



RHAND  
Credit Union

today, tomorrow...  
together

annual  
report 2011



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Credit Union

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**together**

annual  
report **2011**

## Vision

The model Credit Union and leading provider of financial and other services in the Caribbean.

## Mission

To satisfy members' needs through creativity and foresight by providing competitive financial and other products and services.

THE  
NATIONAL  
ANTHEM

Forged from the love of liberty  
In the fires of hope and prayer  
With boundless faith in our destiny  
We solemnly declare.  
Side by side we stand  
Islands of the blue Caribbean Sea,  
This our native land  
We pledge our lives to thee.  
Here every creed and race  
Find an equal place,  
And may God bless our Nation.  
Here every creed and race  
Find an equal place,  
And may God bless our Nation.

CREDIT  
UNION  
PRAYER

LORD, make me an instrument of Thy Peace.  
Where there is hatred, let me sow Love,  
Where there is injury, Pardon,  
Where there is doubt, Faith,  
Where there is despair, Hope,  
Where there is darkness, Light,  
And where there is sadness, Joy.

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

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# MESSAGE FROM THE PRESIDENT OF RHAND CREDIT UNION

I once again greet you, the members of the RHAND family. On behalf of the Board of Directors and the Management Team of RHAND Credit Union, I take the opportunity to wish everyone the Blessings of the Almighty and Health and Prosperity in 2012.

On March 27, 2012, RHAND will celebrate its sixty-fifth year as a registered Credit Union. Undoubtedly, we are proud of this achievement, proud of our past and envisage a future of equal and additional success. Today I celebrate with you the work of our founding members and all others who have contributed along the way in forging the RHAND we all know and love.

Reflecting on the social, political and economic fortunes of 2011, which now form part of our history, we can talk with the benefit of hindsight but we cannot change the past. Within us however, we hold the power to influence the outcomes in 2012 and beyond. As we reflect, the following are a few matters of significance to the RHAND family -

1. The passing to the great beyond of several within our family; inclusive of founding member - Ms. May Cherrie and the indefatigable Mr. Earl Nesbitt, who embraced and espoused a unique and dynamic vision for RHAND and the Credit Union Movement in Trinidad and Tobago. May the Almighty grant them all eternal rest!
2. The conclusion of collective bargaining agreements covering all relevant members of staff for the three years of January 01, 2009 to December 31, 2011.
3. The receipt of correspondence from Colonial Life Insurance Company (Trinidad) Limited acknowledging the indebtedness of the company to RHAND and correspondence from the Government of the Republic of Trinidad and Tobago offering to settle this liability over a period of two years in two equal tranches.
4. The continued participation of RHAND in discussion and consultation fora, seeking to influence the shape and form of the Credit Union Bill which is being fashioned by the Central Bank of Trinidad and Tobago.



The 2012 economic outlook for Trinidad and Tobago and the world mirrors the fortunes of 2010 and 2011. It is solely up to you and me to create the appropriate member-focused environment, so that RHAND survives and thrives in the short to medium term, subsequent to the passage of the proposed Credit Union Act. It must be noted that RHAND cannot survive if the Credit Union Movement fails and therefore as a model Credit Union we must be willing to embrace the possibilities of mergers, acquisitions and direct support for other Credit Unions within the Movement.

Another important focal point of the competitive positioning of RHAND Credit Union is the embracing of technology while ensuring that we continue to meet the needs of members in an ever changing financial services environment. The reality today is that change is upon the door steps of the Credit Union Movement in Trinidad and Tobago and the wider Caribbean. The need for change is rooted in the developments which are resonating throughout the global financial system as governments worldwide attempt to protect the funds of savers and investors from those among us who may be ill informed or wrongly-motivated.

It is with issues such as these at the back of your minds that I ask the following of you:

1. Let your voice be heard on all matters that affect the Credit Union Movement in Trinidad and Tobago and specifically RHAND Credit Union.
2. Do your homework and demand performance from those who offer to serve and who you elect to positions on the Board and Statutory Committees in of RHAND.

Let vigilance and diligence be the watchwords, as we continue to envisage the RHAND and Credit Union Movement we want our children and grandchildren to inherit.

God's Blessings

Martin Minguell  
**President – Board of Directors**



# NOTICE OF 64th ANNUAL GENERAL MEETING

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Notice is hereby given that the 64th Annual General Meeting of RHAND Credit Union Co-operative Society Limited will be held on Saturday-March 17, 2012, commencing at 1:00 p.m. at the following two (2) venues simultaneously

- 1) Trinidad - UWI Sport and Physical Education Centre, St. Augustine
- 2) Tobago - Ministry of Works Conference Centre, Shaw Park

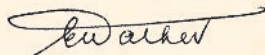
The Meeting will be facilitated through the linking of the two venues employing video conferencing technology.

## AGENDA

1. Adoption of Standing Orders
2. President's Address
3. Minutes of the 63rd Annual General Meeting of March 19, 2011
4. Matters Arising out of the Minutes of the 63rd Annual General Meeting
5. Reports 2011
  - Board of Directors
  - Credit Committee
  - Supervisory Committee
  - Independent Auditors
  - Financial Statements
6. Election of Officers for the 2012/2013 Term
7. 2012 Quantitative Objectives, Proposed Capital Expenditure and Financial Projections
8. Review of the Bye-Laws of the Society
9. Motions
10. Resolutions
11. Other Business

Dated this 2nd day of March, 2012

BY ORDER OF THE BOARD,



Emmanuel Walker  
**Secretary – Board of Directors**

**NOTE: Registration begins at 12:00 noon.  
Only members in good financial standing will be admitted to the meeting.  
Proper identification will be required.**

# STANDING ORDERS

1. A member shall stand when addressing the Chair. Speeches shall be clear and relevant to the subject before the meeting.
2. A member shall address the meeting when called upon by the Chairman to do so, after which he shall immediately take his seat.
3. No member shall address the meeting except through the Chairman.
4. A member may not speak twice on the same subject, except:-
  - (a) The mover of a motion – who has the right to reply.
  - (b) He rises to object or to explain (with the permission of the Chair).
5. No speeches shall be made after the “question” has been put and carried or negated.
6. The mover of a “procedural motion” – (adjournment, lay on the table, motion to postpone) shall have no right to reply.
7. A member rising on a “point of order” shall state the point clearly and concisely. (A point of order must have relevance to the Standing Orders).
8. A member shall not “call” another member “to order” but may draw the attention of the Chairman to a “breach of order”. On no account can a member call the Chairman “to order”.
9. Only one amendment shall be before the meeting at one and the same time.
10. When a motion is withdrawn, any amendment to it falls.
11. The Chairman shall have the right to a “casting vote”.
12. If there is an equality of voting on an amendment and if the Chairman does not exercise his casting vote, the amendment is lost.
13. Provision shall be made for the protection of the Chairman from vilification (personal abuse).
14. No member shall impute improper motives against another.
15. No electronic recording of the proceedings shall be allowed without the permission of the Chairman.





