

National Co-operative Credit Union Limited

ANNUAL REPORT

2013



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.

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



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

Our Co-operative Values

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

Our Values

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

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 may 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 “Pont 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 and AGENDA

NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the National Co-operative Credit Union (NCCU) Limited will be held on Sunday, June 15, 2014 at 3:00 pm at the Morne Jaune Primary School, Morne Jaune, Commonwealth of Dominica, to consider the following:


AGENDA

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



RHODA CELAIRE (MS.)
SECRETARY

For and on Behalf of the Board of Directors



“...the Society’s performance was bolstered by the increased surplus available for distribution to its members...”

Board of Directors Report

For the year ended December 31, 2013

OVERVIEW

Your Board is delighted to report yet another commendable year’s performance in which there was growth in many critical areas despite the increasing challenges to minimize cost, reduce delinquency to a minimum and grow revenue.

The issues of reduced demand for loans, excessive liquidity, members’ inability, in some instances, to meet their obligations and ever declining returns on investments characterized the year in review. The challenges are as a result of the negative impact of the global downturn in economies.

Despite the foregoing, the Society’s performance in this volatile and sometimes hostile economic environment was marked by increased market share, because we were able to innovate to serve the members and keep abreast with the numerous developments in the financial space.

The Society’s surplus was again impacted by the impairment for loss on the investment held with Colonial Life Insurance (CLICO Barbados) and British American Insurance Company (BAICO). Notwithstanding, the Society’s performance was bolstered by the increased surplus available for distribution to its members. The surplus for the period in review was \$2,693,256 before other comprehensive income, reflecting a 37.56% increase over 2012.

MEMBERSHIP

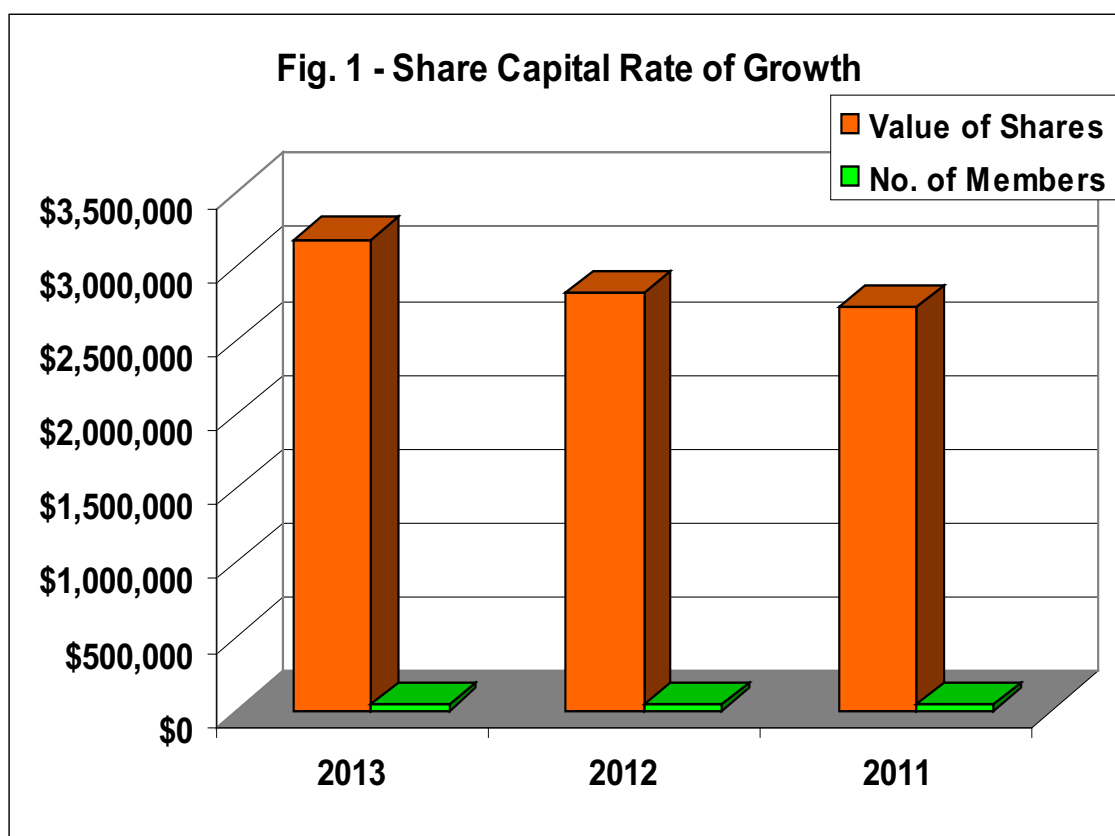
During the year under review, the Society implemented measures to ensure the growth of the Society's membership and Member Capital.

At the commencement of the financial year, the membership totaled 36,261 and grew to 37,573, an increase of 1,312 (3.62%).

The Society's Member Capital was \$3,179,250 compared to \$2,815,050, an increase of \$364,200 (12.94%) or 7,284 additional shares purchased as compared to 1,829 in the previous year. Total shares issued and paid up to December 31, 2013 was 63,585.

Table 1 - SHARE CAPITAL RATE OF GROWTH

	2013	2012	2011
Value of Shares	\$3,179,250	\$2,815,050	\$2,723,600
No. of Members	37,573	36,261	35,167
Rate of Growth in Shares	12.94%	3.36%	3.62%
Rate of Growth in Members	3.62%	3.11%	3.03%



FINANCIAL PERFORMANCE

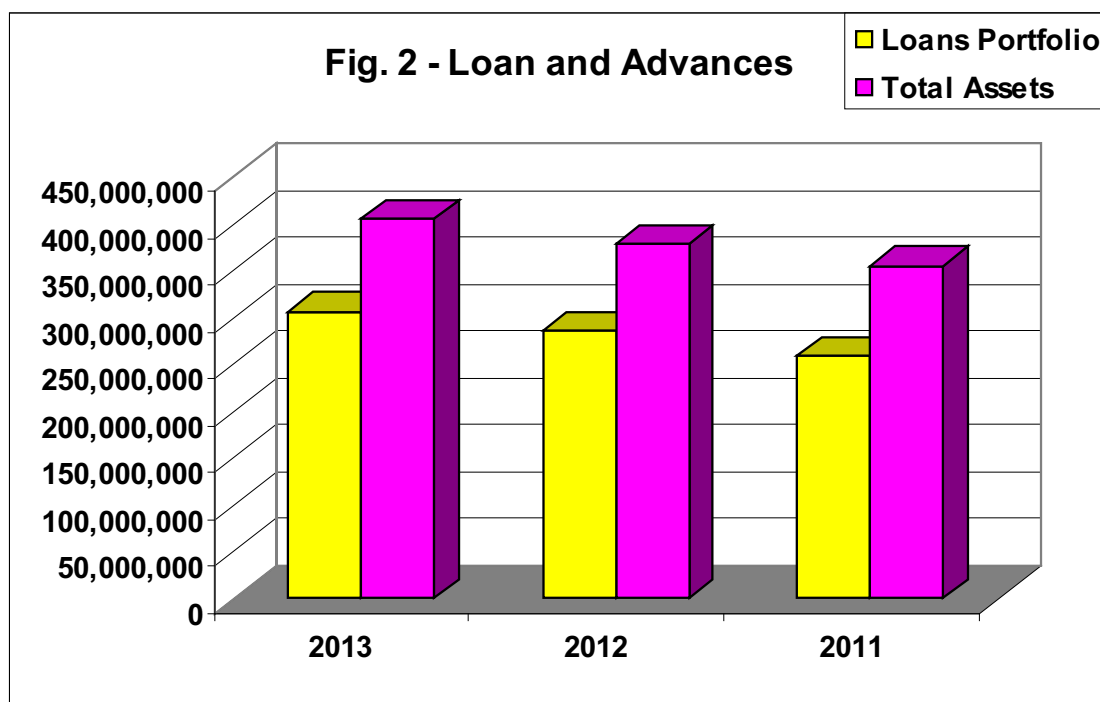
Despite the relatively weak economic conditions, the Society was able to realize overall asset growth. The Society's Total Assets stood at \$408,585,722 as at December 31, 2013 compared to \$382,432,621 as at December 31, 2012, an increase of \$26,153,101 (6.84%). At the end of the financial year, originated loans before provision for loan impairment was \$306,637,032

as compared to \$285,223,345 in the previous year. This reflected an increase of \$21,413,687 (7.51%).

The accumulated provision for loan impairment was \$13,004,363 resulting in a net loans figure of \$293,632,669, which represents 72.46% of Total Assets [Table 2].

Table 2- LOAN AND ADVANCES - 2013

YEARS	LOANS PORTFOLIO	TOTAL ASSETS
	\$	\$
2013	306,637,032	408,585,722
2012	285,223,345	382,432,621
2011	259,565,148	355,217,404



LIQUIDITY MANAGEMENT

The interest bearing liabilities increased to \$359,177,987 which was \$23,163,252 (6.89%) higher than the previous year. The Society

continued to record steady growth of these liabilities which accounted for the increase in financial cost.

Table 3 - CHANGES IN LIABILITIES - Dec. 2013 and Dec. 2012

INDICATORS	Dec. 31, 2013	Dec. 31, 2012	Increase/(Decrease)	
	\$	\$	\$	%
Savings/Ordinary Deposits	199,406,369	190,331,169	9,075,200	4.77
Fixed Deposits	125,161,097	112,309,485	12,851,612	11.44
Member Retirement Account	27,752,821	27,101,161	651,660	2.40
Other Liabilities	6,857,700	6,272,920	584,780	9.32
TOTAL	359,177,987	336,014,735	23,163,252	

Table 4 - LIABILITIES MIX - Dec. 2013 and Dec. 2012

CATEGORY	DEC. 2013		DEC. 2012	
	\$	%	\$	%
Saving/Ordinary Deposits	199,406,369	55.52	190,331,169	56.64
Fixed Deposits	125,161,097	34.85	112,309,485	33.42
Member Retirement Account	27,752,821	7.73	27,101,161	8.07
Other Liabilities	6,857,700	1.91	6,272,920	1.87
TOTAL	359,177,987		336,014,735	

MEMBERS' EQUITY

The growth in the Members' Equity will enhance the confidence of members in the Society and increase the NCCU's stability as a financial institution. The equity grew from \$45,417,886 at the end of December 2012 to \$49,407,735, an increase of \$2,989,849 (6.44%). This growth was primarily propelled by increases in retained earnings, statutory reserves and share capital.

The member equity comprises of statutory reserves, revaluation surplus, various funds, retained earnings and Member Share Capital.

