013 at 5:00 p.m. at the St Luke's Primary School, Pointe Michel, Commonwealth of Dominica, to consider the following:

AGENDA

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



BOARD OF DIRECTORS

For the year ended December 31, 2012

C = Called
A = Attended
E = Excused

*elected at 2nd AGM
held on May 20, 2012

	MONTHLY B.O.D			SPECIAL B.O.D.			JOINT COMMITTEE		
	C	A	E	C	A	E	C	A	E
Dexter Ducreay – <i>President</i>	12	12	0	5	5	0	2	2	0
Alganan Degallerie – <i>Vice President</i>	12	11	1	5	5	0	2	1	1
Cletus Joseph – <i>Secretary</i>	12	12	0	5	3	2	2	2	0
Fevrier Valmond – <i>Treasurer</i>	12	11	1	5	1	4	2	2	0
Bernice Matthew	12	11	1	5	5	0	2	2	0
Janice Jean-Jacques Thomas	12	12	0	5	4	1	2	2	0
Celia Delauney	12	10	2	5	3	2	2	2	0
Michael Augustine	12	11	1	5	3	2	2	2	0
Rhoda Celaire	12	10	2	5	4	1	2	2	0
Bernard Francis	12	8	4	5	3	2	2	2	0
Vernice Bellony	12	11	1	5	1	4	2	2	0
Carlisle Jno Baptiste	12	12	0	5	5	6	2	2	0
Marileen Hypolite*	8	6	2	2	1	1	2	1	1

BOARD OF DIRECTORS REPORT

For the year ended December 31, 2012

Overview

The year 2012, the International Year of Co-operatives, as declared by the United Nations, highlighted the contributions of cooperatives to socio-economic development particularly their impact on poverty reduction, employment generation and social integration under the theme “Cooperative Enterprise, Build a Better World.” The past year was truly one of reflection on the positive impact that the Credit Union continues to have on the Dominican Society.

The International Monetary Fund (IMF) has also recognized the importance of Credit Unions in particular the NCCU. This is reflected in the IMF’s 2012 Article IV Consultation Report as indicated below:

“...the Credit Union sector, with assets amounting to almost 40% of Gross Domestic Product or about 20% of Financial Sector Assets – one of the largest levels in the world – the average ratio reflects the better capitalized dominant Credit Union...”

Your Board is pleased to report another year of creditable performance, this being the second full year of operations since amalgamation.

During the financial year in review, we were again confronted by the vagaries of the financial and economic downturn, in which we saw smaller returns on investments and more members requiring special accommodation in order to comfortably repay loans because of their deteriorating capacity. Notwithstanding the foregoing, your Board was able to provide members with new services to meet their demands, including International Debit Cards and a special loan facility which made it much easier to obtain loans to meet and satisfy the need for emergency funds.

Your Society successfully staged a Cadence Lypso Show during the Independence Season.

The Society’s surplus was impacted by the impairment for loss on the investment held with Colonial Life Insurance (CLICO Barbados) and British American Insurance Company (BAICO). We are happy, however, to report that the funds invested in CLICO – Trinidad was received in full.

Membership

The Society’s membership experienced relatively strong growth from 35,167 in the previous year to 36,261, an increase of 1,094 (3.11%) [Table 1] which is a true reflection of the growing interest in the valuable services provided by the Society.

The Society’s Member Capital was \$2,815,050 compared to \$2,723,600, an increase of \$91,450 or 1,829 additional shares purchased. Total shares issued and paid up to December 31, 2012 was 56,301.

TABLE 1 – SHARE CAPITAL RATE OF GROWTH		
	2012	2011
Value of Shares	\$2,815,050	\$2,723,600
No. of Members	36,261	35,167
Rate of Growth in Shares	3.36%	3.62%
Rate of Growth in Members	3.11%	3.03%

Financial Performance

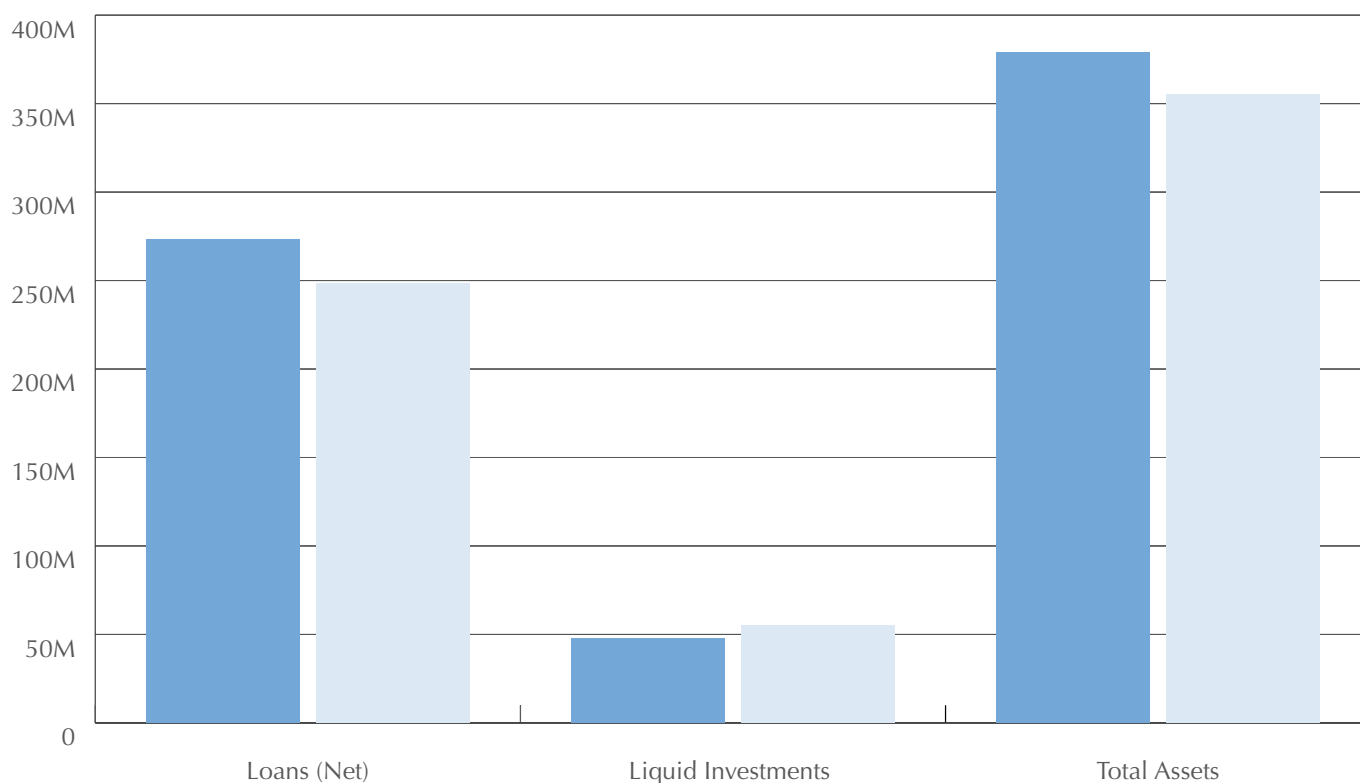
The Society's Total Assets stood at \$378,666,950 as at December 31, 2012 compared to \$355,217,404 as at December 31, 2011, an impressive increase of \$23,449,546 (6.60%). Originated loans before provision for loan impairment was \$285,223,345 from \$259,565,148 in the previous year, an increase of \$25,658,197 (9.89%). Despite the challenges in the economy, this year's increase surpassed that of the previous year by \$6,326,693.

The accumulated provision for loan impairment was \$12,061,380, resulting in a net loans figure of \$273,161,965, which is 72.11% of Total Assets [Table 2].

TABLE 2 – LOANS & LIQUID INVESTMENTS TO TOTAL ASSETS		
	Dec. 31, 2012 \$	Dec. 31, 2011 \$
Loans (Net)	273,161,965	248,319,699
Liquid Investments	47,833,661	55,107,101
Total Assets	378,666,950	355,217,404

The bar graph at Fig. 1 depicts the movement in liquid and loan investments to total assets for the year in review.

FIG. 1 – LIQUID & LOAN INVESTMENTS TO TOTAL ASSETS FOR DEC. 31, 2012



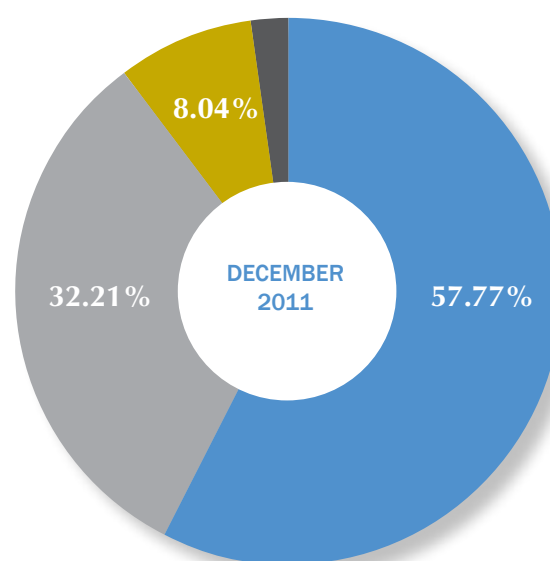
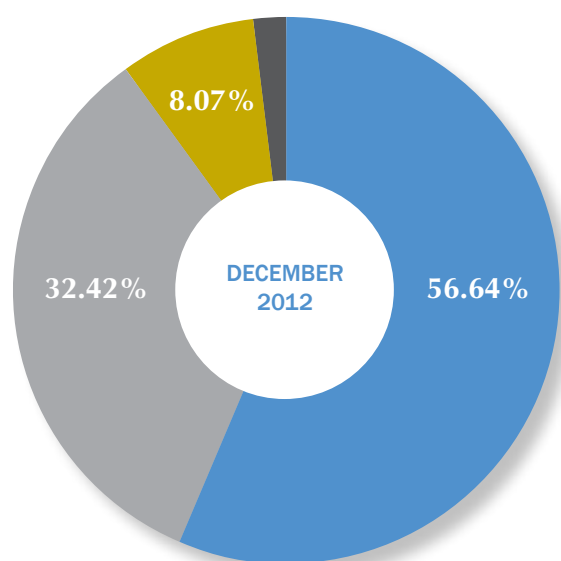
The changes in the interest bearing liabilities is a reflection of members' savings and utilization of same. Depicted in Tables 3 & 4 and Fig 2, is the movement in liabilities.