# COMPOSITION OF THE BOARD OF DIRECTORS AND STATUTORY COMMITTEES

2011 - 2012

## Board of Directors

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Mr. Martin Minguell	-	President
Mr. Trevor Percival	-	Vice President
Mr. Emmanuel Walker	-	Secretary
Ms. Marlene Felix	-	Assistant Secretary
Mrs. Theresa Agulia-Joseph	-	Treasurer
Mr. Kedron Duke	-	Director
Mr. Trevor Boissiere	-	Director
Mr. Earl Nesbitt	-	Director
Mr. Martin Gibbs	-	Director
Mrs. Glenda Bruce	-	Director
Mrs. Christine Campbell	-	Director
Ms. Monica Richards	-	Director
Mr. Neil Parsanlal	-	1st Substitute
Mr. John Self	-	2nd Substitute

## Supervisory Committee

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Ms. Claudette Brown	-	Chairman
Ms. Erica Charles	-	Secretary
Ms. Hermoine James	-	Member
Mrs. Patricia Williams	-	Member
Ms. Pamela Ogiste	-	Member
Mr. Anthony St. Bernard	-	1st Substitute
Ms. Dhanraji Ramlakhan	-	2nd Substitute

## Credit Committee

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Ms. Jennifer James	-	Chairman
Ms. Patricia Harry	-	Secretary
Mr. Lenus Joseph	-	Member
Ms. Marcia Codougan	-	Member
Mr. Dave Williams	-	Member
Mrs. Mary Lou Edmund Marcano	-	1st Substitute
Mr. Peter Lewis	-	2nd Substitute

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING

**Held on Saturday-March 19, 2011, simultaneously at the UWI Sport and Physical Education Centre, St. Augustine – Trinidad and the Ministry of Works Conference Centre, Shaw Park – Tobago, facilitated through the linking of the two venues employing video conferencing technology**

## 1. INTRODUCTION AND COMMENCEMENT OF BUSINESS PROCEEDINGS

- 1.1 The meeting commenced at 1:15 p.m. with the Convenor - Mr. Trevor Percival welcoming members present at the UWI Sport and Physical Education Centre and members in Tobago at the Ministry of Works Conference Centre, who were participating via the medium of video conferencing.
- 1.2 Members were then invited to stand for the singing of the National Anthem, the recitation of the Credit Union Prayer and the invocation which was conducted by outgoing member of the Board of Directors – Mrs. June Young-Kendall.
- 1.3 One minute of silence was observed for the members who departed this life since the date of the last Annual General Meeting.
- 1.4 Mr. Percival then called the meeting to order and asked the Secretary to read the Notice convening the meeting.

## 2. NOTICE OF MEETING AND STANDING ORDERS

- 2.1 The Secretary – Mr. Emmanuel Walker, informed the members that in accordance with the Bye-Laws of the Society, the meeting was duly constituted, there being two hundred and thirty-three (233) members present:– one hundred and ninety-five (195) in Trinidad and thirty-eight (38) in Tobago. He then proceeded to read the Notice convening the meeting and reported that notice was duly given.
- 2.2 The Standing Orders were duly adopted on a motion moved by Mr. Ronald Charles – a Retiree and seconded by Mrs. June Young-Kendall – also a Retiree. The motion was put to the vote and carried.
- 2.3 Members also agreed to a proposal for the 2010 Annual Report to be taken as read.
- 2.4 The proceedings were then passed to the President – Mr. Martin Minguell who assumed the role of Chairman for the business of the afternoon.

## 3. ADDRESS OF THE PRESIDENT

- 3.1 The President - Mr. Martin Minguell, welcomed everyone present and extended best wishes for the new year. He also brought greetings from Director – Mr. Earl Nesbitt, who could not be in attendance because of a health challenge being experienced and asked that his absence be excused by those in attendance.
- 3.2 Mr. Minguell then addressed the membership, sharing the following observations, thoughts and perspectives:
  - The sterling contributions to RHAND Credit Union of outgoing member of the Board of Directors – Mrs. June Young-Kendall and outgoing member of the Supervisory Committee – Mrs. Lydia Barnett-Roper were acknowledged. The membership was advised that both parties had decided not to put themselves forward again for re-election.



# MINUTES OF THE 63rd CONT'D ANNUAL GENERAL MEETING

- The year 2010 was one of perilous times for the global economy and Caribbean economies.
- The failure of Colonial Life Insurance Company (Trinidad) Limited (CLICO) had negatively impacted the financial services sectors of many Caribbean countries in 2010.
- In 2010, RHAND Credit Union has had to write off accrued interest in the sum of \$11.60 million in respect of investments made in CLICO and British American Insurance Company Limited.
- Despite all these challenges, RHAND Credit Union performed creditably in 2010. The Credit Union was still able to meet its dividend commitment to members, while at the same time maintaining a healthy institutional capital ratio position.

## 4. CONFIRMATION OF THE MINUTES OF THE 62ND ANNUAL GENERAL MEETING

- 4.1 The Minutes of the 62nd Annual General Meeting were tabled for the consideration of the membership.
- 4.2 The Minutes of the 62nd Annual General Meeting were confirmed, without amendment, on a motion by Mr. Trevor Boissiere, a Retiree, and seconded by Mrs. Theresa Agulia-Joseph of the Ministry of Education.
- 4.3 The motion was put to the vote and carried.

## 5. MATTERS ARISING OUT OF THE MINUTES OF THE 62ND ANNUAL GENERAL MEETING

- 5.1 Members raised the following three (3) matters, which were responded to accordingly.
  - The number of years for which Mrs. Marjorie Solomon-Philip and Mr. Joseph Lewis had served the Credit Union.  
  
The Chairman advised that the time periods were thirty-four (34) and thirty-two (32) years respectively.
  - The status of the amendment to the Bye-Laws dealing with the protection of loans.  
  
The Chairman advised that the Commissioner for Co-operative Development had sanctioned the Loan Protection Fund in principle, however the details of its operation were still being finalised.
  - The status of the amendment to the Bye-Laws dealing with the discontinuation of passbooks and the introduction of monthly or quarterly statements.  
  
The Chairman advised that this amendment was implemented.

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING CONT'D

## 6. REPORTS

### REPORT OF THE BOARD OF DIRECTORS

6.1 The Report of the Board of Directors was tabled for the consideration of the membership.

6.2 Members were asked to make the following two (2) amendments to the Report:

- at item 17 of Table 2 : Members Who Died In 2010, replace the name "George Henry" with "George Harry."
- also in Table 2, include the names of Steve Lovell, Merina James-Cupid, Kathleen Mentor, Sybil Farray, Yolande Williams, Wilma Malchan, Felix Marciano, Christopher Jackson, Hetty May Sobers, Vashti Soomai, Sumantra Sookram, Franklyn Mondezie and Narda Kallidass.