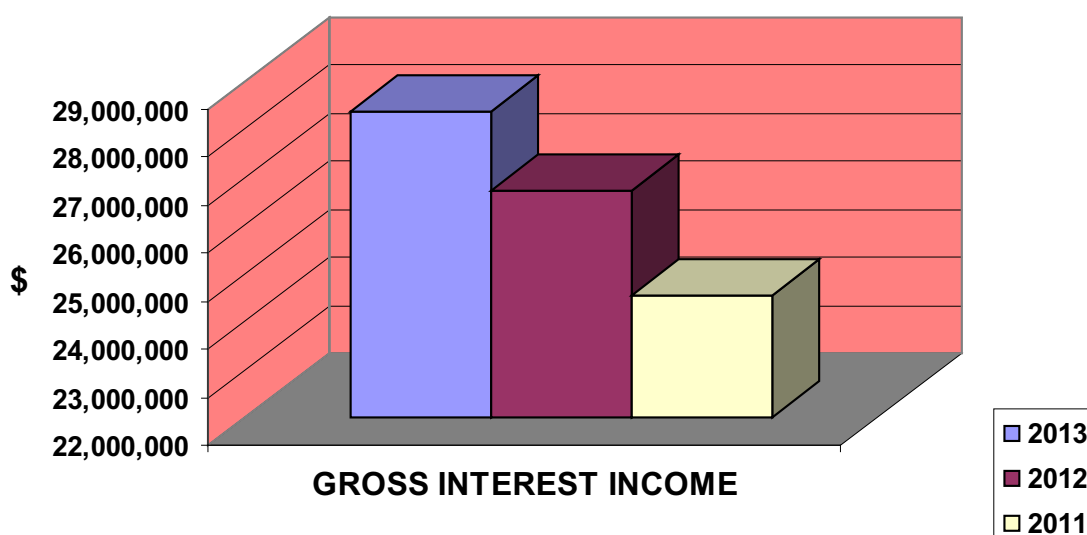
COMPREHENSIVE INCOME STATEMENT HIGHLIGHTS

Amidst the persistent negative impact of the global recession, your Board was able to face the challenges with a resolve to ensure the continued success of the Society. Gross interest income on loans grew to \$28,370,374 an increase of \$1,666,475 (6.24%) over the previous year.

Table 5 - INCOME TRENDS 2011 - 2013

YEARS	GROSS INTEREST INCOME \$
2013	28,370,374
2012	26,703,899
2011	24,547,883

Fig. 3 - Income Trends 2011-2013



OPERATING COST

The total Operating Cost of \$10,611,605 reflected a marginal increase of \$51,841 over the previous year. The desire to minimize cost without compromising the level of service to members was among the greatest priorities for the year leading to increased expense management.

SURPLUS

Your Society recorded an operating surplus of \$6,662,977 prior to impairment provision for investments and loans, depreciation, lease hold/ amortization and loan protection. The increase

in operating surplus was as a result of the fact that the income grew at a faster rate than the expenses.

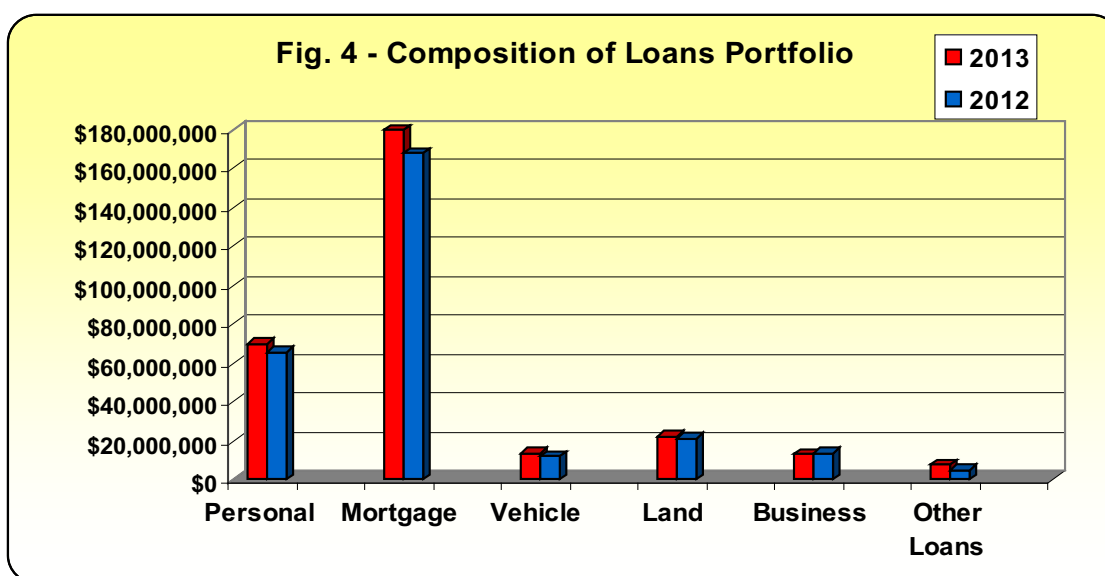
The comprehensive income before appropriation was \$2,798,502 compared to \$1,992,905 before appropriation to reserves in 2012.

LOANS PORTFOLIO

The granting of loans was by far the Society's greatest investment. The composition of the loans portfolio is shown at **Table 6** and **Fig. 4** below:

Table 6 - Composition of the Loans Portfolio

LOAN CATEGORY	2013 \$	2012 \$	INCREASE/ (DECREASE) \$	%
Personal	70,029,293	65,540,979	4,488,314	6.85
Mortgage	179,983,871	167,627,688	12,356,183	7.37
Vehicle	13,580,700	12,213,033	1,367,667	11.20
Land	22,477,545	21,111,702	1,365,843	6.47
Business	13,007,082	13,590,229	(583,147)	0.04
Other Loans	7,558,542	5,139,713	2,418,829	47.06



DELINQUENCY

The management of delinquency was high on the agenda during the year in review. An increased number of members informed of their loss of jobs, reduction in earnings and thus, their inability to service their commitments as per contract.

Your Society continued to work with the members and exhorted them to ensure that loans were repaid on time.

DECEASED MEMBERS

Regrettably, we lost valuable members during the year 2013. We extend our sincere condolences to all members who were bereaved as a result of the loss of loved ones.

TRAINING & DEVELOPMENT

The commitment to ensure that the Society's employees were adequately trained, was realized by the use of online and face to face

methods. Training programmes organized were:

- ❖ CUNA CDP Online
- ❖ Loan Underwriting
- ❖ Fraud Detection
- ❖ Customer/Member Service
- ❖ Anti-Money Laundering Legislation

Two (2) staff members are currently pursuing the Loan Underwriters Programme with the Canadian Underwriters Association through the Eastern Caribbean Home Mortgage Bank. Several other staff members are also pursuing studies with the assistance of the Society.

SCHOLARSHIPS

Twelve (12) young persons were awarded full scholarships to attend secondary school over a five (5) year period from September 2013 and three (3) to attend the Dominica State College.

The total scholarship recipients on full scholarship amounted to fifty-five (55). The Society invested in excess of \$59,000 in the students during the year in review.

CARIBBEAN CONFEDERATION OF CREDIT UNIONS (CCCU) ANNUAL CONVENTION & ANNUAL GENERAL MEETING

The Society was represented at the 56th Annual International Convention and 42nd Annual General Meeting of the Caribbean Confederation of Credit Unions (CCCU) which was held in Panama under the theme *“The Credit Union Difference: Members Matter Most.”*

The Society’s was represented by a total of nine (9) officers, three (3) members of staff and the Chief Executive Officer.

WORLD CONFEDERATION OF CREDIT UNIONS

The Society was represented for the first time at the World Council of Credit Unions Conference held in Ottawa, Canada. The Conference which brought together over 2,300 persons from around the globe provided an opportunity for networking, visiting other credit unions, attendance and participation in discussions and presentations on many issues of importance to Credit Unions including; Foreign Account Tax Compliance Act (FATCA) enacted by the United States government, Emerging Trends in Governance and Challenging the Barriers to Credit Union Growth.

The Society was represented by three (3) Directors as well as the Chief Executive Officer, Mr. Aylmer A. Irish.

OECS CREDIT UNIONS SUMMIT

The 11th Annual OECS Credit Unions Summit convened in St. Kitts under the theme “Innovation – Co-operation – Integration: Strategies for a Successful Co-operative Movement.”

The Society was represented by a total of seventeen (17) officers and two (2) members of the Young Action Club of the Vieille Case Branch.

THE BOARD OF DIRECTORS

At the 3rd Annual General Meeting held at the St. Luke’s Primary School in Pointe Michel on

Wednesday, May 8, 2013, the following Directors were elected to serve for a three (3) year term namely:

- Mr. Dexter Ducreay
- Mr. Michael Augustine
- Mr. Alganon Degallerie
- Mr. Bernard Francis
- Mrs. Janice Jean-Jacques Thomas

Mrs. Magdalene Bontiff-Honore was elected to complete the unexpired term of Mr. Cletus Joseph who resigned on March 25, 2013.

Table 7 - MEETINGS ATTENDANCE RECORD Jan. 2013 – Dec. 2013

DIRECTORS	MONTHLY B.O.D. MEETINGS			SPECIAL B.O.D. MEETINGS			JOINT COMMITTEE MEETINGS		
	Total Called	Meetings Attended	Excused	Total Called	Meetings Attended	Excused	Total Called	Meetings Attended	Excused
Michael Augustine - President	12	12	0	2	2	0	6	6	0
Dexter Ducreay - V. President	12	12	0	2	1	1	6	4	2
Rhoda Celaire - Secretary	12	12	0	2	2	0	6	6	0
Fevrier Valmond - Treasurer	12	6	6	2	2	0	6	6	0
Bernice Matthew	12	11	1	2	2	0	6	5	1
Janice Jean-Jacques Thomas	12	8	4	2	2	0	6	5	1
Celia Delauney	12	10	2	2	2	0	6	6	0
Vernice Bellony	12	11	1	2	2	0	6	4	2
Marileen Hypolite	12	10	2	2	2	0	6	6	0
Bernard Francis	12	9	3	2	2	0	6	5	1
Alganon Degallerie	12	10	2	2	2	0	6	6	0
Carlisle Jno Baptiste	12	12	0	2	1	1	6	5	1
Magdalene Bontiff-Honore [To complete unexpired term of Cletus Joseph who resigned on March 25, 2013]	7	6	1	2	1	1	3	3	0

SOCIAL RESPONSIBILITY & COMMUNITY INVOLVEMENT

The Cadence Lypso competition held for the second year was another huge success, with the sponsorship of several business houses.

The objectives of the Cadence Lypso show; preserving the music culture, rejuvenating the musical art form and exposing and cultivating

young talented persons continues to be the driving force.

FUTURE OUTLOOK

The NCCU is poised to provide improved facilities to bring greater value to the members when its extension and renovation of the Head Office and Roseau Branch will be completed later this year.

The building will provide additional space and

privacy for the member to transact business. The facility will house an additional ATM and card centre, along with a training room.

In an effort to continue the process of improved services to a greater number of Credit Union Members at additional locations, your Board has favourably considered the transfer of assets from Castle Bruce and South Eastern Co-operative Credit Unions and this will be brought to you, the members, seeking ratification/approval in the near future.