TABLE 3 – CHANGES IN LIABILITIES – DEC. 2012 AND DEC. 2011				
INDICATORS	Dec. 31, 2012	Dec. 31, 2011	Increase/(Decrease)	
	\$	\$	\$	%
Savings/Ordinary Deposits	190,331,169	183,661,708	6,669,461	3.63
Fixed Deposits	112,309,485	102,384,836	9,924,707	9.69
Member Retirement Account	27,101,161	25,565,836	1,535,325	6.01
Other Liabilities	6,272,920	6,285,333	(12,413)	(0.06)
Long Term Loans	0	923,847	(923,847)	100
TOTAL	336,014,735	317,897,713	17,193,233	

TABLE 4 – LIABILITIES MIX – DEC. 2012 AND DEC. 2011				
CATEGORY	DEC. 2012		DEC. 2011	
	\$	%	\$	%
Saving/Ordinary Deposits	190,331,169	56.64	183,661,708	57.77
Fixed Deposits	112,309,485	33.42	102,384,836	32.21
Member Retirement Account	27,101,161	8.07	25,565,836	8.02
Other Liabilities	6,272,920	1.87	6,285,333	1.98
TOTAL	336,014,735		317,897,713	

FIG 2 - LIABILITIES MIX - DEC. 2012 AND DEC. 2011

Saving/Ordinary Deposits	Fixed Deposits	Member Retirement Account	Other Liabilities
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MEMBERS' EQUITY

Members' Equity comprised statutory reserve, revaluation surplus, retained surplus and Share Capital. This represents the pillar of stability of members' investment in the Society and is pivotal for future growth and continued success. The equity increased by \$6,385,787 primarily as a result of increases in share capital, revaluation surplus and retained earnings.

COMPREHENSIVE INCOME STATEMENT HIGHLIGHTS

Your Board was able to effectively and efficiently manage the Society, despite the continuing uncertainty in the economy, the challenges faced in managing the limited resources and the need to respond effectively to the many demands from members. During the financial year ending December 31, 2012, Gross Interest income grew by \$2,156,016 (8.78%) over the previous year. Net interest income also increased by \$1,470,903 (10.75%) over the previous year.

The Society earned revenues of twenty-seven million, seven hundred and forty-nine thousand, two hundred and eighty dollars (\$27,749,280), exceeding the previous year by \$2,124,237 (8.28%).

OPERATING COST

The total Operating Cost for the year was \$10,599,763 as compared to \$10,049,289 in previous year, an increase of \$550,474 (5.48%). Among the main contributors to the increase in cost were computer services and expenses, general expenses, personnel expenses and occupancy expenses.

Due to the Society's strong liquidity position, long term loans held with both the Dominica Social Security and the AID Bank were closed to reduce the interest expenses.

SURPLUS

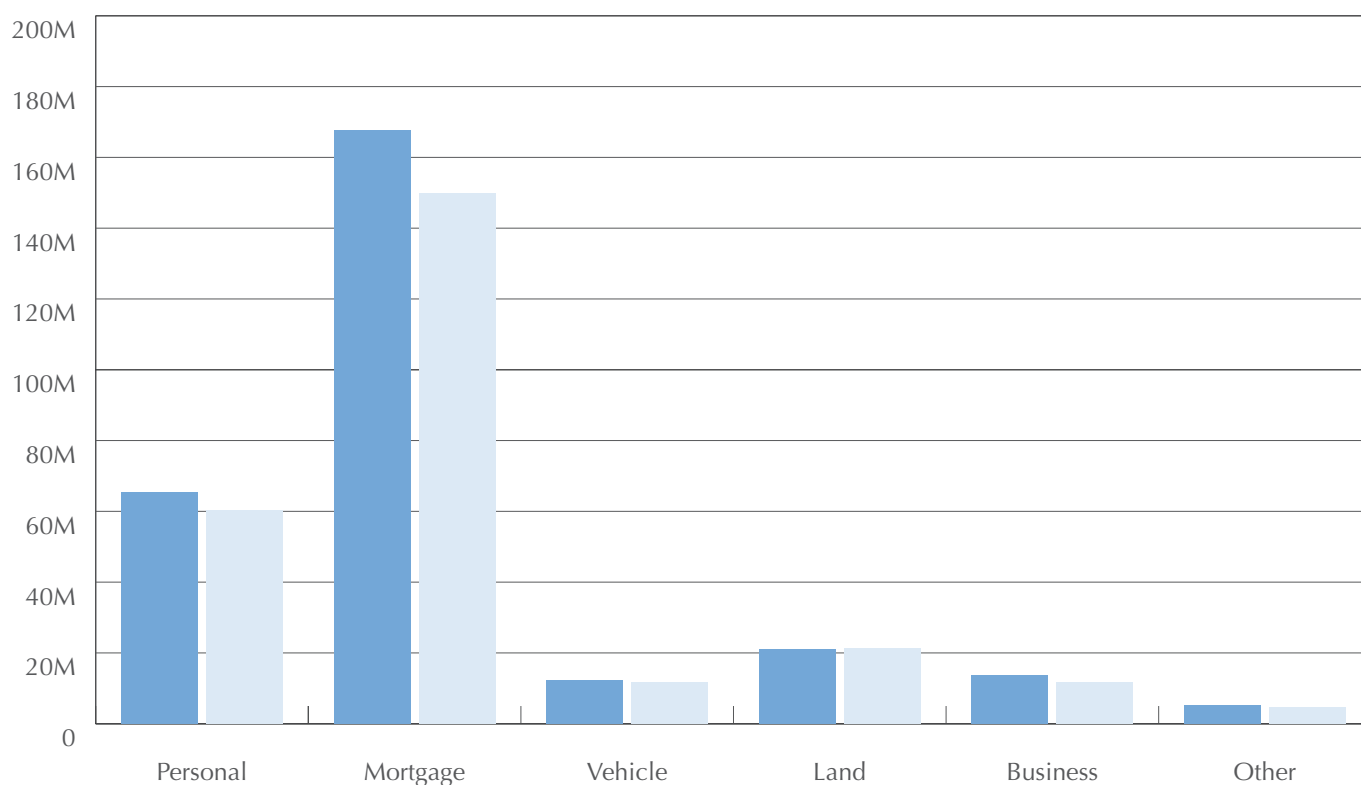
Your Society recorded an operating surplus of \$5,594,142 prior to impairment provision for investments and loans, depreciation, loans write off, lease hold/amortization and loan protection. The surplus before appropriation is \$1,957,831, compared to \$1,379,636 before appropriation to reserves in 2011.

LOANS PORTFOLIO

The composition of the Loans Portfolio is shown at Table 5 and Fig. 3 below:

TABLE 5 – COMPOSITION OF THE LOANS PORTFOLIO				
LOAN CATEGORY	2012 \$	2011 \$	Increase/(Decrease) \$	%
Personal	65,540,979	60,279,838	5,261,141	8.73
Mortgage	167,627,688	149,895,122	17,732,566	11.83
Vehicle	12,213,033	11,682,322	530,711	4.54
Land	21,111,702	21,363,510	(251,808)	(1.18)
Business	13,590,229	11,670,692	1,919,537	16.42
Other Loans	5,139,713	4,673,665	466,048	9.97

FIG. 3 – COMPOSITION OF THE LOANS PORTFOLIO



PROVISION FOR LOAN AND INVESTMENT

A further one million, two hundred and thirteen thousand three hundred and ninety-nine dollars (\$1,213,399) was provided for the loss on the Colonial Life Insurance (CLICO Barbados Ltd.) and British American Insurance Company (BAICO) investments. A further eight hundred and fifty-seven thousand five hundred and four dollars (\$857,504) was provided for loan impairment.

DELINQUENCY

Your Board remained committed to ensuring that the loans granted were repaid in accordance with contracts and pursued defaulters through the Courts. Some members were assisted with the rescheduling of loans and deferment of loan installments. In other instances, assistance was provided to members to divest by selling properties.

Members were encouraged to service their loans as a matter of priority and on a timely basis.

CUNA CLAIMS – LOAN PROTECTION/LIFE SAVINGS

The value of claims settled by CUNA for Life Savings and Loan Protection compared with premiums paid is shown in Table 6.

TABLE 6 – CUNA CLAIMS			
	2012 \$	2011 \$	Claims Settled as % of Premium paid
Life Savings – Claims Received	234,354	122,820.58	3.75
Loan Protection – Claims Received	175,406	149,655.23	5.75
Premium Paid	931,210	947,691.00	
CUNA Rebate	23,796	10,393.00	

DECEASED MEMBERS

Regrettably, we lost valuable members during the year 2012. We extend our sincere condolences to all members who are bereaved as a result of the loss of loved ones.

RE-ENGINEERED SERVICES

During the year in review, your Board reduced the interest rate and placed a ceiling on the monthly investment a member is able to make in the special Member Retirement Account. The changes were necessary given the reality of the financial crisis still affecting many of our countries, increased liquidity and limited low risk financial instruments to invest in.

Members were given international access to their funds when the NCCU International Debit Card was launched in September 2012.

NOW FOR NOW LOAN

A “Now for Now” loan product was also introduced in that same month to assist members who have the capacity to access loans but were unable to obtain security or desired a shorter application process.

TRAINING & DEVELOPMENT

Your Board is committed to continue its improvement and development of all employees. As a result, staff participated in the following training workshops/seminars:

- | | |
|--|---------------------------|
| ■ Robbery Prevention | ■ Robbery Survival |
| ■ Operational Health & Safety | ■ Stress Management |
| ■ Anti-Money Laundering Legislation | ■ Customer/Member Service |
| ■ Protocol Etiquette | ■ Savings & Investments |
| ■ Personal Financial Planning | ■ Mortgage Underwriting |
| ■ Consultation on Entrepreneurship | ■ Robbery Survival |
| ■ International Financial Reporting | ■ Members Relations |
| ■ Disaster Preparedness & Management | ■ Enterprise Productivity |
| ■ Business Project Writing | ■ Train the Trainers |
| ■ Credit Analysis & Credit Management | ■ Supervisory Leadership |
| ■ Disaster Preparedness & Management | ■ Team Building |
| ■ Labour Laws, Employment & Termination | |
| ■ Key Strategies for Meeting the Challenges of Foreign Account Tax Compliant Act | |

SCHOLARSHIPS

In the Society’s thrust to assist its members and their children, eleven (11) new scholarships were awarded to attend secondary school and three (3) to attend the Dominica State College. The total scholarship recipients currently supported by the Society is fifty-seven (57). The award provided the students with tuition fees, text books, stationery, school fees and stipend to meet transportation expenses and CXC Examination fees at a cost of \$72,188.67.