6.3 Members raised the following matters, which were responded to by the Chairman and the General Manager accordingly.

- Apart from the 52 members who died, what were the reasons for six hundred and forty-two (642) members terminating their membership with the Credit Union during the financial year?

The Chairman explained that members terminated their membership for a variety of reasons, the two main ones being –

- retirement from the Public Service and simultaneous termination of RHAND membership.
- the uncertainty in the financial services industry, arising as a result of the failure of CLICO and Hindu Credit Union.
- What is the status of the investments of RHAND Credit Union with CLICO?

The Chairman responded that the Government of Trinidad and Tobago has agreed to repay the full amount of the principal balances of these investments. As a result, all non-recoverable accrued interest was removed from the books of the Credit Union.

- Was any legal action against the Government of Trinidad and Tobago being contemplated at this time?

The Chairman advised that no such action was currently under consideration as the focus was on having the matter resolved through the non-legal route by way of the initiatives of the Association of Credit Union Presidents of Trinidad and Tobago.

- Retirees should be able to get a higher rate of interest on their Fixed Deposits.

The General Manager advised that the members of RHAND Credit Union were getting the best possible interest rates given the prevailing interest rate environment as a result of the excess liquidity in the financial system.



# MINUTES OF THE 63rd CONT'D ANNUAL GENERAL MEETING

- What was the reason for the increase in the loan loss provision?

The General Manager advised that the size of the loan loss allowance was determined by the number of non-performing loans on the books of the Credit Union and the level of unsecured exposure on these loans.

- When someone retires, the Credit Union should take steps to reduce the size of the loan payments being made by the individual.

The General Manager explained that a member who finds that his/her monthly loan payment is burdensome can seek to have the loan obligation rescheduled.

- What was the amount paid for professional advice and services with respect to the Woodbrook property?

The Chairman explained that to date, no expenditure had been incurred with respect to advice from the architects.

- What use was currently being made of the Woodbrook premises?

The General Manager advised that the landspace was currently being used as a carpark facility, generating a small sum of income on a monthly basis.

- Was the Building Project economically feasible or not?

The Chairman explained that the cost estimate of approximately \$ 50.0 million for the project was substantially above the cost which was originally anticipated and as a result there was need for further deliberations by the members of the Building Committee and the Executive Management of the Society.

6.4 There being no further discussions concerning the Report of the Board of Directors, a motion for its adoption was moved by Mr. John Self – a Retiree and seconded by Mr. Cecil Felix – also a Retiree.

6.5 The motion was put to the vote and carried.

## REPORT OF THE CREDIT COMMITTEE

6.6 The Report of the Credit Committee was tabled for the consideration of the membership.

6.7 Ms. Jennifer James - the Chairman of the Credit Committee, presented the said Report.

6.8 Members raised the following matters, which were responded to accordingly.

- Was additional particulars available with respect to the twenty-one loans which needed to be sanctioned by the Executive Committee of the Board of Directors?

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING CONT'D

The Chairman of the Credit Committee advised that the information was not available, but undertook to make such information available in the future.

- Were members who accessed Cruise Loans meeting their commitments to the Credit Union?

The Chairman of the Credit Committee responded in the affirmative.

- Was the reported improvement in the level of non-performing loans in 2010 accurate?

The Chairman of the Credit Committee explained what accounted for the improvement in the loan portfolio.

- The suggestion was made that the Credit Committee should present separate information for the Port-of-Spain and Arima branches.

6.9 There being no further discussions concerning the Report of the Credit Committee, a motion for its adoption was moved by Mr. Joseph Lewis - a Retiree and seconded by Mr. James Huggins – also a Retiree.

6.10 The motion was put to the vote and carried.

## REPORT OF THE SUPERVISORY COMMITTEE

6.11 The Report of the Supervisory Committee was tabled for the consideration of the membership.

6.12 Ms. Claudette Brown – the Chairman of the Supervisory Committee presented the said Report.

6.13 Members were asked to make the following two (2) amendments to the Report:

- at paragraph 2.4, between the words of “James” and “comes” insert the following – and Mrs. Lydia Barnett-Roper.
- at line 2 of paragraph 7.1, replace the words “ensuring the maintenance of an environment for a” with “endeavour and maintain the”.

6.14 Members raised the following matters, which were responded to accordingly.

- Clarification of the second sentence of paragraph 6.2. which read as follows:  
“This audit also included an examination of the securities portfolio which revealed that there was an increase in activity in this area to the extent that the Credit Administration Department is undertaking a review of the present system to allow for greater efficiency and timely delivery of services”.
- Whether or not the Committee could provide full particulars regarding the twenty-one loans, mentioned in the Report of the Credit Committee, which fell outside the loan policy.



# MINUTES OF THE 63rd CONT'D ANNUAL GENERAL MEETING

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The Chairman of the Credit Committee advised, that save for mortgage loans, most of the loans granted by the Society were for a period of five years. Also, there was no positive correlation between large loans granted by the Society to members with the likelihood that they would turn out to be non-performing.

6.15 There being no further discussions concerning the Report of the Supervisory Committee, a motion for its adoption was moved by Mr. Lenus Joseph – a Retiree and seconded by Mr. Rock Nestor – also a Retiree.

6.16 The motion was put to the vote and carried.

## AUDITORS' REPORT

6.17 Ms. Camille Providence, a representative from the firm of Chartered Accountants – PKF, was invited by the Chairman to present the Auditors' Report.

6.18 The Auditors' Report was read by Ms. Providence and then was duly adopted by the meeting on a motion moved by Mr. Trevor Boissiere – a Retiree and seconded by Mr. Lenus Joseph – also a Retiree.

## FINANCIAL STATEMENTS

6.19 The Financial Statements of RHAND Credit Union for the year ended December 31, 2010 were tabled for the consideration of the membership. The General Manager – Mr. David Maynard gave an overview of the Society's performance and compared RHAND's performance with the 2010 financial year performance of three large Credit Unions.

6.20 Members then raised the following three (3) matters, which were responded to accordingly.

- What was the source of Rental Income as reflected under the heading of Other Income on the schedules to the financial statements?

The General Manager advised that rental income was being received from the tenants occupying the ground floor of the Arima Branch Office.

- What was the nature of the expenses captured under the expense item called Conferences?

The General Manager explained that the expenses represented the costs incurred for the participation of two members of the Board of Directors at the Annual Conference of the Caribbean Confederation of Credit Unions.

- What was the reason for an increase in honoraria and a decrease in dividends for 2010 relative to 2009?

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING CONT'D

The General Manager explained that the level of dividend distribution was a function of the level of undivided earnings and institutional capital held by the Credit Union, while the expense item of Honoraria captured token payments to members of the Board of Directors and Statutory Committees.