It is of paramount importance that the Society repositions itself to face the challenges and fallout which may occur with the implementation of the US Government - Foreign Account Tax Compliance ACT (FATCA), which is expected to absorb both financial and human resources without any direct benefit to the Society.

Notwithstanding the above, we will redouble our resolve to reduce cost of operation, improve the efficiency with which services are provided while mitigation of risk will continue to be a guiding principle.


ACKNOWLEDGEMENT

Your Board wishes to thank management and staff for their demonstrated commitment to the ideals of the Society.

Appreciation is extended to the Supervisory & Compliance and Credit Committees for their commitment to serve the Society.

You, our valued members, through your loyal patronage have once again ensured the success of the Society and we are indeed grateful.

We continue to solicit your support as we endeavor to face the challenges which lie ahead and express our sincerest gratitude.



MICHAEL AUGUSTINE
PRESIDENT
FOR AND ON BEHALF OF THE BOARD OF
DIRECTORS



FINANCIAL HIGHLIGHTS

For the Year Ended Dec. 31, 2011 to Dec. 31, 2013

	2013	2012	2011
Statement of Financial Position:	\$'000	\$'000	\$'000
ASSETS			
Cash and Bank Balances	9,041	9,776	11,148
Investments held to Maturity			
Available for Sale	57,411	52,615	59,854
Original Loans (Net)	293,633	273,162	248,320
Property, Plant and Equipment	23,830	22,373	11,731
Other Shares	6,032	6,499	7,020
Statutory Reserve Deposits	18,638	18,007	17,144
	408,586	382,433	355,217
LIABILITIES			
Savings/Ordinary Deposits	199,406	190,331	183,662
Term Deposits	125,161	112,309	102,385
Member Retirement Account	27,753	27,101	25,566
Others	6,858	6,273	7,208
	359,178	336,014	318,821
EQUITY			
Share Capital	3,179	2,815	2,724
Statutory Reserve	14,738	14,186	13,783
Other Reserves	15,056	14,865	6,781
Retained Surplus	16,435	14,552	13,107
	49,408	46,418	36,395

STATEMENT OF INCOME AND APPROPRIATIONS

For the Year Ended December 31, 2013

	2013	2012
	\$'000	\$'000
Interest Income	28,370	26,704
Interest Expense	(12,109)	(11,555)
Net Interest Income	16,261	15,159
Other Income	1,013	1,045
Operating Income	17,274	16,194
Other Operating Costs	10,611	(10,600)
Net Operating Income	6,663	5,594
Other Expenses	3,569	(3,636)
Surplus before Appropriations	3,094	1,958

FINANCIAL STATISTICS IN PERCENTAGE

For the Year Ended December 31, 2013

	2013	2012
	%	%
Asset Growth	6.83	6.60
Loans & Advances Growth (Net)	7.51	10.00
Savings and Deposits Growth	4.77	3.63
Fixed Deposits Growth	11.44	9.69
Member Retirement Account Growth	2.4	6.01

Management

For the year ended December 31, 2013



Aylmer A. Irish
Chief Executive Officer



Mc Dowill Paul
Branch Manager – Roseau



Curth Charles
Branch Manager – La Salette



Valda Sweeney
Branch Manager – St. Paul



Theresa Royer
Branch Manager – Vieille Case



Juliana Cuffy
Administrative Officer – St. David's

“...the National
Cooperative
Credit Union
remains
financially
sound...”



Treasurer's Report

For the year ended December 31, 2013

Overview

I am pleased to report on the financial position of your Credit Union for the year ended December 31, 2013. It has been three (3) years since the formation of National Co-operative Credit Union. Despite the vagaries of the challenging economic conditions, it is indeed a proud moment to assure you, the members, that the National Co-operative Credit Union remains financially sound and is no doubt growing stronger from year to year.

This continued financial growth is testament to your Members' commitment and loyalty to the Credit Union. Members' Shares increased significantly by \$364,200 or 12.94% in 2013 compared to \$91,450 or 3.36% in 2012.

A summary of the major performance indicators are highlighted below.

Table 1 – Performance Indicators for 2013

INDICATORS	2013	2012	Increase/(Decrease)	
	\$	\$	\$	%
Assets	408,585,722	382,432,621	26,153,101	6.84
Shares	3,179,250	2,815,050	364,200	12.93
Members Savings/Deposits	199,406,369	190,331,169	9,075,200	4.77
Loans (Gross)	306,637,032	285,223,345	21,413,687	7.5
Gross Income	29,383,863	27,749,280	1,634,583	5.89
Surplus Income before other Comprehensive Income	2,693,256	1,957,831	735,425	37.56

Given less than favorable economic conditions for the year 2013, it was no surprise that the Loans portfolio grew at a slightly lower rate compared to 2012. At the end of the financial year 2013, the Loans Portfolio grew by \$21,413,687 or 7.5% over 2012 compared to 9.89% growth in 2012 over 2011.

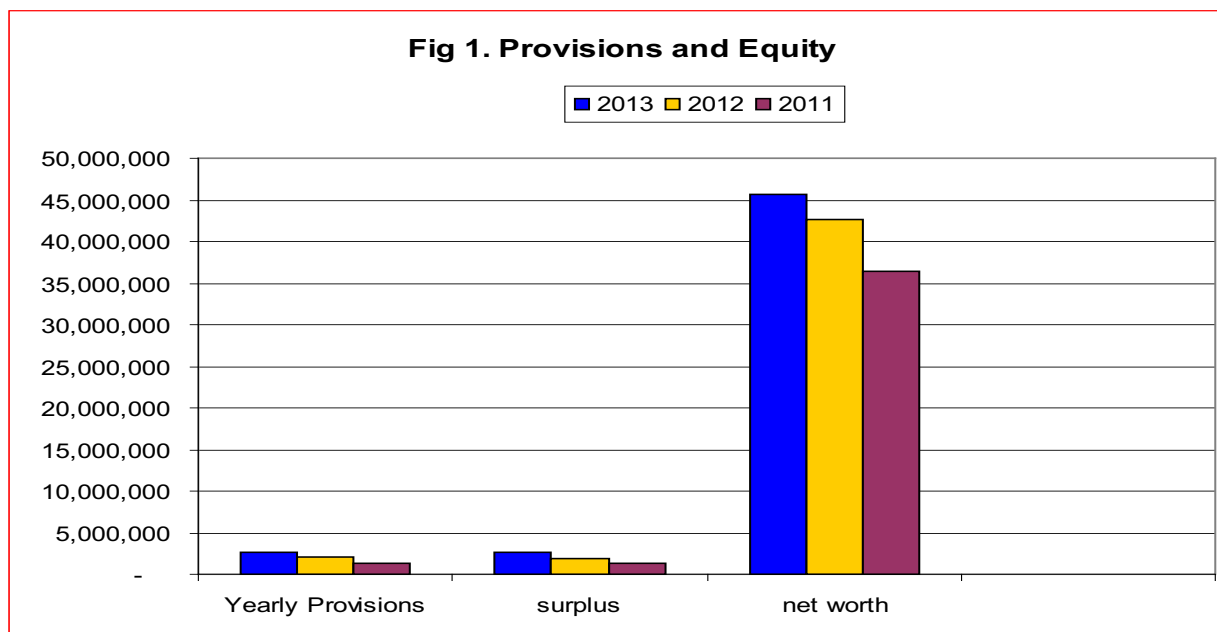
The financial sector in general reported a significant increase in non-performing loans for the year under review. Many Institutions made additional provisions of large amounts to cover delinquent loans, reducing profits to almost zero and in some cases losses were reported. Operating in the same environment, your Credit Union was not immune to these challenges. We

therefore continued to review our lending policies, improved the recovery processes and ensured that provisions were adequate for present and future loan losses.

Provision for Loan Impairment totaled \$1,011,209 for the year ended December 2013. Additional provisions were made for Impaired Investment in CLICO and BAICO which totaled \$1,609,119 taking total provisions to \$2,620,328.

Total assets increased by \$26.1 million, or 6.84%, to \$408,585,722 during the year in review. The increase was mainly due to increase in earning assets – loans and liquid investments.

Fig 1. Below reflects management approach to safety and soundness.



Net worth being a key indicator to soundness stood over \$49.4 million, or 12.09% of total assets compared to \$46.4 million in 2012. Your Credit Union remained steadfast in its efforts to increase the value of the Member's ownership.

A Return on Members' Equity of 5.45% was achieved in 2013 as compared to 4.2% in 2012.

The Society recorded Surplus before other Comprehensive Income of \$2,693,256 for the financial year 2013, an increase of \$735,425 or 37.56% over the previous financial year.

Outlook

The financial performance of the Society is evidence of its safety and soundness. The financial year 2014 is still expected to pose further challenges to the Society as the level of liquidity in the financial market continues to increase and the world's economy struggles

with growth. Hence, we continue to rely on you, the members, for your continued loyalty and commitment as we strive to be the best financial institution, providing services that enhance the quality of life of all, consistent with our Co-operative principles.

Conclusion & Acknowledgement

I wish to express thanks to management and staff for their untiring efforts and sacrifice for the excellent service offered to the entire membership. Special thanks to the Board and Committees for their unwavering support and assistance during the financial year and to you our loyal members.

Fevrier Valmond

Treasurer

Orlando Allan Richards FCCA FCA
Chartered Certified Accountant
P.O. Box 202
Pedro Investments Building
Independence Street, Roseau
Commonwealth of Dominica

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

National Co-operative Credit Union Limited
Roseau
Commonwealth of Dominica

I have audited the accompanying financial statements of National Co-operative Credit Union Limited set out on pages 2 to 32 for the year ended December 31, 2013.

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 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

As disclosed in note 8 there is uncertainty with regard to the realization on maturity of fixed deposit investments with two regional insurance companies which are under judicial management. Because of this uncertainty, I am unable to satisfy myself as to the adequacy of the provision made against those fixed deposit investments.

Opinion

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of National Co-operative Credit Union Limited as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Co-operative Societies Act No. 2 of 2011 and the Cooperative Societies Regulations S.R.O 26 of 2001 of the laws of the Commonwealth of Dominica.