The ‘Hudson Savarin Scholarships’ were established in 2012. Two (2) students from the Roseau area are expected to benefit on an annual basis. The ‘Marie Wilkins Scholarship’ was also established to assist one (1) student in the La Salette parish on an annual basis to attend a secondary school.

The other Pioneers in whose names scholarships have been awarded are:

- | | | |
|----------------|-----------------|-------------------|
| ■ Edward Elwin | ■ Myrtle Hilton | ■ Vernice Bellony |
| ■ Shand Jolly | ■ Ambrose Cuffy | |

CARIBBEAN CONFEDERATION OF CREDIT UNIONS (CCCU) ANNUAL CONVENTION & AGM

The Society was represented at the 55th Annual International Convention and 40th Annual General Meeting of the Caribbean Confederation of Credit Unions (CCCU) which was held in Jamaica under the theme “Co-operative Enterprises Build a Better World.”

The Society’s representatives were:

Board of Directors

- Mr. Dexter Ducreay
- Mr. Carlisle Jno Baptiste
- Mr. Fevrier Valmond
- Mr. Cletus Joseph

Supervisory & Compliance Committee

- Mr. Clement Marcellin Jr.
- Mr. Jason Francis

Management

- Mr. Mc Dowill Paul
- Ms. Juliana Cuffy
- Mrs. Sandra Royer-Angol
- Mr. Euan James
- Mrs. Hermina John

Credit Committee

- Mr. Darius Polydore
- Mr. Philbert Joseph

OECS CREDIT UNIONS SUMMIT

The 10th Annual OECS Credit Unions Summit was held in Dominica under the theme “Cooperatives, the Engine of Growth in Tough Economic Times.” Since the Summit was held in Dominica, a total of thirty-five (35) officers and staff was able to attend what could be described as a very informative and educational two (2) days of formal sessions.

SOCIAL RESPONSIBILITY & COMMUNITY INVOLVEMENT

The Credit Union as a social partner in development, continued to honour its role by ensuring that it invested in activities which could benefit the community by improving the economic and social conditions of members.

During the year in review, the Society successfully staged a Cadence Lypso Show for the primary reasons:

- i. To preserve the music culture;
- ii. To rejuvenate the musical art form; and
- iii. Expose and cultivate young talented persons.

The objectives were met and the large number of submissions provided encouragement for hosting another such show in 2013.

The Society continued to extend assistance to many persons to defray medical and other emergency needs.

SCHOOL READING PROJECT

In 2012 the School Reading Project approved by the Board of Directors continued at both the Goodwill and Roseau Primary Schools, with added focus on comprehension. The Penville Primary School was also added in that same year. The Society continues to receive high reviews for its investment in the education of young people.

THE BOARD OF DIRECTORS

At the 2nd Annual General Meeting held at Vieille Case on Sunday, May 20, 2012 the Directors nominated by the Nominations Committee to serve on the Board of Directors for a three (3) year term, were all elected unopposed, namely:

- | | |
|-----------------------------|-----------------------|
| ■ Mr. Carlisle Jno Baptiste | ■ Ms. Bernice Matthew |
| ■ Ms. Celia Delauney | ■ Ms. Rhoda Celaire |
| ■ Ms. Marileen Hypolite | |

FUTURE OUTLOOK

The year ahead requires that we redouble our efforts to ensure economic survival. The Governor of the ECCB concluded his 2013 Economic Review as follows:

"I have no doubt that we have the capacity to succeed in this endeavour, the platform is there. However, we must commit to a programme of adjustment and change at the governmental, business and individual levels, which will guarantee hope for this and future generations."

We are, therefore, exhorted to move into the future with an unwavering determination to develop our Credit Union and Dominica as a whole by improving the delivery of services at an affordable cost, embracing the use of technology and providing financial services and products at a level which is second to none. Moreover, we expect the issues of compliance and regulations to be on the front burner as our institution and the environment in which we operate become more complex. It is expected that members' demands and expectations will increase and in that regard we will continue to work diligently to exceed expectations.

We expect in the coming year to further equip ourselves with the requisite knowledge and learning to more effectively manage your Society in this fast changing economic landscape.

ACKNOWLEDGEMENT

The Board of Directors wishes to thank management and staff for their hard work and unwavering support.

The support of the Supervisory & Compliance and Credit Committees is acknowledged for their commitment to the success of the Society.

Special acknowledgement and appreciation are extended to our valued members without whose loyalty, support and commitment we could not celebrate the achievements and successes in 2012.

We continue to solicit your support and express our sincerest gratitude.



Dexter Ducreay
President

For and on behalf of the Board of Directors

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2012

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2011 TO DECEMBER 31, 2012

Statement of Financial Position:	2012	2011
	\$'000	\$'000

ASSETS	Cash and Bank Balances	9,776	11,148
	Investments held to Maturity/Available for Sale	52,615,000	59,854
	Originated Loans (Net)	273,162	248,320
	Property, Plant and Equipment	16,634	11,731
	Others	8,471	7,020
	Statutory Reserve Deposits	18,007	17,144
		378,667	355,217

LIABILITIES	Savings/Ordinary Deposits	190,331	183,662
	Term Deposits	112,309	102,385
	Member Retirement Account	27,101	25,566
	Others	6,273	7,208
		336,014	318,821

EQUITY	Share Capital	2,815	2,724
	Statutory Reserve	14,186	13,783
	Other Reserves	11,100	6,781
	Retained Surplus	14,552	13,107
		42,653	36,395

STATEMENT OF INCOME AND APPROPRIATIONS FOR THE YEAR ENDED DECEMBER 31, 2012

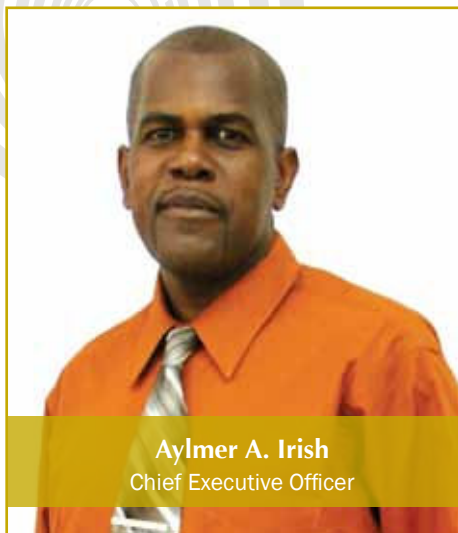
	2012
	\$'000
Interest Income	26,704
Interest Expense	(11,555)
Net Interest Income	15,159
Other Income	1,045
Operating Income	16,194
Other Operating Costs	(10,600)
Net Operating Income	5,594
Other Expenses	(3,636)
Surplus before Appropriations	1,958

FINANCIAL STATISTICS IN PERCENTAGE FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
	%
Asset Growth	6.60
Loan Growth (Net)	10.00
Savings and Deposits Growth	3.63
Fixed Deposits Growth	9.69
Member Retirement Account Growth	6.01

MANAGEMENT & STAFF

For the year ended December 31, 2012



Aylmer A. Irish
Chief Executive Officer



Mc Dowill Paul
Roseau Branch Manager



MANAGEMENT & STAFF

For the year ended December 31, 2012





TREASURER'S REPORT

For the year ended December 31, 2012

Members, it is with much pleasure that I present to you the Treasurer's Report for the year ended December 31, 2012.

As reflected in the Financial Statements, the Society was able to achieve encouraging results, despite the numerous challenges faced during the year under review. A return on Members' Equity of 4.6% was achieved in 2012 as compared to 3.8% in 2011.

The table below is indicative of the successes achieved during the year in review:

TABLE 1 – PERFORMANCE INDICATORS FOR 2012				
INDICATORS	2012	2011	Increase/ (Decrease)	
	\$	\$	\$	%
Assets	378,666,950	355,217,404	23,449,546	6.60
Shares	2,815,050	2,723,600	91,450	3.36
Members Savings/ Deposits	190,331,169	183,661,708	6,669,461	3.63
Loans (Gross)	285,223,345	259,565,148	25,658,197	9.89
Gross Income	27,749,280	25,625,043	2,124,237	8.29
Surplus Income	1,957,831	1,379,636	578,195	41.91

The most significant challenge faced by the Society during the year was the impairment provision for investments in Colonial Life Insurance Company (CLICO) Barbados and British American Insurance Company (BAICO) which totaled \$1,213,399. Additionally, the provision for loan impairment was \$857,504. Although the provisions did not directly affect the liquidity position, the comprehensive income was reduced significantly by their aggregation.

The Table opposite summarizes the results of the Society's operations for 2012 with comparative figures for 2011.

As reflected in the Table 2, the Society experienced a total growth in fixed assets of \$23,449,546 (6.60%) as a direct result of the growth in originated loan, plant, property and equipment.

The liabilities increased by \$17,193,233 as a direct result, of the increase in member services through the provision of regular savings/ordinary deposits, term deposit and MRA.

On the other hand, our aggressive attempts to increasing the members capital led to an increase of \$92,050 in share sales and an overall increase in member equity of \$6,256,313.

Despite the highly competitive environment in which the Society operated, the comprehensive income of \$26,703,899 is a significant increase of \$2,156,016 (8.78%) over 2011.

The surplus increased by \$578,195 (41.91%) over the previous year.