6.21 There being no further matters raised by the members concerning the Financial Statements, a motion for its adoption was moved by Mr. Lenus Joseph – a Retiree and seconded by Mrs. Marjorie Solomon-Philip – also a Retiree

6.22 The motion was put to the vote and carried.

## 7. ELECTIONS OF OFFICERS FOR THE 2011/2012 TERM

7.1 The Report of the Nominating Committee was tabled for the consideration of the membership.

7.2 Mr. Lancelot Greaves - Chairman of the Nominating Committee, presented the said Report. Mr. Greaves advised that Stephen Turner was not to be considered for election as he was not included on the list of nominees submitted to the Nominating Committee.

7.3 There being no further discussions concerning the Report of the Nominating Committee, a motion for its adoption was moved by Mr. Trevor Boissiere – a Retiree and seconded by Mrs. June Young-Kendall – also a Retiree.

7.4 The motion was put to the vote and carried.

7.5 The President, then vacated the chair and invited Ms. Jennifer Collier-Hyacinth of the Co-operative Development Division, to assume same in the capacity of Returning Officer.

7.6 The Returning Officer explained the election process to members. Members agreed that in the absence of an excuse, Ms. Lorris Tracey Alfred should not be considered for election.

7.7 Members were then invited to cast their ballots.

7.8 The following persons were elected to serve on the Board of Directors and Statutory Committees for the 2011/2012 Term.

### BOARD OF DIRECTORS

**Emmanuel Walker**  
**Glenda Bruce**

**Trevor Boissiere**  
**Theresa Agulia-Joseph**

**Neil Parsanla-First Substitute**  
**John Self-Second Substitute**

### CREDIT COMMITTEE

**Jennifer James**  
**Patricia Harry**

**Mary Lou Marcano-First Substitute**  
**Peter Lewis-Second Substitute**





# MINUTES OF THE 63rd CONT'D ANNUAL GENERAL MEETING

## SUPERVISORY COMMITTEE

**Hermoine James**  
**Erica Charles**

**Anthony St. Bernard-First Substitute**  
**Dhanraji Ramlakhan-Second Substitute**

7.9 A motion for the destruction of the ballots was duly passed on a motion moved by Mr. Norbert Luke – a Retiree and seconded by Mr. Trevor Boissiere – also a Retiree.

7.10 The Returning Officer then vacated the chair and the President assumed same once again.

## 8. 2011 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

8.1 The 2011 Quantitative Objectives, Capital Expenditure Budget and Financial Projections were tabled for the consideration of the membership, with a request for the following amendment to be effected.

- the heading of the fourth column of the Table at the top of page 81 to read "Proposed 2011" instead of "Proposed 2010."

8.2 The General Manager – Mr. David Maynard presented the said Projections.

8.3 There were no questions arising after the presentation.

8.4 There being no further discussion concerning the 2011 Quantitative Objectives, Proposed Capital Expenditure and Financial Projections, a motion for their adoption was moved by Mr. Lenus Joseph – a Retiree and seconded by Mrs. Marjorie Solomon-Philip – also a Retiree.

8.5 The motion was put to the vote and carried.

## 9. REVIEW OF THE BYE-LAWS OF THE SOCIETY

9.1 There were no matters to be dealt with under this head. Members were advised however, that there would be a Special Meeting to deal with amendments to the Bye-Laws of the Society in due course.

## 10. MOTIONS

10.1 There were no matters to be dealt with under this head.

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING

CONT'D

## 11. RESOLUTIONS

11.1 The membership duly passed the following Resolutions:

- **APPOINTMENT OF AUDITORS**

That the firm of Chartered Accountants – PKF, be appointed as the Society's Auditors for the financial year ending December 31, 2011.

- **DIVIDEND ON SHAREHOLDINGS**

That a dividend of 2.00% on the average monthly share balance held by each member for the year ended December 31, 2010, be declared from the Undivided Earnings of the Society as at December 31, 2010.

- **HONORARIA**

That honoraria in the gross sum of \$313,334. (\$235,000. net of income tax liability), be declared from the Undivided Earnings of the Society as at December 31, 2010.

## 12. OTHER BUSINESS

12.1 In his address to the membership, Guest Speaker – Mr. Subash Ramkhelawan, a Stockbroker by profession, spoke on the existing economic and investment climate in the country. He shared the following insights –

- In 2009 and 2010, the country experienced negative economic growth after some thirteen years of growth.
- In terms of savings and investments, interest rates have declined considerably.
- The rate of inflation has been increasing.
- The energy sector remained the main driver of the economy, even though the price of natural gas has been falling.
- Against this backdrop, he said that the economy was not buoyant and as such, if one sought to save in this climate, the purchasing power of money would gradually be eroded.



# MINUTES OF THE 63rd CONT'D ANNUAL GENERAL MEETING

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12.2 Mr. Ramkhelawan expressed the view that inflation would remain in double digits throughout the coming year. In terms of economic growth on the other hand, he said there would be some growth on account of both the recent spike in oil prices and purchases of natural gas by Japan. Also, he felt that interest rates would remain flat. He suggested the following ways in which an investor might treat with the current economic climate:

- look outside and seek investments abroad such as in the United States. He maintained that an investor should “look outside” where investments could be made in the context of a lower inflation rate and a better yield environment.
- investment portfolios should also be diversified.

12.3 The announcement was made that the following members were successful in the Loan Promotion competition of the Society –

#### Winners of Special Prizes

- Carolyn Balfour
- Nekesha Kelshall
- Barbara Lewis

Each person to receive a Toshiba Notebook

#### Winners of Grand Prizes

- Shelby Charles
- Lorna Richardson

Each person to receive an all expenses paid weekend stay at the Flamboyant Hotel and Villas in Grenada.

12.4 The membership was informed that the Registrar of Companies had approved the application of the Society to incorporate a company for the purpose of carrying out the business of the Cummings/Fraser Foundation.

12.5 Members were asked to complete the survey questionnaire in their possession and lodge same with members of staff upon leaving the meeting.

12.6 A member noted the inadequate parking facilities at the Offices of the Society in Arima and in Tobago and enquired what was being done by management to address these issues. Members were advised that a Committee was looking at ways in which the issue of parking in Tobago could be addressed. In Arima on the other hand, parking would remain a challenge in light of the location of the office.

12.7 The following suggestions were made to those at the head table:

- Steps should be taken to attract younger persons to become members of the Society.

# MINUTES OF THE 63rd ANNUAL GENERAL MEETING

CONT'D

- Members should be given incentives for attending the Annual General Meeting.
- The snack plates given to members at the meeting needed to be improved.

The Chairman agreed to look into these three matters.

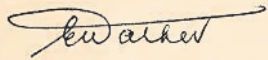
12.8 A member suggested that the Society should consider the reintroduction of the liaison officer system.