Roseau, Dominica
May 27, 2014

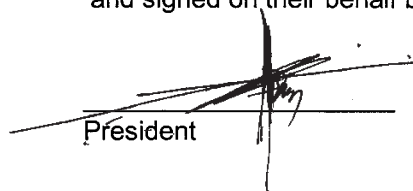
Statement of Financial Position

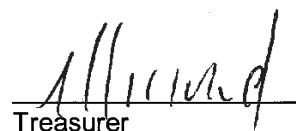
For the year ended December 31, 2013

	Notes	2013 EC\$	2012 EC\$
ASSETS			
Cash and bank balances	4	9,041,371	9,776,098
Statutory reserve deposit	5	18,637,987	18,007,416
Shares at Dominica Co-operative Societies League Ltd	6	131,285	131,285
Related company account	7	81,312	63,161
Investment securities: held to maturity	8	52,472,937	47,833,661
Investment securities: available- for -sale	9	4,938,657	4,781,740
Originated loans	10	293,632,669	273,161,965
Other assets	11	5,811,902	6,294,944
Property, plant and equipment	12	23,830,281	22,372,655
Leasehold improvement	13	7,321	9,696
TOTAL ASSETS		408,585,722	382,432,621
LIABILITIES			
Members' savings / ordinary deposits	14	199,406,369	190,331,169
Term deposits	15	125,161,097	112,309,485
Member Retirement Account	16	27,752,821	27,101,161
Accounts payable and provisions	17	1,203,402	1,293,257
Accrued interest payable	18	5,632,981	4,958,346
European Union grant	19	21,317	21,317
TOTAL LIABILITIES		359,177,987	336,014,735
MEMBERS' EQUITY			
Shares (Members' Capital)	20	3,179,250	2,815,050
Statutory reserve	21	14,737,989	14,186,151
Education fund	22	386,808	417,449
Loan protection fund	23	999,007	1,006,448
Revaluation surplus	27	8,103,470	8,103,470
Capital reserve	25	461,196	461,196
Capital contribution	24	4,777,027	4,776,587
Fair value reserve	9	291,220	80,752
Development fund	26	37,008	20,075
Retained Surplus		16,434,760	14,550,708
TOTAL MEMBERS' EQUITY		49,407,735	46,417,886
TOTAL LIABILITIES AND MEMBERS' EQUITY		408,585,722	382,432,621

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

The financial statements were approved by the Board of Directors on May 27, 2014
and signed on their behalf by:


President


Treasurer

Statement of Income and Appropriation

For the year ended December 31, 2013

	Notes	2013 EC\$	2012 EC\$
Interest and investment income	28	28,370,374	26,703,899
Interest expense	28	12,109,281	11,555,375
Net interest and investment income	28	16,261,093	15,148,524
Other income	29	1,013,489	1,045,381
Operating income		17,274,582	16,193,905
Operating Costs	30	(10,611,605)	(10,599,763)
Provision for loan impairment	10	(1,011,209)	(857,504)
Loan protection fund		(60,000)	(55,000)
Impairment loss on investments	7	(1,609,119)	(1,213,399)
Depreciation	11	(1,287,018)	(1,269,842)
Loans written off			(238,389)
Leasehold amortisation	13	(2,375)	(2,177)
Surplus before other comprehensive income		2,693,256	1,957,831
Other comprehensive income			
Fair value gain on investments		105,246	35,074
Total Comprehensive income before Appropriation		2,798,502	1,992,905
Appropriation - Surplus before comprehensive income			
Transfer to statutory reserve		(538,651)	(391,566)
Transfer to education fund		0	0
Transfer to development fund		(26,933)	(19,578)
Transfer to fair value reserve		(105,246)	(35,074)
Net Surplus for the year		2,127,672	1,546,687

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

Statement of Changes in Equity

For the year ended December 31, 2013

	Members' Capital (Shares)	Statutory Reserve	Education Fund	Development Fund	Revaluation Surplus	Edward Elwin Memorial Fund	Capital Reserve	Capital Contribution	Loan Protection Fund	Fair Value Reserve	Retained Surplus	Total
	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$	EC\$
Balance as at 31/12/11	2,723,600	13,782,517	437,990	13,796	81,075	3,063	461,196	4,776,127	963,723	45,678	13,107,137	36,395,902
Appropriation	0	391,566	0	19,578	0	0	0	0	0	0	0	411,144
Transfers / adjustments	0	0	0	0	0	0	0	0	55,000	0	(1)	54,999
Net surplus	0	0	0	0	0	0	0	0	0	0	1,546,687	1,546,687
Payments	0	0	(20,541)	(13,299)	0	(3,063)	0	0	(12,275)	0	0	(49,178)
Receipts	91,450	0	0	0	0	0	0	460	0	35,074	0	126,984
Entrance fee	0	12,068	0	0	0	0	0	0	0	0	0	12,068
Adjustment	0	0	0	0	4,256,724	0	0	0	0	0	56,122	4,312,846
Adjust: revaluation surplus (note 27)	0	0	0	0	3,765,671	0	0	0	0	0	0	3,765,671
Dividend	0	0	0	0	0	0	0	0	0	0	(159,237)	(159,237)
Balance as at 31/12/12	2,815,050	14,186,151	417,449	20,075	8,103,470	0	461,196	4,776,587	1,006,448	80,752	14,550,708	46,417,886
Appropriation	0	538,651	0	26,933	0	0	0	0	0	105,246	0	670,830
Transfers	0	0	0	0	0	0	0	0	60,000	0	0	60,000
Net surplus	0	0	0	0	0	0	0	0	0	0	2,127,672	2,127,672
Payments	0	0	(30,641)	(10,000)	0	0	0	0	(67,441)	0	0	(108,082)
Write back/adj. interest	0	0	0	0	0	0	0	0	0	0	26,663	26,663
Adjustment	0	0	0	0	0	0	0	0	0	105,222	(105,222)	0
Receipts	364,200	0	0	0	0	0	0	440	0	0	0	364,640
Entrance fee	0	13,187	0	0	0	0	0	0	0	0	0	13,187
Dividend	0	0	0	0	0	0	0	0	0	0	(165,061)	(165,061)
Balance as at 31/12/13	3,179,250	14,737,989	386,808	37,008	8,103,470	0	461,196	4,777,027	999,007	291,220	16,434,760	49,407,735

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

Statement of Cash Flow

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
Cash flows from operating activities		
Surplus before appropriation	2,693,256	1,957,831
Adjustments for		
Depreciation	1,287,018	1,269,842
Leasehold amortisation	2,375	2,177
Impairment loss on investments - insurance Co.	1,609,119	1,213,399
Loan protection fund	60,000	55,000
Fair value reserve	105,246	35,073
Write back interest / adjustment to surplus	26,663	56,122
Cash flows before changes in operating assets and liabilities	5,783,677	4,589,444
(Increase) Decrease in originated loans	(20,470,704)	(24,842,266)
Decrease /(increase) in other assets	483,042	584,005
Increase in subsidiary company account	(18,151)	(63,161)
Increase in members' savings and ordinary deposits	9,075,200	6,669,461
Increase in statutory reserve deposit	(630,571)	(863,280)
(Decrease) / Increase in term deposits	12,851,612	9,924,707
Increase / decrease in accrued interest payable	674,635	173,576
Increase in Member Retirement Account	651,660	1,535,325
Increase / decrease in accounts payable and provisions	(89,855)	(185,989)
Net cash from operating activities	8,310,545	(2,478,178)
Cash flow from investing activities		
Purchase of fixed assets	(2,744,644)	(3,878,791)
Leasehold improvement	0	(11,873)
Encashment /(Purchase)of investment securities: held to maturity	(6,248,395)	6,060,041
Purchase of investment securities - available for sale	(156,917)	(35,073)
Net cash from investing activities	(9,149,956)	2,134,304
Cash flows from financing activities		
Long term loan repayment	0	(923,847)
Share capital	364,200	91,450
Dividend paid	(165,061)	(159,237)
Payments from funds	(108,082)	(49,178)
Capital contribution	440	460
Entrance fee	13,187	12,068
Net cash from financing activities	104,684	(1,028,284)
Net cash flows	(734,727)	(1,372,158)
Cash at beginning of year	9,776,098	11,148,256
Cash at end of year	9,041,371	9,776,098

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

Notes to the Financial Statements

For the year ended December 31, 2013

1. Legal Status

National Co-operative Credit Union Limited is a co-operative registered under the Co-operatives Societies Act No. 2 of 2011 of the Laws of the Commonwealth of Dominica.

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

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 to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as modified by the revaluation land and buildings and of certain available-for-sale financial assets. The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions 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.

(b) Summary of IFRS pronouncements effective in 2013

The following is a summary of IFRS pronouncements that must be applied, if applicable, for the first time in 2013 to a business entity with a calendar year-end that is preparing financial statements in accordance with IFRS. The pronouncements are effective for years beginning on or after January 1, 2013.

IAS 19 Employee Benefits (2011): An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other post retirement benefits, termination benefits and other changes.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies

(b) Summary of IFRS pronouncements effective in 2013 (continued)

IFRS 13 Fair Value Measurement: Replaces the guidance on Fair Value Measurement with a single standard.

IFRS 10 Consolidated Financial Statements: Requires a parent company to present consolidated financial statements as those of a single economic entity.

IFRS 11 Joint Arrangements: Replaces IAS 31 Interests in Joint Ventures.

IFRS 12 Disclosure of Interests in Other Entities: Requires the extensive disclosure of information.

IAS 27 Separate Financial Statements: Amended version of IAS 27 which now only deals with the requirement for separate financial statements.

(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 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.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

(d) Financial instruments

The Society initially recognises loans and advances, deposits and loans payable on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date, that is, the date the Society becomes a party to the contractual provision of the instrument.

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are initially measured at cost being their fair value plus transaction costs that are directly attributable to its acquisition or issue.

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 assets or liabilities with another entity under conditions that are potentially favourable 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

All member loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and have been classified as loans and receivables.

Member loans are initially measured at fair value, net of loan origination fees and inclusive of transaction costs incurred.

Member loans are subsequently measured at amortized cost, using the effective interest rate method, less any impairment (losses).

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

Originated loans (continued)

Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans plus accrued interest. Interest is accounted for on the accrual basis for all loans.

If there is objective evidence that an impairment loss on member loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of expected cash flows discounted at the loans original effective interest rate, short- term balances are not discounted.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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. The expected future cash outflows for a group of financial assets with similar credit risk characteristics are estimated based on historical loss experience.

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, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in net income.

Bad Debts Written Off

Bad debts are written off from time to time as determined by management and approved by the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognized. If no provision had been recognized, the write offs are recognized as expenses in net income.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

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 credit union's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognised at fair value including direct and incremental transaction cost and are measured subsequently at amortised cost, using the effective interest rate method. Interest on held to maturity investments is included in the Statement of Comprehensive Income.

In case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and is recognised in the Statement of Comprehensive Income.

Were the credit union 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 investments are initially recognised at fair value , which is the cash consideration including any transaction costs, and measured subsequently at fair value, with gains and losses being recognised in the Statement of Comprehensive Income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

Unrealised gain or losses in available for sale investments are recognised directly in the fair value reserve in equity and reported under Other Comprehensive Income.

2. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the assets carrying amount and the present value of the expected future cash flows discounted at the financial instruments original interest rate. By comparison, the recoverable amounts of an instrument measured at a fair value is the present value of expected cash flows discounted at the current market rate of interest for a similar financial asset. Interest earned whilst holding investment securities is reported as interest income.