TABLE 2 – ANALYSIS OF CHANGES IN INCOME & EXPENDITURE

		2012	2011	Increase/ (Decrease)	
		\$	\$	\$	%
INTEREST INCOME	Loan to Members	23,173,947	20,731,420	2,442,527	11.78
	Investments & Deposits	3,529,952	3,816,463	(286,511)	(7.51)
	Total Interest Income	26,703,899	24,547,883	2,065,016	8.78
INTEREST EXPENSE	Borrowed Funds	10,658	27,225	(16,567)	(60.85)
	Fixed Deposits	4,699,440	4,303,322	396,118	9.20
	Savings/Deposits/MRA, Other Financial Costs	6,845,277	6,539,715	305,562	4.67
	Total	11,555,375	10,870,262	685,113	6.30
NON INTEREST INCOME	Rent	51,640	55,215	(3,575)	(6.47)
	Fees	187,300	182,078	5,222	2.87
	Professional Services	452,538	442,853	9,685	2.19
	Other Income	353,903	397,014	43,111	(10.86)
	Total Non-Interest Income	1,045,381	1,077,160	31,779	(2.95)
	Less Operating Expenses	10,599,763	10,049,289	550,474	5.48
	Gross Margin before Provisions and Expenses	5,594,142	4,705,492	888,650	18.89
PROVISION & OTHER NON CASH ITEMS	Impairment for Investments	1,213,399	1,234,153	20,754	(1.68)
	Allowance for Loan Losses	857,504	980,000	(122,496)	(12.50)
	Loan Protection Fund	55,000	--	55,000	100.00
	Depreciation, Loan Write-Off Less Amortization	1,510,408	1,111,703	398,705	35.86
	Surplus	1,957,831	1,379,636	578,195	41.91

Outlook

The members of the Credit Union have demonstrated during the second full years of operations their loyalty and commitment by increasing share capital, total membership and significant use of the loan facility.

The positive indicators will serve the Society well in the future.

Conclusion & Acknowledgement

Having regard to the challenging times in which the Society operates, a gross margin of \$5,594,142 (i.e. 20.16% of gross income) before provisioning can be considered as an excellent achievement.

I wish to express thanks to management and staff for their work at ensuring that members are provided with excellent services. Special thanks to the Board and Committees for their kind assistance during the year under review.



Fevrier Valmond

Treasurer

For and on behalf of the Board of Directors

MOREAU & CO.

CHARTERED CERTIFIED ACCOUNTANTS

*P.O.Box 326, Cross Lane, Roseau, Commonwealth of Dominica
Tel. (767) 448-2252. Fax. (767) 448-0489. Email: moreauco@cwdom.dm*

AUDITORS' REPORT TO THE MEMBERS

To the Members

National Co-operative Credit Union Limited ROSEAU

We have audited the financial statements of National Co-operative Credit Union Limited set out on pages 3 to 33 for the year ended December 31, 2012.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

AUDITORS' REPORT TO THE MEMBERS (continued)

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

Basis for Qualified Opinion

As discussed in Note 2 (a), the Society was unable to record appropriate accounting transactions (the resulting goodwill or gain realized [for accounting purposes] from the 2010 amalgamation process) using: fair value valuations for identifiable assets acquired as part of the amalgamation, within twelve months of the date of the business combination and; the fair value of member interest transferred, via appropriate share valuation models, during the twelve month measurement period, in accordance with the requirements of International Financial Reporting Standards, IFRS 3 Business Combinations, See Note 2 (a).

Additionally, as disclosed in Note 7 (a), there is uncertainty with regard to the realization on maturity of fixed deposit investments with certain regional insurance companies one of which is under judicial management. Because of this uncertainty, we are unable to satisfy ourselves as to the adequacy of the provision made against those fixed deposit investments.

Qualified Opinion

In our opinion, except as disclosed above, these financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2012 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and comply with the Co-operative Societies Act No. 2 of 2011 and the Co-operative Societies Regulations S.R.O 26 of 2001 of the laws of the Commonwealth of Dominica.

March 14, 2013

Moreau & Co.

As at December 31, 2012

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

TREASURER

STATEMENT OF INCOME AND APPROPRIATION

For the Year Ended December 31, 2012

	Notes	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
Interest Income	22	26,703,899	24,547,883
Interest Expense	22	<u>11,555,375</u>	<u>10,870,262</u>
Net Interest Income	22	15,148,524	13,677,621
Other Income	23	<u>1,045,381</u>	<u>1,077,160</u>
		16,193,905	14,754,781
Operating Costs	24	10,599,763	10,049,289
Impairment Loss on investments	7 (a1)	1,213,399	1,234,155
Provision for loan impairment	8b	857,504	980,000
Loan protection fund		55,000	-
Depreciation	10	1,269,842	1,103,211
Loans written off		238,389	-
Leasehold/amortisation		<u>2,177</u>	<u>8,490</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>14,236,074</u>	<u>13,375,145</u>
SURPLUS BEFORE APPROPRIATION		<u><u>1,957,831</u></u>	<u><u>1,379,636</u></u>

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2012

	Member Share Capital EC\$	Statutory Reserve EC\$	Education Fund EC\$	Development Fund EC\$	Revaluation Surplus
Balance - 31-12-11	2,723,600	13,782,517	437,990	13,796	81,075
Appropriation	---	391,566	---	19,578	---
Transfers	---	---	---	---	---
Net Surplus	---	---	---	---	---
Payments	---	---	(20,541)	(13,299)	---
Receipts	91,450	---	---	---	---
Entrance Fee	---	12,068	---	---	---
Adjustments	---	---	---	---	4,256,724
Dividend	---	---	---	---	---
Balance - 31-12-12	2,815,050	14,186,151	417,449	20,075	4,337,799

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

Edward Elwin Memorial Fund	Capital Reserve	Capital Contribution	Loan Protection Fund	Fair Value Reserve	Retained Surplus	Total
EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$
3,063	461,196	4,776,127	963,723	45,678	13,107,137	36,395,902
---	---	---	--	---	(411,144)	----
---	---	---	55,000	---	---	55,000
---	---	---	---	---	1,957,830	1,957,830
(3,063)	---	---	(12,275)	---	----	(49,178)
---	---	460	---	---	---	91,910
---	---	---	---	---	----	12,068
---	---	---	---	35,074	56,122	4,347,920
---	---	---	---	---	(159,237)	(159,237)
----	461,196	4,776,587	1,006,448	80,752	14,550,708	42,652,215

STATEMENT OF CASH FLOW

For the Year Ended December 31, 2012

	Notes	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
Cash flows from operating activities			
Surplus before appropriation		1,957,830	1,379,636
Adjustment for:			
Depreciation		1,269,842	1,103,211
Impairment Loss on Investments		1,213,399	1,234,156
Loan Protection Fund		55,000	60,000
Amortization		2,177	8,490
Gain on Disposal of Fixed Assets		-	(35,000)
Cash flow before changes in operating assets and liabilities		4,498,248	3,750,493
Increase in statutory reserve deposit	5	(863,280)	(848,076)
(Increase) / Decrease in originated loans	8	(24,842,266)	(19,489,586)
(Increase) / Decrease in other assets	9	(1,441,647)	(383,640)
Increase in members' savings/demand deposits	11	6,669,461	8,443,182
Increase in term deposits	12	9,924,707	2,835,408
Increase in Members' retirement account	14	1,535,325	3,008,009
Increase / (Decrease) in accounts payable and provisions	13	(12,413)	376,541
Increase (Decrease) in European Union Grant	15	----	(88,017)
Net cash from operating activities		(4,531,865)	(2,395,686)
Cash flow from investing activities			
Leasehold improvement		(11,873)	-
Purchase of fixed assets	10	(1,916,300)	(1,440,261)
Purchase of investment securities: held to maturity	7a	6,060,041	6,906,451
Purchase of investment securities: available for sale	7b	(35,073)	349,657
Net cash from investing activities		4,096,795	5,815,847
Cash flows from financing activities			
Long term loan repayment	19	(923,847)	(56,451)
Share capital	27	91,450	95,250
Dividend paid		(159,237)	(121,249)
Disbursed for Education fund		(20,541)	----
Disbursed from Loan Protection Fund	18	(12,275)	(9,380)
Disbursed from Development Fund	28	(13,299)	(25,508)
Entrance fee	16	12,068	12,054
Capital contribution		460	----
Write back interest/adjustment to surplus		56,122	12,945
Expended from Edward Elwin Fund	20	(3,063)	(33,285)
Fair value reserve		35,074	----
Net cash from financing activities		(937,088)	(125,624)
Net cash flows		(1,372,158)	3,294,537
Cash and cash equivalent - Beginning of year		11,148,256	7,853,719
Cash and cash equivalent - end of year		9,776,098	11,148,256

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

1. GENERAL INFORMATION

The National Co-operative Credit Union Limited (NCCU) was registered as #113/10 on October 29, 2010 in accordance with section 13 of the Co-operative Societies Act #15 of 1996 of the Laws of Dominica and commenced operations on November 1, 2010.

The National Co-operative Credit Union Limited (NCCU) is an amalgamation of The Roseau, La Salette, St. David, St. Paul and Vielle Case Co-operative Credit Unions.

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

The National Co-operative Credit Union acquired, through the amalgamation, 100% of the equity interest of the amalgamated Credit Unions. Members shares totaled 54,472 at Par value of \$50 per share; amounting to \$2,723,600. At acquisition date, consideration was effectively transferred at par value, since no share valuation techniques were employed to value equity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied as at the year presented unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), except for instances of non-compliance with IFRS 3 Business Combination. The Society was required to obtain information, during a twelve month measurement period, as necessary to identify and measure the following as of the amalgamation date in accordance with the requirements of IFRS 3, Business Combinations:

- The identifiable assets acquired, liabilities assumed out of the amalgamation;
- The consideration transferred as represented by member (equity) interest in the NCCU;
- The resulting goodwill or gain realized (for accounting purposes) from the amalgamation

The information required was not available at the time of reporting because the fair value of the member interest transferred (consideration) as part of the amalgamation is yet to be determined via appropriate share valuation models, nor was there retroactive application of an equitable share exchange ratio that considered the relative sizes of the institutions involved in the process. Additionally, fair values for the identifiable assets acquired via the amalgamation process were not obtained at the date of amalgamation or within the twelve month period allowed by the Standard. The method applied in completing and accounting for the amalgamation (the transfer of member equity interest at par value, on a one to one basis – one share in the new entity for one share of the other Credit Unions) may have led to a dilution of the member equity interests of the former members of at least one of the combining entities, as a result of differences in the relative sizes (measured in net assets) of entities, prior to amalgamation.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain available-for-sale financial assets. The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumption that affect the reported amounts of the assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(b) Summary of Standards, Interpretations and Amendments relevant to this financial reporting period

IFRS 3 (Revised) Business Combinations (effective July 1, 2009)

The objective of this IFRS is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses.