12.9 The following additional contributions were also made:

- Concern was expressed that the meeting had gone beyond 7:00 p.m. and members had left without having made their contributions.
- Suggestion that members in Tobago be represented on the Board and a 'special seat' should be allocated in this regard.
- Without casting aspersions, the existing external auditors have been auditing the books of the Society for over ten years and consideration should be given to hiring different auditors in due course.
- The Society should consider obtaining larger office space in Tobago as the existing office is too small.

12.10 There being no further business, the meeting ended at 7:25 p.m.

**Respectfully submitted**



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Emmanuel Walker

**Secretary - Board of Directors**



# REPORT OF THE BOARD OF DIRECTORS

## 1. INTRODUCTION

1.1 The Board of Directors is pleased to present to the general membership, its Report on the affairs of RHAND Credit Union Co-operative Society Limited for the year ended December 31, 2011. The Year 2011 mirrored 2010, in being a challenging one for financial services organizations in Trinidad and Tobago in general and more particularly Credit Unions, as the business climate continued to be coloured by the following developments, in what was the third year of economic decline for the country:

- sluggish economic activity
- high inflation
- rising unemployment
- depressed credit demand
- falling interest rates
- limited investment alternatives

1.2 Against this backdrop, the successes of RHAND Credit Union in 2011, reflect the ongoing efforts of the Members of the Board of Directors, the Members of the Statutory Committees and the Members of Staff of the Society, to respond to the environment of negative economic growth and the changing needs of members and take initiatives to position RHAND Credit Union as a model financial services co-operative on the Caribbean landscape.

## 2. COMPOSITION OF THE BOARD OF DIRECTORS

2.1 The following members were elected to the Board of Directors at the 63rd Annual General Meeting held on Saturday March 19, 2011.

- Mr. Emmanuel Walker
- Mr. Trevor Boissiere
- Ms. Glenda Bruce
- Mrs. Theresa Agulia-Joseph

2.2 Mr. Neil Parsanlal was elected as the 1st Substitute member, while Mr. John Self was elected as the 2nd Substitute member.

2.3 The full Board for the 2011/2012 Term, comprised the following twelve (12) members (listed in alphabetical order):

- |                         |                      |
|-------------------------|----------------------|
| • Theresa Agulia-Joseph | • Trevor Boissiere   |
| • Glenda Bruce          | • Christine Campbell |
| • Kedron Duke           | • Marlene Felix      |
| • Martin Gibbs          | • Martin Minguell    |
| • Earl Nesbitt          | • Trevor Percival    |
| • Monica Richards       | • Emmanuel Walker    |

# REPORT OF THE BOARD OF DIRECTORS

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- 2.4 The term of office of Directors Christine Campbell, Kedron Duke, Marlene Felix and Martin Minguell comes to an end at this 64th Annual General Meeting.
- 2.5 The Board wishes to inform of the passing of two (2) stalwarts of RHAND Credit Union -
- Ms. May Cherrie - Founding Member, who passed away on November 15, 2011
  - Mr. Earl Nesbitt - Director, who resigned from the Board on September 15, 2011 and passed away on November 15, 2011
- 2.6 The members of the Board of Directors thank Ms. May Cherrie for her humanitarian outlook and selfless services to RHAND over the years. Also, the Board of Directors especially thanks Mr. Nesbitt for his visionary outlook and passion for the Credit Union Movement. His vision for RHAND of being the model Credit Union in the Caribbean, caused him to work tirelessly towards making this dream a reality. Mr. Nesbitt has left a clearly visible legacy in RHAND Credit Union as his leadership capabilities and creative thought are woven into the fabric of many of the activities, programmes and structures which have supported the growth, development and competitiveness of RHAND Credit Union over the past two decades.
- 2.7 May their souls rest in peace.

### 3. EXECUTIVE COMMITTEE

- 3.1 At the inaugural Meeting as mandated by the Bye-Laws, the Members of the Board elected an Executive Committee. The Executive Committee for the 2011/2012 Term comprised the following:
- Martin Minguell - President
  - Trevor Percival - Vice President
  - Emmanuel Walker - Secretary
  - Marlene Felix - Assistant Secretary
  - Theresa Agulia-Joseph - Treasurer
- 3.2 In order to discharge its responsibility during the period under review, the Executive Committee met weekly and whenever necessary for a total of forty-eight (48) meetings.



# REPORT OF THE BOARD OF DIRECTORS

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## 4. MEETINGS OF THE BOARD OF DIRECTORS

4.1 The Board held twelve (12) Regular and thirteen (13) Extraordinary meetings during the period January 01, 2011 to December 31, 2011. Members' attendance at Board Meetings are detailed at **Table 1**.

Table 1: Attendance At Board Meetings

	REGULAR			EXTRAORDINARY			REMARKS
	P	Ex	A	P	Ex	A	
Martin Minguell	11	1		11	2		On Sick Leave
Trevor Percival	11	1		12	1		Leave of Absence – Out of the Country
Emmanuel Walker	12	0		13	0		
Marlene Felix	10	2		9	4		Leave of Absence – Out of the Country
Kedron Duke	11	1		10	3		Leave of Absence – Out of the Country
Trevor Boissiere	11	1		11	2		
Earl Nesbitt	0	0		0	0		Leave of Absence as requested by way of correspondence dd. Jan. 25, 2011 and May 09, 2011. Officially Resigned from the Board on September 15, 2011.
June Young-Kendall	2	0		2	1		Did not Seek Re-election at AGM of March 2011
Martin Gibbs	10	2		8	4	1	Leave of Absence – Out of the Country/Study Classes
Glenda Bruce	12	0		13	0		
Christine Campbell	11	1		11	2		Leave of Absence – Out of the Country
Monica Richards	10	2		10	3		Leave of Absence – Out of the Country
Theresa Agulia-Joseph	12	0		10	3		Elected 1st Substitute from March 2010 Elected Board Member from March 2011 Leave of Absence – Out of the Country
Neil Parsanlal	7	3		3	4		Elected 1st Substitute at AGM of March 2011 Served as Alternate Board Member in the absence of Mr. Nesbitt from April 26, 2011 to July 25, 2011. Served as a full Board Member following the resignation of Mr. Nesbitt on September 15, 2011.
John Self	8	4		8	5		Leave of Absence – Out of the Country

# REPORT OF THE BOARD OF DIRECTORS

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## 5. MEMBERSHIP

- 5.1 During the year 2011, three hundred and thirty-eight (338) applicants were admitted to membership. A total of two hundred and seven (207) members, including fifty-six (56) who passed away (**Table 2**), ceased membership in 2011. As at December 31, 2011, the total active membership complement of RHAND Credit Union stood at 17,860.