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets 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 that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the credit union about the following loss events:

- (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 credit union 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 of 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, 2013

2. Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

The credit union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the credit union determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of 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 reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

The Society's financial liabilities include members' savings and deposits, fixed deposits, Member Retirement Account and other liabilities. The Credit Union determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans payable, net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. The EIR amortisation, if any, is included in the Statement of Comprehensive Income. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

(e) Foreign Exchange Transaction and Translation

Foreign exchange transactions during the year are converted at the rates prevailing on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies as at the year end are translated into Eastern Caribbean Dollars as at that date.

All amounts stated in these financial statements are expressed in Eastern Caribbean Dollars, which is the functional and presentation currency of the Commonwealth of Dominica. (US\$1 = EC\$2.67).

(f) Investment in subsidiary

The investment in the subsidiary is accounted for by the cost method whereby the investment is initially recorded at cost and income from the investment is recognised to the extent that it arises from distribution of accumulated profits arising after the date of acquisition.

(g) Impairment of non-financial assets

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Impairment charges are included in net income, except to the extent they reverse gains previously recognized in other comprehensive income.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

(h) Property and Equipment

Land and building are stated at valuations carried out in 2011 and 2012 with subsequent additions at cost, less subsequent depreciation for building. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Land is not depreciated. 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 carrying 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.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

(i) 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 period date are dealt with in a note on subsequent events.

Under section 129 of the Co-operative Societies Act No. 2 of 2011, a society may pay a dividend to its members in proportion to their business with the society at such rates as may be prescribed by its bye-laws. Unrealised gains or gains arising from asset revaluation are not considered in determining income for the distribution of dividends.

(j) Interest income and expense

Interest income on originated loans is recognised in the income statement when received and/or accrued for not more than three (3) months. Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using effective interest rates. Interest income includes income on fixed investments.

If loans become doubtful, they would be written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest used to discount the future cash flows for the purpose of measuring the recoverable amount.

(k) Other income

Dividend income is recognised when the Society's right to receive payment is established. Other income including fees and commission are generally recognised on an accrual basis when the related service has been provided.

(l) Taxation

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

(m) Comparative figures

Where necessary, certain comparative figures have been reclassified to conform to current year's presentation. The financial statements for the preceding year were audited by another auditor.

Notes to the Financial Statements

For the year ended December 31, 2013

2. Summary of Significant Accounting Policies (continued)

(n) Member Deposits

All member deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Member deposits are subsequently measured at amortized cost, using the effective interest rate method.

(o) Accounts payable and other liabilities

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

(p) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(q) Members' Shares

Members' shares issued by the Credit Union are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

(r) Revenue Recognition

Revenue from the provision of services to members is recognized when earned, specifically when amounts are fixed or can be determined and the ability to collect is reasonably assured.

Notes to the Financial Statements

For the year ended December 31, 2013

3. Financial Risk Management

Risk is inherent in the Credit Union's activities but is managed through a process of on going identification, measurement and monitoring subject to risk limits and other controls.

This process of risk management is critical to the Credit Union's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Credit Union is exposed to credit risk, interest rate risk, liquidity risk, market risk and operational risk.

The Credit Union's aim therefore is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The Board of Directors has overall responsibility for the determination of the Society's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Credit Union's finance function. The Board of Directors receives monthly reports from the Credit Union's Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Board of Directors has recently appointed an Assets Liabilities Management Committee comprising of the Treasurer, the Chief Executive Officer, the Accountant and a representative from the Supervisory and Compliance Committee to monitor the key financial risks and key financial ratios and targets which the Board has set.

The Supervisory Committee has the responsibility to monitor the overall risk process within the Credit Union.

The Credit Union has recently reviewed and updated most of its operational policies. The Internal Audit Department audits various processes during the year to determine whether set policies, guidelines and procedures are being followed. The Board takes appropriate action based on the Internal Audit Department's findings.

Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a counterparty to a financial Instrument fails to make payments of interest and principal when due. The Credit Union is exposed to credit risk from claims against a debtor or indirectly from claims against a guarantor of credit obligations.

Notes to the Financial Statements

For the year ended December 31, 2013

3. Financial Risk Management cont'd

Risk Measurement

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Credit Union takes into consideration the member's character, ability to pay, and value of collateral available to secure the loan.

The Credit Union's credit risk management principles are guided by its overall risk Management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to manage credit risks and that the overall credit risk policies are complied with at the business and transaction level.

Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Credit Union is exposed to this risk through traditional banking activities, such as deposit taking and lending and on its investment in fixed deposits with banks and other financial institutions.

The Credit Union's goal is to manage the interest rate risk of the statement of financial position to a target level. The Credit Union continually monitors the effectiveness of its interest rate mitigation activities.

Liquidity Risk

Liquidity risk is the risk that the Credit Union will not be able to meet all cash outflow obligations as they come due. The Credit Union mitigates this risk by monitoring cash activities and expected outflows so as to meet all cash outflow obligations as they fall due.

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.

Notes to the Financial Statements

For the year ended December 31, 2013

3. Financial Risk Management (continued)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk.

The Credit Union is mainly exposed to interest rate risk. The Credit Union's exposure to currency risk is minimal since it does not have any significant foreign currency denominated assets. The Eastern Caribbean dollar is pegged to the United States Dollar at EC\$2.67. Most of the financial assets and liabilities of the Society is based in Eastern Caribbean Dollars. However, some of the members who have loans are based overseas. Fluctuation in foreign currencies against the Eastern Caribbean Dollar will influence the net amount remitted by members to service their loans.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

While operational risk is inherent to each of the Credit Union's business activities, the exposure is minimised by ensuring that the appropriate infrastructure, controls, systems and human resources are in place. Key policies and procedures, used in managing operating risk involve a strong internal audit function, segregation of duties, delegation of authority, and financial and managerial reporting.

Within the Credit Union, mitigation of operating risk is assigned to senior management supported by a well-defined organisational structure that segregates operational and administrative functions.

In addition periodic reviews are undertaken by the Internal Audit department. The results of the reviews are discussed with senior management and Board of Directors.

Notes to the Financial Statements

For the year ended December 31, 2013

3. Financial Risk Management (continued)

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 of 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 is not significantly different from their carrying values.

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
4. Cash and Bank Balances		
Cash on hand	2,119,143	2,088,459
Current accounts	6,922,228	7,687,639
	<u>9,041,371</u>	<u>9,776,098</u>
5. Statutory reserve deposit		
Fixed deposits at banks	16,655,723	16,038,476
Demand deposit at Dominica Co-op Societies League Ltd	1,982,264	1,968,940
	<u>18,637,987</u>	<u>18,007,416</u>
6. Shares at Dominica Co-operative Societies League Ltd		
Shares at cost	<u>131,285</u>	<u>131,285</u>
7. Related Company Account		
This represents net payments on behalf of NCCU Cadence Lypso Inc., a company incorporated by NCCU under the Companies Act.	<u>81,312</u>	<u>63,161</u>
8. Investment Securities : held to maturity		
Eastern Caribbean Home Mortgage Bank Bond (ECHMB)	2,257,438	2,250,000
Fixed deposits at League and credit unions	2,028,370	1,840,615
Fixed deposits at banks and other institutions	46,881,266	40,828,064
Fixed deposits at Colonial Life Insurance Company (CLICO)	3,549,920	3,549,920
Fixed deposits at British American Insurance Company (BAICO)	4,367,115	4,367,115
	<u>59,084,109</u>	<u>52,835,714</u>
Provision for impairment loss on fixed deposits at CLICO & BAICO	<u>(6,611,172)</u>	<u>(5,002,053)</u>
	<u>52,472,937</u>	<u>47,833,661</u>
Provision for impairment on investments		
Provision beginning of year	5,002,053	3,788,654
Provision for the year	1,609,119	1,213,399
Provision end of year	<u>6,611,172</u>	<u>5,002,053</u>
Provision for the year - CLICO	498,992	354,992
Provision for the year - BAICO	1,110,127	858,407
	<u>1,609,119</u>	<u>1,213,399</u>

Both Colonial Life Insurance Company and British American Insurance Co. are insolvent and are under judicial management. The Society's management has made a provision for these investments against possible losses.

Notes to the Financial Statements

For the year ended December 31, 2013

9. Investment securities: available-for-sale

	2013 EC\$	2012 EC\$
229,298 Shares at cost in National Bank of Dominica	104,200	104,200
Shares at DOMLEC (140,328 @ \$4.00 ; 2012: \$3.25)	561,312	456,066
E C Home Mortgage Bank shares at cost(250@\$100; 20,250 @ \$160)	3,265,000	3,265,000
ECSE capitalisation account (5,000 class C shares @ \$10)	50,000	50,000
Shares in Dominica Unit Trust Corporation Ltd less provision \$441,400)	110	110
DUTC : Income Fund (less diminution \$28,377)	100	100
First Citizen Bank Fixed Income Investment	887,295	816,424
Government of Dominica Bond	70,640	89,840
	<u>4,938,657</u>	<u>4,781,740</u>

Fair value of investment in DOMLEC

Original cost of investment

Fair value gain

	270,092	270,092
	291,220	185,974
	<u>561,312</u>	<u>456,066</u>

The fair value gain on investments is not available for distribution.

10. Originated loans

(a) Originated loans - Loans and advances to members loans

Members' loans	300,793,493	279,383,615
Overdraft	3,382,974	2,789,635
Staff advances and loans	2,460,565	3,050,095
Total	<u>306,637,032</u>	<u>285,223,345</u>

Less: Provision for loan impairment

	(13,004,363)	(12,061,380)
	<u>293,632,669</u>	<u>273,161,965</u>

(b) Sectoral Analysis

Personal	70,029,292	65,540,979
Mortgage	179,983,871	167,627,689
Vehicle	13,580,700	12,213,033
Land	22,477,545	21,111,702
Business	13,007,082	13,590,229
Other loans (litigated loans)	7,558,542	5,139,713
	<u>306,637,032</u>	<u>285,223,345</u>

(c) Terms and conditions

The terms and conditions with regard to loan granting and approval are governed by loan policies and guidelines set out by the Board of Directors.

These policies cover interest rate, collateral, repayment period and loan administration.

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
10. Originated loans (continued)		
(b) Provision for loan impairment		
<i>Movement on Provision for loan impairment</i>		
Provision at beginning of year	12,061,380	11,245,449
Bad debts recovered	81,483	131,884
Bad loans written off during the year	(149,709)	(173,457)
	11,993,154	11,203,876
Additional provision made	1,011,209	857,504
Provision at end of year	13,004,363	12,061,380

Performing loans	279,787,886	261,395,962
Non-performing loans	26,849,146	23,827,383
Total loans	306,637,032	285,223,345
Less provision for loan impairment	(13,004,363)	(12,061,380)
	293,632,669	273,161,965

The provision for loan loss is comprised of:

Specific provision - impaired non-performing loans	8,148,175	7,633,300
Specific provision - unimpaired non-performing loans	2,250,367	1,997,098
General provision	2,605,821	2,430,982
Total provision	13,004,363	12,061,380

The Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan agreement or where there is other evidence of potential impairment.