Transactions sometimes referred to as “true mergers” or “mergers of equals” are also business combinations. To accomplish its objectives this Standard establishes the principles and requirements for how an acquirer: recognize and measure in its financial statements the identifiable assets acquired and the liabilities assumed in the acquiree; recognize and measure goodwill acquired in the business combination or a gain from a bargain purchase; and determine what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

A business combination must be accounted for by applying the acquisition method. One of the parties to a business combination can always be identified as the acquirer, being the entity that obtains control of the other business or businesses (the acquirees). Each identifiable asset and liability is measured at its acquisition-date fair value. The acquirer, having recognized the identifiable assets and the liabilities, must identify any difference between: the aggregate of the consideration transferred and; the net identifiable assets acquired as measured at fair value. The difference will generally be recognized as goodwill in the statement of financial position, or recognized as a gain on business combination in the Statement of Comprehensive Income. The consideration transferred in a business combination is measured at fair value, at business combination date; this may require the use of one or more equity valuation techniques that are appropriate in the circumstances and for which sufficient data are available.

Any goodwill arising from the initial combination is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment. Goodwill is written down by any amount of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(c) Cash and Cash Equivalents

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

(d) Financial Assets

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

The Credit Union classifies its financial assets in the following categories: Originated loans; Held-to-Maturity Investments; and Available-for-Sale Investments. Management determines the classification of its investments at initial recognition and re-evaluates the designation at every reporting date.

Originated loans

Loans originated by the Society are monies provided directly to the borrower at drawn down, and debt securities, which are purchased at original issuance where the funds were transferred directly by the issuer. Originated loans are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method. Fair value is defined as the value of cash consideration given to originate those loans. Third party expenses, such as legal fees, incurred in securing the loan are treated as part of the cost of the transaction. All loans and advances are recognized when cash is advanced to borrowers. Interest on loans and receivables is included in the Statement of Comprehensive Income. Amortized cost of originated loans is the fair value cash consideration given to originate those loans as is determinable by reference to market prices at originated date. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(d) Financial Assets (cont'd)

Investment Securities

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

Held to Maturity

Held to maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that the Society's management has the positive intention and ability to hold to maturity, other than: investments that the Society upon initial recognition designates as at fair value through profit or loss; investments that the Society designates as available for sale; and those that meet the definition of originated loans. These are initially recognized at fair value including direct and incremental transaction cost and are measured subsequently at amortized cost, using the effective interest rate method. Interest on held to maturity investments is included in the Statement of Comprehensive Income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the Statement of Comprehensive Income. If the Society were to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

Available for sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or; are investments not classified as loans, held to maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value, with gains and losses being recognized in the Statement of Comprehensive Income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available for sale investment is determined to be impaired, the cumulative gain or loss previously recognized in the Statement of Comprehensive Income is recognized in Statement of Comprehensive Income as other comprehensive income (gains or losses from investments).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(d) Financial Assets (cont'd)

Impairment of Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(d) Financial Assets (cont'd)

Impairment of Financial Assets (cont'd)

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for group assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Society to reduce any difference between loss estimates and actual loss experience.

Assets carried at Amortized Cost

If there is objective evidence that an impairment loss on Originated Loans or Held-to-Maturity Investments at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is diminished through the use of an allowance account and the amount of the loss is recognized in the Statement of Comprehensive Income. If a Loan or Held-to-Maturity Investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(d) Financial Assets (cont'd)

Impairment of Financial Assets (cont'd)

Assets carried at Amortized Cost

The Society may opt to measure impairment on the basis of an instrument's fair value using the observable market price. The calculation of present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for the loan impairment in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Statement of Comprehensive Income.

For the purpose of a collective evaluation of impairment, financial asset are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Society's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of debtors' ability to pay all amounts due according to the contractual term of the assets being evaluated.

Assets classified as Available for Sale

The Society assesses at each date of the Statement of Financial Position whether there is objective evidence that financial assets recognized as Available for Sale or a group of such assets is impaired. The Society uses a variety of methods to complete assessments and make assumptions that are based on market conditions existing at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(d) Financial Assets (cont'd)

Impairment of Financial Assets (cont'd)

Assets classified as Available for Sale

Valuation techniques employed include the application of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from equity and recognized in the Statement of Comprehensive Income. Impairment losses recognized in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(e) Functional Currency and Foreign Currency Transactions and Translations

The functional and presentation currency is the Eastern Caribbean Dollar (EC\$). The Eastern Caribbean Dollar is pegged to the United States Dollar (US\$) at an exchange rate of, US\$1 = EC\$2.67. Foreign currency transactions are translated into the functional currency on initial recognition by applying to the foreign currency amounts the spot exchange rates between the functional currency and the foreign currency at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at December 31, 2012 are translated into the functional currency using the closing exchange rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rates as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

(f) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure are included in the asset's carrying amount or are recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be reliably measured. The carrying amount of the replaced item of asset is derecognized. All repairs and maintenance represents cost of the day to day servicing of items of property and equipment and are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. Land is not depreciated. Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual value over their estimated useful lives as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(f) Property and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the Statement of Comprehensive Income. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carry amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value-in-use.

(g) Dividends

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

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

(h) Interest Income and expense

Loan interest income is recognized in the Statement of Comprehensive Income when received and/ or accrued for not more than three (3) months. Interest income and expense are recognized for all interest bearing financial instruments on an accrual basis, using effective interest rates. Interest income includes income on fixed investment. If loans become doubtful, they would be written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest used to discount the future cash flow for the purpose of measuring the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

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

(i) Other income

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

(j) Taxation

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

(k) Comparative Figures

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

3. FINANCIAL RISK MANAGEMENT

The Society's activities are primarily associated with the utilization of financial instruments. The Society accepts deposits from members at both fixed and floating interest rates, for various periods, with the aim of earning interest margins by investing funds in high quality financial assets; including assets representing funds extended to members as loans. Financial assets of the Society include cash, accounts receivable, fixed deposits and members' loans. Financial liabilities of the Society include accounts payable and provisions, term deposits, members' fixed and savings deposits. From its use of financial instruments the Society is exposed to financial risks. These risks and the principle utilized by Management in mitigating their impact and likelihood of occurrence are noted below:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society takes on exposure to credit risk mainly from loans and advances extended to members and staff of the Society. Furthermore, while impairment provisions are provided for loan losses that have been incurred as at year end, significant changes in the market economy, or in the financial health of an industry segment that represents a significant part of the Society's loan portfolio, could result in losses that differ from those provided for at financial year end. The Society manages its credit risk by following the guidance of a general loan policy that is regularly reviewed and revised based on changes in the economy and/ or the status of particular segments of the Society's loan portfolio. The policy requires the use of lending limits, collateral and personal guarantees, and analysis of members' ability to meet interest and capital repayment obligations. The Society also relies on the professional judgment of the Board of Directors, special committees, and key management personnel to management the credit risk

(b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both fair value and cash flow risks. Interest margins may increase due to such changes, but may reduce or create losses in the event that unexpected movements arise. The effect of fluctuations in the prevailing levels of market interest rate is scrutinized by the Society, and limits are set on the level of mismatch of interest rate re-pricing that may be undertaken in order to manage any possible over exposures, while maintaining adequate liquidity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

This is the risk that an entity will encounter difficulty in meeting obligation associated with financial liabilities that are settled by delivering cash or another financial asset. The Society is exposed to liquidity risk to the extent that it has unmatched positions of contractual maturities and interest rates of financial assets and liabilities. The Society manages liquidity risk by carefully monitoring and maintaining financial assets of adequate maturities to service commitments associated with financial liabilities that require outflows of cash or another financial asset at a particular date. The Society is particularly prudent in ensuring that it has the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, while also ensuring the most productive application of funds given the contractual maturities of these financial liabilities.

(d) Market Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The market risk arises from open position in interest rate and equity products that are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Society's exposure to market risk arises from its non-trading portfolios associated with interest rate management of financial assets and liabilities, and equity risks from Held-to-Maturity and Available-for Sale Investments. Market risk includes currency risk and interest rate risk.

(e) Currency Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows – in particular, from exposure to currency risk from investments held in Trinidad and US Money Markets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

3. FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Currency Risk

The Board of Directors sets limits on the level of exposure by currency and in total for financial assets. The Society's exposure to currency risk is minimal since most of its assets and liabilities in foreign currency are held in United States dollar and the functional currency – Eastern Caribbean Dollar, is pegged to the US Dollar a fixed rate of EC\$2.70=US\$1.00.

(f) Fair Value of Financial Assets and Liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The following methods and assumptions were used to estimate the fair value of financial instruments. The fair value cash resources, accounts receivable and accounts payable are assumed to approximate their carrying value due to their short term value. The fair values of securities are assumed to be equal to the estimated market value. The fair values of unquoted securities are estimated at book value which is not significantly different from their carrying value.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
4. Cash and Bank Balances		
Cash on hand	2,088,459	2,783,942
Current accounts	7,687,639	8,364,314
	<u>9,776,098</u>	<u>11,148,256</u>
5. Statutory Reserve Deposit		
Fixed Deposits at banks	16,038,476	15,187,506
Demand deposit at Dominica Co-op Societies League Ltd	1,968,940	1,956,631
	<u>18,007,416</u>	<u>17,144,137</u>
6. Shares at Dominica Co-operative Societies League Ltd		
7. (a) Investment Securities: held to maturity		
E.C Home Mortgage Bank Bond	2,250,000	2,250,000
Fixed deposits at League and Credit Unions	1,840,615	1,697,060
Fixed deposits at banks and other institutions	40,828,064	45,688,569
Fixed deposits at insurance companies	7,917,035	9,260,126
Impairment (7 (a1))	(5,002,053)	(3,788,654)
	<u>47,833,661</u>	<u>55,107,101</u>
7. (a1) Provision for Impairment		
Provision -Beginning of year	3,788,654	2,575,255
CLICO International	354,992	354,992
British American Insurance	858,407	858,407
Provision - end of year	<u>5,002,053</u>	<u>3,788,654</u>

The Society's management has requested that its matured deposits with CLICO be encashed. However the funds have not yet been remitted to the Society.

British American Insurance is insolvent and is under judicial management.