Table 2: Members Who Died In 2011

1	5424	Marjorie Mc Pherson	January 03, 2011
2	2283	Rasheeda Abraham	January 07, 2011
3	2345	Joseph Reginald Baptiste	January 10, 2011
4	6546	Merle Dumas	January 20, 2011
5	2140	Henry Alleyne	February 08, 2011
6	372	Janet Tidd	February 08, 2011
7	6194	Donna Calliste-Gabriel	February 17, 2011
8	10966	Mary Cupid-Smith	February 18, 2011
9	23737	Richard Lawrence De Verteuil	February 20, 2011
10	3985	Cilda Grant	March 06, 2011
11	9536	Pamela Dyer	March 19, 2011
12	21596	Jenna Lee Kim	March 28, 2011
13	2266	Gail Mora	April 04, 2011
14	3407	Shirley Moore	April 09, 2011
15	7494	Josaphine Ramdial	April 09, 2011
16	4205	Irving Rauceo	April 25, 2011
17	6873	Raymond Primus	May 07, 2011
18	19741	Wendell Phillip	May 10, 2011
19	13552	Lennard Gay	May 14, 2011
20	7210	Jean Theresa Quammie	May 15, 2011
21	23739	Cynthia Helena Charles	May 25, 2011
22	4431	Donna Ahyee-Goodridge	June 01, 2011
23	7676	Teresa Mitchell	June 14, 2011
24	23186	Princess Nedd-Greene	June 18, 2011
25	7109	Carolina Johnson	June 19, 2011
26	2353	Winston Ruthven Radix	June 25, 2011
27	11115	Trevis Smith	July 02, 2011
28	11923	Anthony Cummings	August 01, 2011
29	3069	Winston Sylvester	August 04, 2011
30	13471	Mohanie Sooklalsingh	August 13, 2011





# REPORT OF THE BOARD OF DIRECTORS

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Table 2: Members Who Died In 2011 (Continued)

31	12719	Janice Angela Anderson	August 26, 2011
32	8130	Merle Hinkson	September 03, 2011
33	16346	Kevin Faustin	September 20, 2011
34	14548	Kathleen Alexander	September 27, 2011
35	18169	Mohan Marajh	October 06, 2011
36	4671	Althea Grimes	October 10, 2011
37	18602	Dora Sylvia Atherley	October 13, 2011
38	16522	Noel Ramdwar	October 14, 2011
39	368	Shirley Renaud-Joseph	October 17, 2011
40	5313	Elise Baptiste-Medina	October 26, 2011
41	12379	Orchis St. Rose	November 01, 2011
42	7624	Bhagirath Maharaj	November 06, 2011
43	11726	Esdel Nero	November 07, 2011
44	10175	Camille Rigsby	November 07, 2011
45	8740	Inniss Charles	November 08, 2011
46	6213	Austin Charles	November 09, 2011
47	681	Earl Nesbitt	November 15, 2011
48	11770	Keiron Salandy	November 20, 2011
49	1379	Cecelia Saunders	November 21, 2011
50	2465	Sandra Sooklalsingh	November 23, 2011
51	9374	Jude Albert	November 28, 2011
52	586	Allyson Mark	December 01, 2011
53	10060	Victor Hills	December 13, 2011
54	5652	Bernice Hamilton	December 14, 2011
55	8088	Glendon De Gale	December 29, 2011
56	2525	Wilma Grant	December 30, 2011

5.2 The Members of the Board of Directors, Members of the Statutory Committees, Management and Staff of RHAND Credit Union wish to extend condolences to the family and friends of the above deceased members of the extended RHAND family.

## 6. YEAR 2011 GLOBAL AND DOMESTIC MACROECONOMIC ENVIRONMENT

6.1 The following insights on page 57 of the January/February 2012 edition of the global politics and economics magazine – Foreign Policy (FP), aptly sums up the state of affairs in the global economy for most of 2011 and into 2012 –

“Debt-ridden and hidebound, Europe may be on the verge of a painful breakup. America is still reeling from the 2008 financial crisis and even China and India – the new engines of global growth – seem to be sputtering these days.”

# REPORT OF THE BOARD OF DIRECTORS

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6.2 In 2011, the global economy was marked by the following dichotomy –

- strong growth in the emerging economies of China, India, South Korea, South Africa, Brazil and Colombia.
- Weak and faltering recovery in the advanced economies of the United States of America and Europe (which together account for approximately 50.0 percent of global Gross Domestic Product) and also most Caribbean economies.

6.3 The uncertainty in the global economy since the 2008 global financial crisis has negatively impacted the Trinidad and Tobago economy over the past three years. The domestic economy which grew by as much as 13.50 percent in 2006, has registered three years of year on year economic decline since 2008 –

- |        |   |                      |
|--------|---|----------------------|
| • 2009 | - | 3.30 percent decline |
| • 2010 | - | 0.02 percent decline |
| • 2011 | - | 1.40 percent decline |

## 7. YEAR 2011 DOMESTIC FINANCIAL SECTOR DEVELOPMENTS

7.1 The subdued economic climate in Trinidad and Tobago in 2011, posed several challenges for the performance and stability of the domestic financial system -

- the hesitancy of businesses and individuals to increase indebtedness, led to the growth in the cash taking by financial institutions outpacing lending, thus contributing to unprecedented levels of liquidity and the decline of interest rates to record lows.
- some firms as well as individuals experienced greater difficulty in servicing their loans on time, resulting in an increase in the level of non-performing loans on the books of financial institutions.
- financial institutions earned less interest on their investments as a result of an environment of record low interest rates.

7.2 It is against this backdrop of economic decline, lower interest rates and lower demand for credit, that the Board of Directors of RHAND Credit Union is pleased to report that our vigilance, diligence and prudence over the past few years have served RHAND Credit Union in good stead. The year 2011, while challenging in many respects, was another highly successful year of operations for the Credit Union.

## 8. ASSET BASE

8.1 Against the backdrop of a decline in year on year GDP growth for 2011, RHAND Credit Union recorded an increase in its asset base of \$22,889,913 (5.80%) for the year ended December 31, 2011, moving from \$394,542,135 as at December 31, 2010 to \$417,432,048 as at December 31, 2011 (**Table 3**). The rate of growth realized by the asset base of the Credit Union in 2011, was more than double the projected growth rate of 2.54%.



# REPORT OF THE BOARD OF DIRECTORS

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Table 3: Total Assets 1997 – 2011

Year	Total Assets (\$)	Increase/(Decrease)	
		(\$)	(%)
1997	132,360,568	3,455,945	2.68
1998	137,708,830	5,348,262	4.04
1999	143,808,882	6,100,052	4.43
2000	150,065,433	6,256,551	4.35
2001	161,446,054	11,380,621	7.58
2002	183,203,981	21,757,927	13.48
2003	217,191,825	33,987,844	18.55
2004	246,121,303	28,929,478	13.32
2005	270,952,418	24,831,115	10.09
2006	297,520,082	26,567,664	9.81
2007	333,823,366	36,303,284	12.20
2008	359,230,632	25,407,266	7.61
2009	395,786,552	36,555,920	10.18
2010	394,542,135	(1,244,417)	(0.31)
2011	417,432,048	22,889,913	5.80

8.1 The comparatively strong nominal and percentage growth of the asset base of the Credit Union for 2011, reflects the positive impact on the general membership of the many initiatives being pursued to make the RHAND product and service experience a unique and special one. The strength and resilience of the Credit Union was clearly demonstrated in 2011 by its capacity to quickly recover from the fallout from the CLICO debacle in 2010.