11. Other assets

Interest receivable on investments	1,579,701	1,961,033
Inventory of stationery / office supplies	344,880	365,841
Prepayments	332,967	282,561
Deferred expenses	520,560	217,066
Loans receivable interest	1,522,053	1,511,020
Debtors	1,157,520	1,516,488
Receivable staff education	50,691	50,691
Interest - free staff study loan	0	5,808
Other receivables	303,530	384,436
	5,811,902	6,294,944

Notes to the Financial Statements

For the year ended December 31, 2013

12. Property, plant and equipment

Cost / valuation										
Balance beginning of year	1/1/2012	2,193,033	10,655,414	4,085,772	7,093,319	404,800	2,318,060	19,525	10,000	26,779,923
Additions		146,250	61,143	203,158	1,192,498	0	313,251	0	1,962,491	3,878,791
Revaluation Surplus		679,281	7,343,114	0	0	0	0	0	0	8,022,395
Disposals		0	(3,765,671)	0	0	0	0	0	0	(3,765,671)
Balance end of year	31/12/2012	3,018,564	14,294,000	4,288,930	8,285,817	404,800	2,631,311	19,525	1,972,491	34,915,438
Additions		0	81,684	156,858	256,371	0	116,806	0	2,132,925	2,744,644
Disposals		0	0	0	0	0	0	0	0	0
Adjustment		0	0	0	0	0	0	0	0	0
Balance end of year	31/12/2013	3,018,564	14,375,684	4,445,788	8,542,188	404,800	2,748,117	19,525	4,105,416	37,660,082
Accumulated Depreciation										
Balance beginning of year	1/1/2012	0	3,484,200	3,310,761	6,463,386	124,379	1,636,361	19,525	0	15,038,612
Depreciation charge for the year		0	281,471	236,829	450,302	64,561	236,679	0	0	1,269,842
Eliminated on revaluation		0	(3,765,671)	0	0	0	0	0	0	(3,765,671)
Balance end of year	31/12/2012	0	0	3,547,590	6,913,688	188,940	1,873,040	19,525	0	12,542,783
Depreciation charge for the year		0	280,168	227,726	473,552	64,560	241,012	0	0	1,287,018
Eliminated on disposal		0	0	0	0	0	0	0	0	0
Balance end of year	31/12/2013	0	280,168	3,775,316	7,387,240	253,500	2,114,052	19,525	0	13,829,801
Net book amount										
Beginning of year		3,018,564	14,294,000	741,340	1,372,129	215,860	758,271	0	1,972,491	22,372,655
End of year		3,018,564	14,095,516	670,472	1,154,948	151,300	634,065	0	4,105,416	23,830,281

See note 27.

Notes to the Financial Statements

For the year ended December 31, 2013

13. Leasehold improvement

Balance beginning of year
Amortised during the year
Unamortised balance end of year

2013 EC\$	2012 EC\$
9,696	11,873
(2,375)	(2,177)
7,321	9,696

This represents cost of improvement to leased property (branch office) which cost is being amortised over 5 years.

14. Members' savings / ordinary deposits

Members' savings / ordinary deposits

2013 EC\$	2012 EC\$
199,406,369	190,331,169

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 among its members in proportion to their business with the Society at such rates as may be prescribed by its bye-laws. Members' savings and ordinary deposits subject to special terms and conditions are due on demand.

15.Term deposits

Term deposits

125,161,097	112,309,485
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Term deposits bear fixed rates of interest at rates in the range of 2.75% to 5.75% p.a. for up to 5 years.

16. Member Retirement Account

Member Retirement Account

27,752,821	27,101,161
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The Credit Union operates a retirement savings plan for the benefit its members. Under this plan, members enjoy a rate of interest higher than the normal deposit interest rate on condition that the savings are not withdrawn before the member has reached normal retirement age. Currently, members' savings are limited to EC\$1,000 per month to a maximum of \$12,000 in any calendar year. As at year end, the rate offered to members was 6% per annum.

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
17. Accounts payable and provisions		
Accounts payable	968,425	734,928
Audit fee payable	36,000	20,000
Clearing accounts	107,253	355,182
Other	91,724	183,147
	<u>1,203,402</u>	<u>1,293,257</u>

18. Accrued interest payable

Accrued interest payable on term deposits	<u>5,632,981</u>	<u>4,958,346</u>
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19. European Union (EU) grant

	<u>21,317</u>	<u>21,317</u>
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Technical assistance grant for small business development.

20. Share capital

Issued and fully paid shares of \$50 par value per share		
Balance beginning of year	2,815,050	2,723,600
Issued during the year 7,284 (2012: 1829)	364,200	91,450
	<u>3,179,250</u>	<u>2,815,050</u>

The liability of each member is limited to the paid up shares.

According to section 5 of the Co-operative Societies regulations S.R.O. No. 26 of 2001, the Credit Union pay a dividend no greater than 3% above the rate set by the ECCB.

The rate set by the ECCB is currently 3%.

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 Commissioner may approve and shall be subject to payment by the transferor and transferee of such fee for each transfer as the Board 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, 2013

21. 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 to a reserve; and such Reserve Fund, may subject to the approval of the Commissioner, 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.

	2013 EC\$	2012 EC\$
Movements during the year were as follows:		
Balance beginning of year	14,186,151	13,782,517
Add: Entrance fees	13,187	12,068
Appropriation from surplus	538,651	391,566
Balance end of year	14,737,989	14,186,151

The Society's statutory reserve is represented by a fixed deposit at the Dominica Co-operative Societies League Limited. See note 5.

22. Education fund

This represents funds appropriated from surplus for member education.

23. Loan protection fund

This represents amounts set aside by the Society to cover that portion of members' loan balances not covered under the CUNA Mutual Insurance scheme set up to EC\$123,000.

24. Capital Contribution

Five (5) Credit Unions, namely, Roseau, La Salette, St. David, St. Paul and Vieille Case Credit Unions amalgamated in accordance with the Cooperavie Societies Act to form the National Cooperative Credit Union Limited (NCCU). The assets and liabilities of the five (5) former Credit Unions were vested in the NCCU in accordance with the Cooperative Societies Act as of November 1, 2010. The resulting credit balance on amalgamation is accounted for under Members' Equity as Capital Contribution.

Notes to the Financial Statements

For the year ended December 31, 2013

25. Capital Reserve

This represents contribution by members during the construction of the Society's office building in Roseau.

26. Development Fund

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 realises a surplus from its operations as ascertained by the annual audit shall make such annual contribution, not exceeding ten percent of that surplus, and the Co-operative Society shall use the funds for strengthening the capacity and growth of co-operative societies and for human development.

27. Revaluation Surplus

This represents the surplus on valuation over cost of the Society's land and buildings, following valuations carried out in December 2012 by Mc Kenzie Architect and Construction Services Incorporated.

The valuation was accepted by the Board of Directors.

The excess of the revalued amount over cost is included under Revaluation surplus.

The revaluation surplus booked in 2012 was understated by \$3,765,671. This was adjusted as a prior period adjustment as follows:

	Revaluation Surplus \$	Property, Plant & Equipment \$
Booked in 2012 as previously stated	4,256,724	18,606,984
Understatement in 2012 now adjusted	3,765,671	3,765,671
Restated as at 31/12/2012	8,022,395	22,372,655

Notes to the Financial Statements

For the year ended December 31, 2013

28. Net interest and investment income

Interest income

	2013 EC\$	2012 EC\$
Income from loans	24,726,374	23,173,947
Income from investments	397,885	302,227
Interest on fixed deposits	3,246,115	3,227,725
	<u>28,370,374</u>	<u>26,703,899</u>

Interest expense

Interest on borrowed funds	0	10,658
interest on term deposits	5,145,766	4,699,440
Interest on members' savings /deposits	5,417,464	5,212,703
Interest on Member Retirement Account (MRA)	1,541,131	1,629,593
Interest on Christmas savings club	4,920	2,981
	<u>12,109,281</u>	<u>11,555,375</u>

Net interest and investment income

	<u>16,261,093</u>	<u>15,148,524</u>
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28. Other income

Rent	51,799	51,640
Cheque book fees	145,395	187,300
Sale of rule and pass books	16,415	17,628
Professional services	381,974	452,538
Sundry service charges	219,033	137,989
CUNA rebates	22,936	23,796
Bad debts recovered / written off	13,744	19,753
Gain on disposal of property, plant and equipment	0	0
Other Income	<u>162,193</u>	<u>154,737</u>
	<u>1,013,489</u>	<u>1,045,381</u>

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
29. Operating costs		
Personnel expenses (see note 30)	5,804,682	5,755,440
Governance (Board & Committees' expenses and honoraria)	143,655	136,645
CUNA insurance	916,098	931,210
Annual general meeting	88,068	108,263
Scholarship	59,385	53,540
Overseas travel and conference	359,077	210,881
Computer services and expenses	571,916	548,897
Stationery and office supplies	214,753	234,424
Fraternity expenses	215,939	210,950
Audit Fee	36,000	36,124
IT audit	0	23,284
Occupancy expenses	805,040	827,537
Insurance building and contents	216,725	202,955
General expenses (see note 31)	1,180,267	1,319,613
	<u>10,611,605</u>	<u>10,599,763</u>

30 . Employees' benefit expenses

Salaries staff benefits and allowances	5,079,129	5,000,009
Social security	291,810	288,957
Pension and insurance	65,628	108,869
Uniform allowances and transportation	368,115	357,605
	<u>5,804,682</u>	<u>5,755,440</u>

Key management compensation

Salaries & other short term benefits	1,433,428	1,370,088
Gratuity	274,948	204,378
	<u>1,708,376</u>	<u>1,574,466</u>

Notes to the Financial Statements

For the year ended December 31, 2013

	2013 EC\$	2012 EC\$
31. General expenses		
Security expenses	161,097	147,321
Postage	15,861	14,451
Advertising , publicity, promotion and dues	193,792	361,328
3 Cs expenses	52,323	53,362
Donations	71,223	60,535
ATM services and expenses	282,384	252,270
Entertainment	24,591	25,558
Maintenance of fixed assets	190,036	242,004
Valuation and Legal fees	27,315	7,264
Bank charges	29,066	40,843
Other expenses	132,579	114,677
	1,180,267	1,319,613

32. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party by making financial and operational decisions. As at the year end, related party transactions / balances were as follows:

	2013 EC\$	2012 EC\$
<i>Loan balances at year end</i>		
Directors & volunteers	3,612,150	4,002,339
Key management staff	2,460,565	2,231,621
	6,072,715	6,233,960
<i>Savings balances at year end</i>		
Directors & volunteers	2,020,958	1,816,821
Key management staff	1,896,902	1,660,898
	3,917,860	3,477,719

Notes to the Financial Statements

For the year ended December 31, 2013

32. Commitments and contingencies

Loans and advances committed but not yet drawn down at the balance sheet date totaled \$8,623,142.