The Society's management has made a provision for these investment against possible losses.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
7. (b) Investment Securities: available-for-sale		
Shares at NBD (229,298) shares	104,200	104,200
Shares at DOMLEC (140,328 shares @ \$3.25)	456,066	421,003
Shares at DUTC (less provision \$441,400)	110	100
ECSE capitalization account (5,000 class C shares @ \$10)	50,000	50,000
E.C. Home Mortgage Bank:(250 shares @ \$100, 20,250 shares @ \$160)	3,265,000	3,265,000
DUTC. Income Fund (less diminution \$ 28,377)	100	100
First Cotizon Bank Fixed Income Investment	816,424	816,424
Government of Dominica Bonds	89,840	89,840
	<u>4,781,740</u>	<u>4,746,667</u>
The fair value gain on investments is not available for distribution.		
Original cost of investments	270,092	270,092
Fair Value gain	<u>185,974</u>	<u>150,911</u>
	<u>456,066</u>	<u>421,003</u>
8. (a) Originated loans - Loans and advances to members		
Members loans	279,383,615	253,946,609
Overdraft	2,789,635	2,523,596
Staff advances and loans	<u>3,050,095</u>	<u>3,094,943</u>
Total	285,223,345	259,565,148
Less: Provision for loan impairment	<u>(12,061,380)</u>	<u>(11,245,449)</u>
	<u>273,161,965</u>	<u>248,319,699</u>
8. (b) Provision for loan impairment		
Provision - at beginning of year	11,245,449	11,403,532
Bad debts recovered	131,884	647,673
Bad Loan written off for the year	(173,457)	(1,725,756)
Provision for the year	<u>857,504</u>	<u>920,000</u>
Provision at end of year	<u>12,061,380</u>	<u>11,245,449</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
8. (c) Sectoral Analysis		
Personal	65,540,979	60,279,838
Mortgage	167,627,689	149,895,122
Vehicle	12,213,033	11,682,321
Land	21,111,702	21,363,510
Business	13,590,229	11,670,692
Other Loans (Litigated Loans)	<u>5,139,713</u>	<u>4,673,665</u>
	<u>285,223,345</u>	<u>259,565,148</u>
 9. Other Assets		
Interest receivable on investments	1,961,033	2,323,277
Inventory of stationery/office Supplies	365,841	351,704
Prepayments	282,561	1,896,288
Work in progress - Building	1,972,491	10,000
Deferred expenses	217,066	270,862
Loans receivable interest	1,511,020	1,246,882
Debtors	1,516,488	209,335
Receivable staff education	50,691	50,691
Interest-free staff study loan	5,808	7,960
Other Receivables	<u>447,597</u>	<u>521,950</u>
	<u>8,330,596</u>	<u>6,888,949</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

10. PROPERTY, PLANT AND EQUIPMENT

	LAND EC\$	BUILDING EC\$	FURNITURE & EQUIPMENT EC\$	COMPUTER SYSTEM EC\$	MOTOR VEHICLE EC\$	ATM EC\$	LEGAL LIBRARY EC\$	TOTAL Dec-31-12 EC\$
COST								
Balance - Beginning of year	2,193,033	10,655,414	4,085,772	7,093,319	404,800	2,318,060	19,525	26,769,923
Additions for the year	146,250	61,143	203,158	1,192,498	---	313,251	---	1,916,300
Revaluation Surplus	679,281	3,577,443	---	---	---	---	---	4,256,724
BALANCE - End of year	3,018,564	14,294,000	4,288,930	8,285,817	404,800	2,631,311	19,525	32,942,947
ACCUMULATED DEPRECIATION								
Balance - Beginning of year	-	3,484,200	3,310,761	6,463,386	124,379	1,636,361	19,525	15,038,612
Charge for the year	-	281,471	236,829	450,302	64,561	236,679	---	1,269,842
BALANCE - End of year	-	3,765,671	3,547,590	6,913,688	188,940	1,873,040	19,525	16,308,454
NET BOOK VALUE								
December 31, 2012	3,018,564	10,528,329	741,340	1,372,129	215,860	758,271	---	16,634,493
December 31, 2011	2,193,033	7,171,214	775,011	629,933	280,421	681,699	---	11,731,311

Land and Building was revalued by McKenzie Architectural and Construction Services Incorporated on December 29, 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
11. Members' savings/ordinary deposits	<u>190,331,169</u>	<u>183,661,708</u>
Members' savings/ordinary deposits		
<p>Members' savings formerly called "members' shares" are now recorded as a liability in accordance with International Financial Reporting Standards (IFRS). According to section 129 of the Co-operative Societies Act No. 2 of 2011, the Credit Union may distribute by way of dividend or bonus amongst its members in proportion to their business with the Co-operative Society at such rate as maybe prescribed by its bye-laws.</p>		
12. Term Deposits		
Interest bearing fixed deposits at rates in the range of 2.75% to 5.75%.	<u>112,309,485</u>	<u>102,384,778</u>
13. Accounts payable and provisions		
Accrued Interest on term deposits	4,958,346	4,784,770
Accounts payable	734,928	796,147
Audit fees	20,000	15,700
Clearing Accounts	355,182	510,909
Other	183,147	156,490
	<u>6,251,603</u>	<u>6,264,016</u>
14. Member Retirement Account	<u>27,101,161</u>	<u>25,565,836</u>
15. EU GRANT		
Balance - beginning of year	21,317	109,334
Less disbursements	----	(88,017)
Balance - end of year	<u>21,317</u>	<u>21,317</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
16. Statutory Reserve		
The Co-operative Societies Act No. 2 of 2011 Section 125 (4) stipulates that a Society shall credit no less than 20% of its net surplus reserve; and such Reserve Fund, may subject to the approval of the Registrar, be used in the business of the Society, for the purpose of an exceptional nature including unforeseen losses, unexpected shortfalls in liquid cash, capital retention, repair and maintenance and the avoidance of external borrowing.		
Movements during the year were as follows: -		
Balance - beginning of year	13,782,517	13,492,396
Add: Entrance fees	12,068	12,054
Appropriation from surplus	391,566	275,927
Adjustments	----	2,140
Balance - end of year	<u>14,186,151</u>	<u>13,782,517</u>
17. Education Fund		
Balance - beginning of year	437,990	437,990
Less: disbursements	(20,541)	----
Balance - end of year	<u>417,449</u>	<u>437,990</u>
18. Loan Protection Fund		
This fund represents amounts set aside by the Society to cover that portion of members' loan balances not covered under the CUNA Mutual Insurance Scheme up to \$123,000		
Balance - beginning of year	963,723	913,103
Disbursements	(12,275)	(9,380)
Add: receipts	55,000	60,000
Balance - end of year	<u>1,006,448</u>	<u>963,723</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
19. Long Term Loan		
Dominica Social Security loan 4% repayable in quartely instalments of blended principal and interest of \$4,448.89	----	146,582
AID Bank loan 2.5% repayable in quarterly instalments of blended principal and interest of \$12,242.11	----	777,265
	<u>----</u>	<u>923,847</u>
Current Portion due in Twelve (12) months	----	56,000
Long Term Portion	----	867,847
	<u>----</u>	<u>923,847</u>
20. Edward Elwin Memorial Fund		
This represents funds established by a resolution passed at the forty-third Annual General Meeting of the Society.		
Balance - beginning of year	3,063	36,348
Disbursement	<u>(3,063)</u>	<u>(33,285)</u>
Balance - end of year	<u>----</u>	<u>3,063</u>
21. Capital Contribution		
This represents the following balances:		
Construction cost of the Society's office building.	4,776,127	4,807,976
Adjustments	<u>460</u>	<u>(31,849)</u>
Balance - end of year	<u>4,776,587</u>	<u>4,776,127</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
22. Net Interest Income		
Interest Income		
Income from loans	23,173,947	20,731,420
Income from Investments	302,227	357,535
Interest on fixed deposit	3,227,725	3,458,928
	<u>26,703,899</u>	<u>24,547,883</u>
Interest Expense		
Interest on borrowed funds	10,658	27,225
Interest on term deposits	4,699,440	4,303,322
Interest on members' savings/deposits	5,212,703	4,914,440
Interest on MRA	1,629,593	1,622,437
Interest on Christmas savings club	2,981	2,838
	<u>11,555,375</u>	<u>10,870,262</u>
Net Interest Income	<u>15,148,524</u>	<u>13,677,621</u>
23. Other Income		
Rent	51,640	55,215
Cheque book fees	187,300	182,078
Sale of rule and pass books	17,628	14,507
Professional services	452,538	442,853
Sundry services charge	137,989	121,378
CUNA Rebates	23,796	10,393
Bad debts recovered/written off	19,753	82,405
Gain on disposal of fixed assets	-	35,000
Other Income	154,737	133,331
	<u>1,045,381</u>	<u>1,077,160</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
24. Operating Costs		
Personnel expenses (see note 25(a))	5,755,440	5,364,063
Governance (Board & committees' expenses and honoraria)	136,645	157,068
CUNA Insurance	931,210	947,691
Annual General Meeting	108,263	163,629
Scholarship	53,540	52,215
Overseas Travel and conference	210,881	332,050
Computer services and expenses	548,897	388,403
Stationery and office supplies	234,424	215,957
Fraternity expenses	210,950	202,684
Audit fee	36,124	35,567
IT Audit	23,284	----
Occupancy expenses	827,537	782,367
Insurance building and content	202,955	179,860
General expenses (see note 25 (b))	1,319,613	1,227,735
	<u>10,599,763</u>	<u>10,049,289</u>
25(a). Personal Expenses		
Salaries, staff benefits & allowances	5,000,009	4,621,786
Social Security	288,957	276,121
Pension & insurance	108,869	110,037
Uniforms allowances and transportation	357,605	356,119
	<u>5,755,440</u>	<u>5,364,063</u>
25 (a1). Key Management Compensation		
Salaries and allownaces	1,370,088	1,293,961
Gratuity	204,378	28,301
	<u>1,574,466</u>	<u>1,322,262</u>
25 (b). General Expenses		
Security services	147,321	124,069
Postage	14,451	13,504
Advertising, publicity and promotions/dues	361,328	447,004
4cs expenses	53,362	35,788
Donations	60,535	38,102
ATM services and expenses	252,270	169,331
Entertainment	25,558	63,916
Valuation and Legal fees	7,264	8,674
Maintenance of fixed assets	242,004	200,520
Amalgamation expenses	----	10,424
Bank charges	40,843	61,035
Other	114,677	55,368
	<u>1,319,613</u>	<u>1,227,735</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
26. Related Party Transactions		
Loans due to Directors, Volunteers and Management staff :		
Loans		
Directors & Volunteers	4,002,339	3,405,208
Key Management Staff	2,231,621	2,265,093
TOTAL LOANS	<u>6,233,960</u>	<u>5,670,301</u>
Deposits		
Directors & Volunteers	1,816,821	1,382,900
Key Management Staff	1,660,898	1,504,376
TOTAL DEPOSITS	<u>3,477,719</u>	<u>2,887,276</u>

27. Share Capital

Issued and fully paid 56,301 shares at December 31, 2012 of \$50 (par value) per share.	<u>2,815,050</u>	<u>2,723,600</u>
---	------------------	------------------

According to Section 129 of the Co-operative Societies Act No. 2 of 2011 the Credit Union may distribute by way of dividend or bonus amongst its members in proportion to their business with the Co-operative Society at such rate as maybe prescribed by its bye-laws.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2012

	Dec. 31 2012 EC\$	Dec. 31 2011 EC\$
28. Development Fund		
Balance - beginning of year	13,796	15,343
Disbursements	(13,299)	(25,508)
Appropriation from surplus	19,578	13,796
Adjustments	----	10,165
Balance - end of year	<u>20,075</u>	<u>13,796</u>

Section 126 of the Co-operative Societies Act, No. 2 of 2011, states that every Society shall establish and maintain a Development Fund. Every Society that realizes a surplus from its operation as ascertained by the annual audit shall

29. Revaluation Surplus

Land and Building was revalued by McKenzie Architectural and Construction Services Incorporated on December 31, 2012, and the valuation was accepted by the Directors. At December 31, 2012 an adjustment was made to recognise the change to the carrying amounts of land and buildings as a result of revaluations and related transactions ; with the amounts being accumulated in equity under the heading of Revaluation Surplus.