8.3 It is of significant interest to note, that over the fourteen (14) year period of January 01, 1998 to December 31, 2011, RHAND Credit Union tripled its financial strength – moving from an asset base of \$132,360,568 as at December 31, 1997 to an asset base of \$417,432,048 as at December 31, 2011, thus registering a healthy average annual rate of growth during the period of 8.55%.

## 9. LOANS PORTFOLIO

9.1 The total loan principal balances on the books of the Credit Union stood at \$269,489,895 as at December 31, 2011, representing an increase of \$24,899,978 (10.18%) when compared with the total loan principal balances of \$244,589,917 as at December 31, 2010 (**Table 4**). The rate of growth realized by the loans portfolio of the Credit Union in 2011 was in excess of the projected growth rate of 8.80%.

# REPORT OF THE BOARD OF DIRECTORS

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9.2 Despite the hesitancy of individuals to increase indebtedness and the fierce competition which characterized the domestic financial services landscape, RHAND Credit Union was able in 2011 to register the highest ever level of nominal growth in its loan portfolio.

Table 4: Loan Principal Balances 1995 – 2011

Year	Balances Outstanding (\$)	Increase/(Decrease)	
		(\$)	(%)
1995	93,687,085	(3,943,543)	(4.04)
1996	91,579,564	(2,107,521)	(2.25)
1997	97,307,955	5,728,391	6.25
1998	103,904,294	6,596,339	6.78
1999	109,666,885	5,762,591	5.55
2000	121,578,480	11,911,595	10.86
2001	125,274,243	3,695,763	3.04
2002	132,386,135	7,111,892	5.68
2003	148,038,775	15,652,640	11.82
Write-off	141,799,227	(6,239,548)	(4.21)
2004	151,635,159	9,835,932	6.94
2005	168,038,029	16,402,870	10.82
2006	188,260,974	20,222,945	12.03
2007	205,662,606	17,401,632	9.24
2008	223,458,733	17,796,127	8.65
2009	221,358,369	(2,100,364)	(0.94)
2010	244,589,917	23,231,548	10.49
2011	269,489,895	24,899,978	10.18

9.3 The successes in loans underwriting, particularly over the past two (2) years, reflect the positive impact on the general membership of the many debt consolidation and financial counseling initiatives being pursued by the Credit Administration Department of the Society in assisting members to take greater control of their financial affairs.

## 10. NON-PERFORMING LOANS

10.1 Consistent with efforts over the past fourteen (14) years, during the course of the year 2011, the Management of the Society continued to exploit the options available in the context of the Co-operative Societies Act, in attempting to keep under control the number of non-performing loans on the books of the Credit Union.



# REPORT OF THE BOARD OF DIRECTORS

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10.2 As at December 31, 2011, the delinquency ratio was 4.20%, compared with a delinquency ratio of 4.49% as at December 31, 2010. Of the 286 non-performing loans with a value of \$11,316,990, on the books of the Society as at December 31, 2011 (**Table 5**), 139 of these loans, with a value of \$7,143,283, were loans which were one (1) month in arrears as a result of the late remittance of December 2011 salary deductions and standing order payments by two (2) Regional Health Authorities and four (4) commercial banks respectively, thus the true delinquency ratio for 2011 is 1.55% compared to a true delinquency ratio for 2010 of 2.34%.

Table 5: Net Indebtedness, Loan Loss Allowance and Loan Loss Exposure 1997-2011

Year	Number of Non-Performing Loans	Total of Non-Performing Loan Balances	Loan Balances Net Of Savings	Net Change In Loan Loss Allowance For The Year	Loan Loss Allowance	Loan Loss Exposure (Column 4 minus Column 6)
		(\$)	(\$)	(\$)	(\$)	(\$)
1997	973	9,303,426	7,460,182	700,001	7,241,631	218,551
1998	955	9,787,600	7,665,025	466,666	7,708,297	0
1999	1,087	10,900,066	7,666,558	0	7,708,297	0
2000	1,125	11,984,661	8,774,755	46,315	7,754,612	1,020,143
2001	989	9,335,822	7,906,145	60,000	7,814,612	91,533
2002	1,179	11,987,793	8,334,350	48,000	7,862,612	471,738
2003	318	4,375,346	1,884,091	(6,191,548)	1,671,064	213,027
2004	196	2,090,296	1,491,935	48,000	1,719,064	0
2005	426	5,443,417	(1,965,833)	48,000	1,767,064	0
2006	407	5,989,417	1,953,951	48,000	1,815,064	138,887
2007	321	4,672,355	2,943,726	48,000	1,863,064	1,080,662
2008	711	13,274,701	5,995,239	48,000	1,911,064	4,084,175
2009	694	12,653,432	4,882,408	(748,288)	1,162,776	3,719,632
2010	539	10,977,837	6,869,000	877,083	2,039,859	4,829,141
2011	286	11,316,990	7,311,560	(1,181,833)	858,026	6,453,534

10.3 As at December 31, 2011, shares and deposits totaling \$4,005,430, were held against the non-performing loans balances totaling \$11,316,990, thus falling short of the non-performing loan balances totaling \$11,316,990 by \$7,311,560. This exposure on non-performing loan balances net of savings in the sum of \$7,311,560, exceeds the Allowance for Loan Losses on the books of the Society as at December 31, 2011 in the sum of \$858,026 by \$6,453,534.

10.4 The Allowance for Loan Losses in the sum of \$858,026 however, which provides for a loan portfolio coverage of 0.32% (0.83% - 2010) and a non-performing loans exposure coverage of 11.74% (29.70% - 2010), is considered by the Executive Management of the Society to be adequate for meeting the requirements of any write-offs which may be deemed necessary as a result of impaired loan principal balances.

# REPORT OF THE BOARD OF DIRECTORS

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## 11. SHARE CAPITAL PORTFOLIO

11.1 The total share capital of the Credit Union stood at \$258,427,444 as at December 31, 2011, representing an increase of \$15,457,193 (6.36%) over the total shareholding of \$242,970,251 as at December 31, 2010 (**Table 6**).