The Society has entered into a contract for the extension of its office building in Roseau. The contracted sum for the project is EC\$ 9,436,150. As at year end cost incurred to date was \$4.1 million. The building is expected to be completed in 2014.

33. Post balance sheet events

There were none.



Credit Committee Report

For the year ended December 31, 2013

The Credit Committee of the National Co-operative Credit Union (NCCU) Limited is pleased to report on activities of the Committee for the period ending December 2013 as per the Co-operative Societies Act No. 2 of 2011. The Committee comprised of thirteen (13) members, whose names are listed in Table 1 below.

Table 1 – Credit Committee Meeting Attendance Jan. 2013 – Dec. 2013

NAMES	Loan Review Meetings Scheduled	Loan Review Meetings Attended	Joint Committee Meetings Scheduled	Joint Committee Meetings Attended
Ms. Isabella Prentice	41	24	6	3
Mrs. Maria Etienne-Pascal	41	36	6	5
Ms. Shirlyn Pond	43	45	6	5
Ms. Kay Fontaine	43	32	6	6
Mr. Augustus Lewis	37	26	6	4
Ms. Priscilla Panthier	37	27	6	4
Mrs. Julie Shillingford-Durand	43	33	6	5
Mrs. Josephine Dublin	39	23	6	3
Dr. Damien Dublin	40	29	6	5
Mr. Philbert Joseph	39	25	6	3
Mr. Darius Polydore	39	34	6	6
Ms. Roanna Joseph	43	29	6	6
Mr. George Maxwell [Co-opted in May 2013 to complete unexpired term of Mr. Nathaniel Isaac]	15	14	2	2

A total of twenty-five (25) loan review meetings scheduled during the period were cancelled.

The year under review, proved to be a challenging year in dealing with members' financial requests. The Committee continues to receive numerous requests for refinancing, consolidation and additional amounts on mortgage loans to complete new dwellings. The Committee is aware of the difficult financial times that exist; however, it is felt that in some cases, members compromise themselves with underestimated bills of quantities only to have to stretch themselves further by sourcing more funds on very limited resources.

Members should seek to inform themselves of the services offered at the Credit Union by visiting the

institution and attending the outreach meetings where staff and volunteers make themselves available to hear their concerns and answer their questions. In that way they can be more educated in making prudent financial decisions rather than burden themselves with debts from numerous lending agencies and in the end come to the credit union. We as members must trust our Credit Union's Motto of "People Helping People".

The attached data sheet gives a summary of number and categories of loans reviewed under the period ending December 31, 2013. Total loans considered for the period under review totaled 8080 compared to 7606 during 2012, a 6.2% increase.

Table 2 – Composition of the Loans Portfolio by Sector for the year Ended Dec. 31, 2013

LOAN CATEGORY	2013 \$	2012 \$	INCREASE/ (DECREASE) \$	%
Personal	70,029,293	65,540,979	4,488,314	6.85
Mortgage	179,983,871	167,627,688	12,356,183	7.37
Vehicle	13,580,700	12,213,033	1,367,667	11.20
Land	22,477,545	21,111,702	1,365,843	6.47
Business	13,007,082	13,590,229	(583,147)	--
Other Loans	7,558,542	5,139,713	2,418,829	47.06

During the period under review the following categories experienced a decrease in the numbers sourced:

- Equipment 23%
- Agriculture Land 21%
- Legal expenses 21%
-

whilst the following saw positive growth:

- Now 4 Now 136%
- Learn while U Earn 51%
- Business 54%

The new loan category 'Now 4 Now' appeared to have gained ground in the very competitive new 'easy cash access' market. NCCU has found a way to attract its members in this very competitive market. We applaud the organization for taking this initiative to satisfy the members.

'Learn while you Earn' has continued to thrive as the 2013 showed that members were still making use of this loan facility. It is hoped that the members of NCCU would continue to make use of the services available and help to build the Society in order that it maintains its competitive edge among other financial institutions despite the challenging financial times that we currently experience.

The Committee's recommendations going forward are:

- ❖ Training sessions be organized for members in financial management.
- ❖ Specialized training for Loan Officers to enhance their efficiency.
- ❖ Guidelines on new loan categories especially the risky short term loans.
- ❖ Provision of specialized training to staff for more effective monitoring, especially of mortgage loans and valuations of buildings.
- ❖ Outreach programmes for members to foster greater collaboration and ensure

common understanding of loan policies and requirements.

The Committee was represented at the 11th OECS Credit Unions Summit held in St. Kitts by:

- ❖ Ms. Priscilla Panthier,
- ❖ Mr. Augustus Lewis and
- ❖ Dr. Damien Dublin.

The Committee's representatives presented a written report to the NCCU.

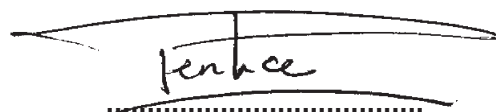
At the Caribbean Confederation of Credit Unions 56th Annual International Convention & 42nd Annual General Meeting held in Panama in August 2013, the Committee was represented by:

- ❖ Ms. Roanna Joseph and
- ❖ Ms. Shirlyn Pond.

The Committee was also represented at training sessions organized by the Dominica Co-operative Societies League in 2013.

The Credit Committee encourages members to practice thrift and avail themselves of the wide range of services offered by the NCCU.

The Committee takes this opportunity to thank members for their continued commitment to the organization. Also, the Committee expresses its gratitude to the Chief Executive Officer, Branch Managers/Admin. Officer, Loans Department, Management, Staff, Board of Directors and Supervisory & Compliance Committee for their collaboration during 2013.



ISABELLA PRENTICE
CHAIRPERSON
FOR AND ON BEHALF OF THE CREDIT
COMMITTEE

SUMMARY OF LOANS APPROVED

BY THE CREDIT COMMITTEE AND MANAGER FOR NCCU

FOR THE YEAR ENDED DECEMBER 31ST 2013 & 2012

LOANS	LOANS APPROVED IN 2013					
	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
BLDG. CONSTRUCTION & PURCHASE	122	\$2,360,264.40	192	\$20,646,943.74	314	\$23,007,208.14
LAND	94	\$3,481,091.16	17	\$1,638,216.09	111	\$5,119,307.25
DEBT CONSOLIDATION HR/CC	26	\$946,935.48	22	\$436,951.94	48	\$1,383,887.42
DEBT CONSOLIDATION	608	\$4,923,419.17	159	\$2,281,431.33	767	\$7,204,850.50
BUSINESS	164	\$2,022,583.26	14	\$3,603,371.69	178	\$5,625,954.95
EQUIPMENT	36	\$347,781.47	3	\$29,125.89	39	\$376,907.36
TRAVEL	114	\$780,282.83	11	\$101,917.69	125	\$882,200.52
AGRICULTURAL LAND	10	\$98,215.52	0	\$-	10	\$98,215.52
MOTOR VEHICLE - AGRICULTURE	0	\$-	0	\$-	0	\$-
MOTOR VEHICLE - PRIVATE	219	\$4,391,071.97	22	\$759,080.94	241	\$5,150,152.91
HOUSE HOLD GOODS	59	\$348,437.58	13	\$147,683.00	72	\$496,120.58
DWELLING HOUSE REPAIR	253	\$2,676,925.55	7	\$255,701.29	260	\$2,932,626.84
EDUCATION	145	\$1,025,832.77	18	\$675,151.34	163	\$1,700,984.11
AGRICULTURAL EXPENSES	52	\$107,820.37	0	\$-	52	\$107,820.37
DOMESTIC	3169	\$9,263,139.48	53	\$286,664.36	3222	\$9,549,803.84
MOTOR VEHICLE REPAIRS	113	\$642,447.04	11	\$71,055.98	124	\$713,503.02
LEGAL EXPENSES	16	\$122,655.18	2	\$14,617.31	18	\$137,272.49
LINE OF CREDIT	322	\$1,225,968.21	1	\$10,000.00	323	\$1,235,968.21
LEARN WHILE U EARN	24	\$90,460.15	0	\$-	24	\$90,460.15
NOW FOR NOW	1913	\$5,020,774.25	0	\$-	1913	\$5,020,774.25
MEDICAL	76	\$578,665.34	0	\$-	76	\$578,665.34
TOTAL	7535	\$40,454,771.18	545	\$30,957,912.59	8080	\$71,412,683.77

LOANS APPROVED IN 2012							
BY THE MANAGER ON BEHALF OF THE CREDIT COMMITTEE		DIRECTLY BY THE CREDIT COMMITTEE		TOTAL APPROVED BY THE CREDIT COMMITTEE		COMPARATIVE INCREASE/DECREASE OVER 2012	
NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	AMOUNT	%
274	\$2,928,813.69	426	\$24,831,779.12	700	\$27,760,592.78	\$(4,753,384.64)	-17%
93	\$3,886,007.86	14	\$861,033.96	107	\$4,747,041.85	\$372,265.40	8%
253	\$1,108,669.00	56	\$346,452.41	309	\$1,455,121.41	\$(71,233.99)	-5%
591	\$4,432,077.99	102	\$1,636,295.18	693	\$6,068,373.17	\$1,136,477.33	19%
162	\$2,093,329.82	34	\$1,551,016.24	196	\$3,644,346.06	\$1,981,608.89	54%
38	\$331,910.93	2	\$156,793.80	40	\$488,704.73	\$(111,797.37)	-23%
160	\$932,824.08	10	\$78,352.23	170	\$1,011,176.31	\$(128,975.79)	-13%
3	\$11,776.09	2	\$112,642.39	5	\$124,418.48	\$(26,202.96)	-21%
0	\$-	0	\$-	0	\$-	\$-	0%
183	\$3,266,482.62	44	\$1,415,124.20	227	\$4,681,606.82	\$468,546.09	10%
74	\$374,269.83	10	\$65,628.52	84	\$439,898.35	\$56,222.23	13%
233	\$2,289,488.21	11	\$180,699.33	244	\$2,470,187.54	\$462,439.30	19%
213	\$1,465,106.88	34	\$589,555.06	247	\$2,054,661.94	\$(353,677.83)	-17%
65	\$95,032.37	0	\$-	65	\$95,032.37	\$12,788.00	13%
3314	\$9,059,837.54	77	\$325,112.94	3391	\$9,384,950.48	\$164,853.36	2%
107	\$507,611.68	7	\$45,018.75	114	\$552,630.43	\$160,872.59	29%
21	\$103,337.96	3	\$69,665.10	24	\$173,003.06	\$(35,730.57)	-21%
126	\$665,118.71	0	\$-	126	\$665,118.71	\$570,849.50	86%
17	\$49,713.80	1	\$10,000.00	18	\$59,713.80	\$30,748.35	51%
762	\$2,126,084.00	0	\$-	762	\$2,126,084.00	\$2,894,690.00	136%
79	\$397,530.09	5	\$76,756.00	84	\$474,286.09	\$104,379.25	22%
6768	\$36,125,023.15	838	\$32,351,925.23	7606	\$68,478,848.00	\$2,935,735.39	4.3%



Supervisory and Compliance Committee Report

For the year ended December 31, 2013

Pursuant to Section 66 (1) (f) of the Co-operative Societies Act No. 2 of 2011, the Supervisory and Compliance Committee is pleased to report on its activities for the year under review. Members serving on the Committee were:

Mr. Ian-Michael Anthony - Chairperson
Mr. Clement Marcellin Jr. - Deputy Chairperson
Mr. Mervyn Dailey - Secretary
Mr. Festus Dalrymple - Assistant Secretary
Mr. Augustus Etienne - Member
Mr. Jason R. Francis - Member
Mrs. Cynthia Joseph - Member
Mr. Rupert Lance - Member
Mr. David E. Maximea - Member
Ms. Linda Gonzalez-Peltier - Member
Ms. Ingrid Roosburg - Member
Ms. Esther Shillingford – Member
Ms. Nadette Williams – Member

The following table provides a record of the attendance of members at regular and special meetings of the committee.