At December 31, 2011 Land located adjacent to the building of National Co-operative Credit Union (NCCU) on the western side of Independence Street in Roseau Containing 2,388 square feet was revalued by McKenzie Architectural and Construction Service Incorporated on December 29, 2011, and the valuation was accepted by the Directors. At December 31, 2010 balances including those related to revaluation of fixed assets were grouped under Capital Reserve. At December 31, 2011 an adjustment was made to recognize the changes to the carrying amount of land and buildings as a result of revaluations and related transactions; with the amounts being accumulated in equity under the heading of Revaluation Surplus.



CREDIT COMMITTEE REPORT

Period Ending December 2012

The Credit Committee of the National Cooperative Credit Union Limited (NCCU) is pleased to report on activities of the Committee for the period ending December 2012. The Committee comprised thirteen (13) members, whose names are listed in the Table below along with their attendance at loan meetings scheduled.

TABLE 1 - ACTIVITIES OF THE CREDIT COMMITTEE

*Elected at 2nd AGM – May 20, 2012	Regular Meetings		Joint Committee Meetings	
	Scheduled	Attended	Scheduled	Attended
Ms. Isabella Prentice	40	24	2	2
Mrs. Maria Etienne-Pascal	39	35	2	2
Mr. Nathaniel Isaac	39	16	2	1
Ms. Shirlyn Pond	40	41	2	2
Ms. Kay Fontaine	39	31	2	2
Ms. Priscilla Panthier	40	32	2	2
Mrs. Julie Shillingford-Durand	39	27	2	2
Mrs. Josephine Dublin	38	30	2	1
Dr. Damien Dublin	38	29	2	2
Mr. Philbert Joseph	27	22	2	2
Mr. Darius Polydore	39	33	2	2
Ms. Roanna Joseph	39	25	2	2
Mr. Augustus Lewis*	32	20	2	2

During the period under review, the Committee was able to meet with the Loans Department of the Roseau Branch as part of its strategy to meet all the Branches.

The attached data sheet gives a summary of numbers and categories of loans reviewed under the period ending December 2012. Total loans considered for the period under review was 6,980 as compared to 5,722 during 2011.

The major loan categories were:

- The newly introduced Now for Now loan which appeared to be popular with members.
- Debt Consolidation – 63%
- Refinancing – 44%
- Medical – 40%
- Domestic – 31%

During the period, the Society saw a decline in loans in these areas:

- Building Construction & Purchase – 1%
- Purchase of Goods – 34 %

In spite of the drop in certain areas, this did not adversely affect the Society as in the final analysis, there was a 4% increase in the loan portfolio as depicted in the table below.

The Line of Credit and Learn While You Earn categories showed significant decrease – 29% and 19% respectively, whilst the newly introduced Now For Now had 762 applications which amounted to just over \$500,000.00. This indicated an area of growth for the Society and a response to members’ needs.

It is worthwhile noting that under the Agricultural category, there were no applications for Purchase of Vehicle. Agricultural Expense dropped by 21% whilst Agricultural Land loan increased by 28%.

The chart below give an even clearer indication of the loans portfolio.

TABLE 2 – COMPOSITION OF THE LOANS PORTFOLIO BY SECTOR FOR THE YEAR ENDED DEC. 31, 2012			
LOAN CATEGORY	2012 \$	2011 \$	Increase/(Decrease) \$
Personal	65,540,979	60,279,838	5,261,141
Mortgage	167,627,688	149,895,122	17,732,566
Vehicle	12,213,033	11,682,322	530,711
Land	21,111,702	21,363,510	(251,808)
Business	13,590,229	11,670,692	1,919,537
Other Loans	5,139,713	4,673,665	466,048

Mortgage refinancing remained at the top of the Committee’s concerns. Members appear to have difficulty managing the amount borrowed and as such request further credit to make their dwelling habitable.

Additionally, the Committee is concerned that a number of persons sought outside sources of finance and when financially strapped they returned to the Society. In most cases, they did not have the minimum 5% savings requirement. In spite of the movement’s aim to assist members to have a better quality of life, such actions potentially compromise our liquidity.

The Committee recommends:

1. Proper Assessment of Bills of Quantities and Plans re Mortgage Loans.
2. There should be increased monitoring for Building loans up to completion.
3. Members who are applying for loans and those transferring loans from other financial institutions be required to purchase additional shares.
4. There should be greater insistence on members having the minimum savings balance.

Other Activities

The following persons represented the Committee at:

CaribeDE

- Ms. Priscilla Panthier

Caribbean Confederation of Credit Unions (CCCU)

- Mr. Philbert Joseph
- Mr. Darius Polydore

OECS Credit Unions Summit – Portsmouth, Dominica, August 2012

- Dr. Damien Dublin
- Mrs. Josephine Dublin
- Mrs. Maria Etienne-Pascal
- Ms. Isabella Prentice
- Ms. Kay Fontaine
- Ms. Priscillia Panthier
- Mr. Philbert Joseph

Members also attended training sessions organized by the Dominica Cooperative Societies League Ltd.

The Committee expresses its gratitude to the Chief Executive Officer, Branch Managers, Loans Department, Staff, the Board of Directors, and Supervisory & Compliance Committee for their collaboration during the period.

We wish to take this opportunity to thank members for allowing us to serve and for the confidence that they have placed in the Society.

The NCCU is ours to build; however, we must not forget the motto of 'thrift'.



Isabella Prentice

Chairperson

For and on behalf of the Credit Committee

SUMMARY OF LOANS APPROVED

For the year ended December 31, 2011 & 2012

SUMMARY OF LOANS APPROVED BY THE CREDIT COMMITTEE AND MANAGER FOR NCCU

LOANS	LOANS APPROVED IN 2012					
	By the Manager on behalf of the Credit Committee		Directly by the Credit Committee		Total approved by the Credit Committee	
	NO	AMOUNT (\$)	NO	AMOUNT (\$)	NO	AMOUNT (\$)
Building Construction & Purchase	274	2,928,813.69	426	24,831,779.12	700	27,760,592.78
Land	93	3,886,007.86	14	861,033.96	107	4,747,041.85
Debt Consolidation HR/CC	253	1,108,669.00	56	346,452.41	309	1,455,121.41
Debt Consolidation	591	4,432,077.99	102	1,636,295.18	693	6,068,373.17
Business	162	2,093,329.82	34	1,551,016.24	196	3,644,346.06
Equipment	38	331,910.93	2	156,793.80	40	488,704.73
Travel	160	932,824.08	10	78,352.23	170	1,011,176.31
Agriculture Land	3	11,776.09	2	112,642.39	5	124,418.48
Motor – Vehicle Agriculture	0	-	0	-	0	-
Motor – Vehicle Private	183	3,266,482.62	44	1,415,124.20	227	4,681,606.82
House Hold Goods	74	374,269.83	10	65,628.52	85	439,898.35
Dwelling House Repair	233	2,289,488.21	11	180,699.33	244	2,470,187.54
Education	213	1,465,106.88	34	589,555.06	247	2,054,661.94
Agricultural Expenses	65	95,032.37	0	-	65	95,032.37
Domestic	3314	9,059,837.54	77	325,112.94	3391	9,384,950.48
Motor Vehicle Repairs	107	507,611.68	7	45,018.75	114	552,630.43
Legal Expenses	21	103,337.96	3	69,665.10	24	173,003.06
Line of Credit	126	665,118.71	0	-	58	222,818.71
Learn While You Earn	17	49,713.80	1	10,000.00	17	49,713.80
Now For Now	762	2,126,084.00	0	-	204	593,185.00
Medical	79	397,530.09	5	76,756.00	84	474,286.09
TOTAL	6768	36,125,023.15	838	32,351,925.23	6980	66,491,749.38

LOANS APPROVED IN 2011

By the Manager on behalf of the Credit Committee		Directly by the Credit Committee		Total approved by the Credit Committee		Comparative Increase/Decrease Over 2011	
NO	AMOUNT (\$)	NO	AMOUNT (\$)	NO	AMOUNT (\$)	AMOUNT (\$)	%
178	2,518,706.60	159	25,564,399.44	336	28,074,454.69	(313,861.91)	-1
98	3,692,065.53	23	1,794,606.61	122	5,495,323.49	(748,281.64)	-14
321	889,750.31	31	242,005.18	189	892,291.80	562,829.61	63
344	2,740,201.24	66	1,432,694.27	545	4,226,739.78	1,841,633.39	44
128	2,139,086.18	26	2,403,589.62	181	4,723,295.22	(1,078,949.16)	-23
65	309,116.15	4	2 00,686.57	36	449,480.87	39,223.86	9
146	888,713.28	15	1 66,656.21	195	1,120,691.34	(109,515.03)	-10
4	97,504.33		-	4	97,504.33	26,914.15	28
0	-	0	-	0	-	-	0
187	3,255,006.67	33	1,356,875.50	220	4,611,882.17	69,724.65	2
99	458,058.06	15	2 04,974.75	114	663,032.81	(223,134.46)	-34
266	2,755,388.43	13	371,422.01	279	3,126,810.44	(656,622.90)	-21
192	1,383,905.39	23	576,208.08	215	1,960,113.47	94,548.47	5
75	119,913.72	0	-	75	119,913.72	(24,881.35)	-21
2821	6,890,768.11	48	260,763.14	2869	7,151,531.25	2,233,419.23	31
130	465,691.82	4	31,795.00	134	497,486.82	55,143.61	11
25	239,571.67	0	-	25	239,571.67	(66,568.61)	-28
82	314,732.19	0	-	82	314,732.19	(91,913.48)	-29
16	61,439.44	0	-	16	61,439.44	(11,725.64)	-19
0	-	0	-	0	-	593,185.00	100
82	289,276.50	3	50,500.00	85	339,776.50	134,509.59	40
5259	29,508,895.62	463	34,657,176.38	5722	64,166,072.00	2,325,677.38	4



SUPERVISORY AND COMPLIANCE COMMITTEE REPORT

For the year ended December 31, 2012

In accordance with Section 65 of the Cooperative Societies Act No. 2 of 2011, the Supervisory and Compliance Committee is pleased to report on its activities for the period ended December 31, 2012.