Committee Members	Meetings Scheduled	Regular Meetings Attended	Joint Committee Meetings	Meetings Cancelled	Excused/ Absent
Anthony, Ian-Michael	24	20	3	3	1/0
Dailey, Mervyn	24	19	3	3	2/0
Dalrymple, Festus S.	24	20	3	3	1/0
Etienne, Augustus C.	24	17	3	3	4/0
Francis, Jason R.	24	16	3	3	4/1
Gonzalez-Peltier, Linda	24	17	3	3	4/0
Joseph, Cynthia R.	24	21	3	3	0/0
Lance, Rupert S.	24	20	3	3	1/0
Marcellin, Clement Jr.	24	18	3	3	3/0
Maximea, David E.	24	18	3	3	2/1
Roosburg, Ingrid Y.	24	20	3	3	1/0
Shillingford, Esther C.	24	20	3	3	1/0
Williams, Nadette J.	24	17	3	3	2/2

SUMMARY OF MAJOR ACTIVITIES

During the course of the year, a number of activities were undertaken with a view to ensuring 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. However, in an effort to curtail cost, most of the regular meetings were held at the Head Office in Roseau. The following were among the main activities pursued by the Committee during the review period:

- The Minutes of meetings of the Board of Directors (BOD) were examined.
- Reports of the Credit Committee, Compliance Officer and Internal Auditor were reviewed.
- Reports on Delinquent Loans were examined.
- Cash counts were conducted at all the branches.
- The Accounts and Loan files of Staff were examined.

- Random checks were conducted on the Accounts and Loan files of members.

In addition to the regular meetings of the Committee, members attended Outreach Meetings organized by management. Three (3) members of the Committee were part of the Society's delegation which attended the OECS Credit Unions Summit, held in St. Kitts and two (2) members attended the Caribbean Confederation of Credit Union (CCCU) Conference held in Panama. The Supervisory and Compliance Committee was also represented on the Cadence Lypso Show Organizing Committee.

As required by Section 66 (3) of the Co-operative Societies Act No. 2 of 2011, members of the Supervisory and Compliance Committee attended meetings of the Board of Directors as observers, while three (3) evaluation meetings were held with the Board of Directors pursuant to Section 69 of the said Act.

INTERNAL STRUCTURE

In an effort to better coordinate/facilitate the work of the Committee and to achieve a higher degree of efficiency, a number of sub-committees were set up to wit:

- Securities
- Human Resource
- Information Technology
- Finance
- Projects
- Legal and Compliance

Meetings were held with the Compliance Officer to examine and review his work schedule and reports. Securities were checked at all the branches and, where necessary, recommendations were made in relation thereto.

The Committee met with a representative of the Financial Services Unit (FSU) to discuss the report it had submitted to the Board of Directors, following its examination of the NCCU in early January 2013. The recommendations contained in the subject report of the FSU were subsequently discussed with the Board of Directors at one of the meetings convened by the committee for the purpose of evaluating the Board of Directors.

HUMAN RESOURCE AND TRAINING

During the past year, a number of training opportunities were made available to staff and volunteers by CUNA, FSU, DCSL and NCCUL on:

- Continued Professional Development
- Business Plan Preparation
- Marketing for Small Business
- Role and Responsibility of the Supervisory and Compliance Committee
- Anti-Money Laundering
- Improving Communication Skills

- Understanding and Interpreting Financial Statements

The Committee is pleased to report that a number of staff members and volunteers took advantage of these training opportunities.

In preparation for the reporting requirements of the United States' Foreign Account Tax Compliance Act (FATCA), the Committee, as part of the implementation team, met with the Compliance Officer to discuss and formulate oversight strategies.

POLICIES AND PROCEDURES

From its examination/review of Minutes of meetings of the Board of Directors, the Committee made observations and recommendations that were deemed relevant in the circumstances. Concern was expressed by the Committee to the Board of Directors regarding the size and make-up of the delegation which attended the OECS Credit Unions Summit in St. Kitts. It was felt that—because of the educational nature of the summit—it would have been more prudent to have included some staff members among the delegation with a smaller number of Directors. In light of this, the Committee recommended that the Board implements a policy to guide the Society's representation at future summits and conferences.

FINANCE AND MANAGEMENT

Unannounced and notified Cash Counts were conducted at all branches, in addition to the end-of-year cash count which was conducted together with the External Auditor. No irregularities were discovered during these Cash Counts.

Reports from Management, Credit Committee, Compliance Officer and Internal Auditor were reviewed and all pertinent issues and concerns were duly noted. Accounts and loan files of Staff and Volunteers were examined and random checks were conducted on members' accounts.

The Committee is concerned that loan application forms are still being filled manually, a rather cumbersome task in this technological age. While it recognizes the challenges involved in the computerization of the application form, the Committee recommends that, in the interest of efficiency and effectiveness, the NCCUL should seek to achieve this in the quickest possible time. Standardization would also serve to minimize some of the anomalies that exist presently, especially with the section of the current form relating to personal expenditure.

PHYSICAL PLANT

The Committee is pleased that the improvement works on the St. Paul Branch building have been completed and that some of the physical constraints faced by staff and members have been eased. With regards to the Roseau Branch expansion project, the Committee was not initially satisfied with the reporting procedure of the on-site manager. The Committee is, however, happy to report that—based on its recommendations—there has since been improvements in the reporting.

LOOKING AHEAD

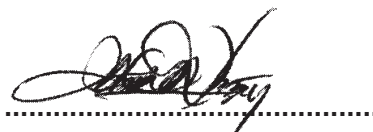
- More visits to branches
- Continue working in sub-committees
- Monitoring of financials monthly

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 thus, its scope of work is extremely wide. To ensure that the Society functions in accordance with the provisions of the Dominica Co-operative Societies Act No. 2 of 2011, the Co-operative Societies Regulations, and the By-Laws No. 1 of 2012, the Committee has to examine the functioning of all the facets of the Society's operations.

This entails the in-depth examination of the functioning of various parts of the organization and perusal of a variety of documents generated/processed in the course of operations. In all this, a dedicated and committed team of volunteers is essential. Additionally, the cooperation of volunteers from other committees, as well as staff and the general membership is critical. Hence, the fact that the Committee was able to achieve most of its targets is testimony to the cooperation received from the various stakeholders.

Accordingly, the Committee wishes to thank the Board of Directors, Credit Committee, Management, staff and members who facilitated its work in 2013. It is confident that the prevailing relationship and level of support 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, 2013

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

- Mr. Carlisle Jno Baptiste – Chairperson
- Mr. Bernard Francis
- Mrs. Maria Etienne-Pascal
- Ms. Nadette Williams
- Mr. Aylmer A. Irish

The Society's members were invited through media advertisements to nominate persons who are eligible and 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:

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 provided guidance to determine eligibility of persons nominated to serve on the Board and other Committees.

The Committee makes the following nominations for three (3) persons to serve a three (3) year term on the Board and Committees as follows:

Board of Directors	Term
Mrs. Vernice Bellony - <i>A Stalwart of the Credit Union Movement.</i>	Three (3) years
Mr. Wallace Williams - <i>Youth Officer, Government of Dominica</i> - <i>He is a young and vibrant member involved in NCCU activities.</i>	Three (3) years
Mrs. Magdalene Bontiff-Honore - <i>Principal, Wesley Government School</i>	Three (3) years
Supervisory & Compliance Committee	Term
Mr. Mervyn Dailey - <i>Lecturer, Teacher's Training College</i>	Three (3) years
Mr. Rupert Lance - <i>Retired Secondary School Teacher</i>	Three (3) years
Ms. Evadney Esprit - <i>Management Accountant, Auto Trade Group</i>	Three (3) years
Credit Committee	Term
Mr. George Maxwell - <i>Technical Officer, Ministry of Tourism & Legal Affairs.</i> - <i>He has a background in Economics and Finance.</i>	Three (3) years
Ms. Priscilla Panthier - <i>Legal Secretary, Prevost & Roberts Chambers (from 1991)</i>	Three (3) years
Ms. Kay Fontaine - <i>Legal Secretary, David Bruney's Chambers</i>	Three (3) years

The Nominations Committee recommends the above named nominees to the 4th Annual General Meeting of the NCCU.

The following additional nominations were made by members:

Board of Directors

Mr. Gerald Fregiste	<i>Employee, Government of Dominica</i>
Ms. Euella Joseph	<i>Principal, Penville Government School</i>
Ms. Alexia Simon	<i>Employee, 4D</i>
Mr. Clement Carty	<i>Former President, Dominica Co-operative Credit Union League (DCCUL) Ltd.</i>
Mrs. Palestrina Rolle-George	<i>Employee, Government of Dominica</i>

Supervisory & Compliance Committee

Mr. Clifford Celaire	<i>Former Employee, DOWASCO</i>
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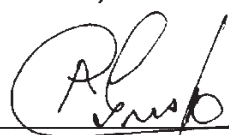
Credit Committee


Ms. Rhona Riley	<i>Employee, Government of Dominica</i>
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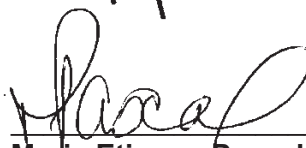
The Nominations Committee is pleased to present this report to you the members.



Carlisle Jno Baptiste

Bernard Francis

Aylmer A. Irish

Nadette Williams

Maria Etienne-Pascal

**Roseau Branch/Head Office**

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Roseau, Commonwealth of Dominica, W.I.
Tel: 255 2155

Vieille Case Branch

7021 Church Street, Vieille Case
Commonwealth of Dominica, W.I.
Tel: 255 2241

St. Paul Branch

Cnr of Main Rd & Campbell Rd.
P.O. Box 185, Mahaut
Commonwealth of Dominica, W.I.
Tel: 255 2215

St. David's Branch

Riviere Cyrique
Commonwealth of Dominica W.I.
Tel: 255 2255

La Salette Branch

P.O. Box 704, Point Mitchel
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**f National Co-operative Credit
Union Limited**