Members serving on the Supervisory and Compliance Committee for the year under review are listed in the following table which summarises the record of attendance of members at regular and special meetings:

TABLE 1 - ACTIVITIES OF THE SUPERVISORY AND COMPLIANCE COMMITTEE					
*Elected at 2nd AGM – May 20, 2012	Regular Meetings			Joint Committee Meetings	
	Scheduled	Attended	Excused	Scheduled	Attended
Mr. Ian-Michael Anthony	23	16	7	2	2
Mr. Mervyn Dailey	23	18	5	2	2
Mr. Festus Dalrymple	23	20	2	2	2
Mr. Augustus Etienne	23	16	7	2	2
Mr. Jason Francis	23	19	4	2	2
Miss Linda Gonzalez-Peltier	23	20	3	2	2
Mrs. Cynthia Joseph	23	22	1	2	2
Mr. Rupert Lance	23	17	3	2	2
Mr. Clement Marcellin Jr.	23	16	7	2	2
Mr. David Maximea	23	15	8	2	2
Miss Ingrid Roosburg	23	16	7	2	2
Miss Esther Shillingford	23	19	4	2	2
Miss Nadette Williams	23	14	9	2	2

Summary of Major Activities

A number of activities were undertaken during the course of the year in an effort to ensure that the Society's business was being conducted effectively and efficiently. A series of meetings was held and visits were undertaken to the various branches of the Society. In an effort to curtail cost, most of the regular meetings were held at the Head Office in Roseau. Matters addressed at these meetings included:

- Examination of Minutes of the Board of Directors;
- Review of the Reports of the Credit Committee, the Compliance Officer and Internal Auditor;
- Examination of Delinquent Loan Reports;
- Conducting of Cash counts at all the Branches;
- Examination of Accounts and Loan files of Staff and Volunteers; and
- Random check on the Accounts and Loan files of members.

In addition to the regular meetings of the Committee, members attended Outreach Meetings organized by management. The Committee was well-represented at the OECS Summit held in Dominica. It was also represented on the Committee set up to organize the Cadence Lypso Show.

Amalgamation Issues

Bearing in mind that the Society is still very young, the Committee felt that it was prudent to ascertain whether there were any issues emanating from amalgamation that impacted negatively on the Society, particularly in the area of service to members. In that regard, meetings were held with management and staff. The salient matters addressed included:-

- Staff's perception of amalgamation vis-à-vis the creation of one Society;
- Harmonization of services across the branches;
- Cash limits at the various branches;
- Staff deployment;
- Improvement of the physical plant to provide better working conditions for staff;
- Improvement of the Member Service Areas; and
- The provision of new or upgrade of existing equipment for the branches to improve efficiency and effectiveness.

These concerns were brought to the attention of management with the recommendation that a Monitoring Committee should be set up to ensure they were resolved in a timely manner.

Concerns of the Committee

During the course of its deliberations, the Committee raised these specific concerns with management:

- The absence of a Delinquency Committee;
- The incomplete Human Resource Audit; and
- The cumbersome and time consuming manual completion of loan application forms;

Management promised to give attention to these matters and, by the time of writing, work had commenced on the computerization of the loan application process. Additionally, a preliminary report on the Human Resource Audit had been presented to management.

Elections at the Last Annual General Meeting

It was observed that in one case the procedure laid down in Section 72(4) of the Cooperative Societies Act No 2 of 2011 was not followed. This resulted in the re-election of a director in respect of whom no written excuse had been presented to the meeting for its acceptance. Moreover, no apology was given for the absence of the director at the start of the meeting.

Despite the fact that the Board does not have control of the conduct of the elections, it was drawn to their attention and it is expected that the procedure laid down in the Act will be followed at future elections.

Training

Members of the Committee attended training sessions mounted by the Cooperative Societies League Ltd. on Anti-Money Laundering/Terrorism Financing; Debt Recovery; and Team Building. These sessions provided opportunities for members to obtain new insights and a more thorough understanding of the regulations that govern the operations of the Society. Through their participation in such training sessions, the analytical skills of the Committee have been enhanced.

Review of the Accounts of Staff and Volunteers

The accounts of members of the Supervisory and Compliance Committee, the Credit Committee, the Board of Directors, staff along with a random selection of members were examined. At the time of the examination, the accounts were found to be in good standing.

Cash Count

Unannounced cash counts were conducted at all branches during the year under review. In addition, and in keeping with the Cooperative Societies Act No. 2 of 2011, the end-of-year cash count, was conducted jointly with the External Auditors. No irregularities were discovered during these cash counts.

Physical Plant

The Committee is pleased that improvement work on the St. Paul Branch building is nearing completion and that such improvement will address the physical constraints faced by staff and members, and that work on the extension of the Main Branch Office building has begun.

Future Prospects

As we continue to work assiduously toward becoming the premier financial institution, it is our hope that management, staff and volunteers will focus on the issues that serve as stumbling blocks to the attainment of the Society's aim of being the leading financial institution. This will involve the aggressive tackling of the amalgamation issues that tend to foster division. In that vein, staff must see themselves as being part of one body. Members must cease to see the various branches of the institution as competing among themselves and begin to see the NCCU as their financial institution of choice.

Conclusion

The Supervisory and Compliance Committee plays a very important role in the efficient and effective functioning of the Society. It is, in effect, the watchdog of the Society and its scope of work is extremely wide. Thus, to ensure that the Society functions in accordance with the Cooperative Societies Act No. 2 of 2011, the Regulations and the By-Laws No. 1 of 2012, the Committee has to examine the functioning of all aspects of the Society's operations. This entails the in-depth examination of the functioning of various sections of the organization and the perusal/review of a variety of documents produced. To achieve this, a dedicated and committed team of volunteers is essential. Additionally, the co-operation of volunteers from other committees, staff and the general membership is necessary. That the Committee was able to achieve most of its targets is a tribute to the co-operation received from the various stakeholders—all of whom constitute a dedicated and committed membership.

Accordingly, the Committee thanks the Board of Directors, Credit Committee, Management, staff and members who facilitated its work in 2012. We are confident that the existing relationship and the level of support received will continue in the future.



Ian-Michael Anthony
Chairman

For and on behalf of the
Supervisory and Compliance Committee



NOMINATIONS COMMITTEE REPORT

For the year ended December 31, 2012

The Nominations Committee met at the Society's head Office, Board Room to consider possible volunteers to serve on the Board of Directors, Credit and Supervisory & Compliance Committees.

Members were invited through media advertisements to nominate persons who are willing to serve as volunteers.

The Nominations Committee was appointed by the Board of Directors in accordance with the Society's By Laws 59(a). The Committee comprised:

- Mr. Carlisle Jno Baptiste – Chairperson
- Ms. Rhoda Celaire
- Mr. Ian-Michael Anthony
- Mrs. Josephine Dublin
- Mr. Aylmer A. Irish

The Committee ensured that all nominees were in good standing and able to serve. In the due diligence process, the Section 53(4) of the Co-operative Societies Act No. 2 of 2011 and Financial Services Act No. 18 of 2008, Section 27 and the Society's By Laws were used as the guide to determine the eligibility of persons nominated to serve on the Board and other Committees.

The Committee makes the following nominations for five (5) persons to serve a three (3) year term on the Board and Committee and one (1) person to serve on the Board for one (1) year; the unexpired term of Cletus Joseph who resigned in March 2013 as follows:

(see next page)

NOMINATIONS					
Board of Directors	Term (Years)	Supervisory & Compliance Committee	Term (Years)	Credit Committee	Term (Years)
Mr. Dexter Ducreay <i>General Manager, AC Shillingford & Co</i>	3	Mr. Clement Marcellin Jr. <i>Environmental Health Officer</i>	3	Ms. Roanna Joseph <i>Welfare Officer, Govt of Dominica</i>	3
Mr. Alganon Degallerie <i>Principal, Pichelin Government School</i>	3	Ms. Nadette Williams <i>Teacher, Convent High School</i>	3	Ms. Shirlyn Pond <i>Senior Officer, DSS</i>	3
Mr. Michael Augustine <i>Teacher, Dominica Grammar School</i>	3	Ms. Ingrid Roosburg <i>Financial Accountant, DOMLEC</i>	3	Dr. Damien Dublin <i>Dentist</i>	3
Mr. Bernard Francis <i>Technical Services Supervisor, Commercial Dept., DOMLEC</i>	3	Ms. Esther Shillingford <i>Retired Bank Officer</i>	3	Mrs. Maria Etienne-Pascal <i>Manager, Lindo Mart Supermarket</i>	3
Mrs. Janice Jean-Jacques Thomas <i>Director, DSS</i>	3	Mr. Augustus Etienne <i>Deputy Director, DSS</i>	3	Mr. Darius Polydore <i>Prod. Supervisor, Colgate Palmolive</i>	3
Mrs. Magdalene Bontiff-Honore <i>Principal, Vieille Case Government School</i>	1				

The Nominations Committee recommends the above named nominees to the 3rd Annual General Meeting of the NCCU. The following additional nominations were made by members:

Board of Directors

- Mr. Terry Royer
A Police Officer by profession

Supervisory & Compliance Committee

- Mr. George Maxwell
Economist, Government of Dominica
- Ms. Euella Joseph
Principal, Penville Government School

Credit Committee

- Mr. Charles Seaman
Principal, Wesley Government School

The Nominations Committee is pleased to present this report to you the members.



Carlisle Jno Baptiste



Ian-Michael Anthony



Rhoda Celaire



Josephine Dublin



Aylmer A. Irish

Notes

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Notes

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St Paul Branch

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Tel: 255 2210

St David's Branch

Riviere Cyrique
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