Table 6: Share Capital 1997 – 2011

Year	Share Capital (\$)	Increase	
		(\$)	(%)
1997	104,887,607	1,297,231	1.25
1998	108,018,651	3,131,044	2.99
1999	111,283,521	3,264,870	3.02
2000	116,304,226	5,020,705	4.51
2001	120,880,588	4,576,362	3.93
2002	130,019,228	9,138,640	7.56
2003	148,129,191	18,109,963	13.93
2004	169,995,720	21,866,529	14.76
2005	191,385,885	21,390,165	12.58
2006	201,607,982	10,222,097	5.34
2007	213,983,524	12,375,542	6.14
2008	223,174,023	9,190,499	4.29
2009	229,265,939	6,091,916	2.73
2010	242,970,251	13,704,312	5.98
2011	258,427,444	15,457,193	6.36



# REPORT OF THE BOARD OF DIRECTORS

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## 12. TIME DEPOSITS PORTFOLIO

12.1 The total Time Deposits on the books of the Credit Union stood at \$86,401,661 as at December 31, 2011, representing a decrease of \$(6,577,178) (7.07 %) from the total Time Deposits of \$92,987,839 as at December 31, 2010 (**Table 7**).

Table 7: Time Deposits 1997 - 2011

Year	Time Deposits (\$)	Increase/ (Decrease)	
		(\$)	(%)
1997	478,397	(143,124)	(23.03)
1998	527,187	48,790	10.20
1999	667,308	140,121	26.58
2000	861,909	194,601	29.16
2001	4,162,060	3,300,151	382.89
2002	15,008,585	10,846,525	260.60
2003	26,417,936	11,409,351	76.02
2004	28,450,536	2,032,600	7.69
2005	32,796,162	4,345,626	15.27
2006	46,653,657	13,857,495	42.25
2007	62,666,985	16,013,328	34.32
2008	80,140,697	17,473,712	27.88
2009	98,931,826	18,791,129	23.45
2010	92,987,839	(5,943,987)	(6.01)
2011	86,410,661	(6,577,178)	(7.07)

12.2 In the short period of nine (9) years, running from January 01, 2001 to December 31, 2009, RHAND Credit Union built a significant Time Deposits portfolio, thereby establishing a higher level of equilibrium between the funds saved by members at RHAND Credit Union and the funds borrowed by members from RHAND Credit Union, thus resulting in positions of healthier net cash inflows and concomitant enhanced liquidity for RHAND Credit Union over the past few years.

12.3 In 2010, the pronouncements of the Minister of Finance in the 2011 Budget Presentation relating to the status of CLICO EFPA Account holders and the negative media reports which followed, saw many members withdrawing funds from their RHANDeposit accounts, as prevailed throughout the Credit Union Movement as members of the public became concerned about the general safety and soundness of financial services co-operatives.

# REPORT OF THE BOARD OF DIRECTORS

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## 13. EARNINGS PERFORMANCE

13.1 For the financial year ended December 31, 2011, RHAND Credit Union realized an operating surplus of \$10,128,753 (**Table 8**), which fell short of the budgeted operating surplus for the year of \$14,520,604 by \$4,391,851. This shortfall arose primarily as a result of a shortfall in investment income in the sum of \$1,474,100 and an increase in salaries and staff benefits costs in the sum of \$1,743,750.

Table 8: Operating Surplus 2006 – 2011

Income/Expenses Captions	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)
Interest on loans	20,614,760	21,966,482	24,432,791	25,535,944	26,834,405	29,348,127
Investment income	4,895,471	5,559,883	7,371,860	9,166,351	5,430,072	1,887,882
Other income	754,081	797,756	918,330	1,371,127	1,372,829	1,254,062
<b>Total Income</b>	<b>26,264,312</b>	<b>28,324,121</b>	<b>32,722,981</b>	<b>36,073,422</b>	<b>33,637,306</b>	<b>32,490,071</b>
<b>Total Expenses</b>	<b>17,994,669</b>	<b>19,883,708</b>	<b>22,143,416</b>	<b>22,087,447</b>	<b>21,918,405</b>	<b>22,361,318</b>
<b>Operating Surplus</b>	<b>8,269,643</b>	<b>8,440,413</b>	<b>10,579,565</b>	<b>13,985,975</b>	<b>11,718,901</b>	<b>10,128,753</b>
<b>Operating Margin Ratio</b>	<b>0.3149</b>	<b>0.2980</b>	<b>0.3233</b>	<b>0.3877</b>	<b>0.3484</b>	<b>0.3117</b>
<b>Expenses – Income Ratio</b>	<b>0.6851</b>	<b>0.7020</b>	<b>0.6767</b>	<b>0.6123</b>	<b>0.6516</b>	<b>0.6883</b>
<b>Cents Of Every Earned Dollar Consumed By Expenses</b>	<b>\$0.69</b>	<b>\$0.70</b>	<b>\$0.68</b>	<b>\$0.61</b>	<b>\$0.65</b>	<b>\$0.69</b>

13.2 The costs incurred for the year 2011 under the main cost items of Personnel Costs, Interest on Deposits, Loan Protection Expense and Life Savings Insurance Expense totaled \$13,288,152 compared with \$13,905,100 for year 2010 (**Table 9**), a decrease in these major cost items of \$ (616,948) (4.44%), compared to a decrease in these major cost items for the year 2010 of \$ (1,177,201) (7.80%). This performance highlights that while overhead expenses are generally being kept under control, and interest expenses on savings and time deposits have dropped off significantly as a result of an environment of record low interest rates, personnel costs continue to grow at a rate which is cause for concern, particularly given the fact that the total income generated by the Credit Union has been on the decline over the past two years, due to no interest being earned on deposits at CLICO and British American Insurance Company Limited (BAICO) totaling \$27,493,443.





# REPORT OF THE BOARD OF DIRECTORS

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Table 9: Expenses Highlighting Major Cost Items 2006 – 2011

Expenses Captions	2006 (\$)	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)
Personnel costs	5,326,970	5,457,524	7,499,043	6,825,666	7,692,150	9,017,306
Interest on Savings and Time Deposits	3,021,097	4,085,829	5,439,104	6,521,762	5,213,130	2,314,519
Credit life and life savings insurance expenses	1,705,227	1,931,307	1,921,994	1,734,873	698,641	729,331
Loan protection expense	-	-	-	-	301,179	1,226,996
Education Committee expenses	760,248	810,005	783,965	693,905	1,047,862	875,864
Loan loss expense	48,000	48,000	48,000	48,000	480,000	1,200,000
Depreciation expense	1,005,134	901,776	847,930	788,912	713,541	893,160
Stationery, supplies and postage expenses	501,945	626,992	468,692	499,220	484,056	630,252
Other expenses	5,626,048	6,022,275	5,134,688	4,975,109	5,287,846	5,473,890
<b>Total Expenses</b>	<b>17,994,669</b>	<b>19,883,708</b>	<b>22,143,416</b>	<b>22,087,447</b>	<b>21,918,405</b>	<b>22,361,318</b>

# REPORT OF THE BOARD OF DIRECTORS CONT'D

## 14. FINANCIAL STRENGTH, SAFETY AND SOUNDNESS AND PROFITABILITY REVIEW

14.1 As a guide for assessing the financial strength of the Credit Union's balance sheet, the safety and soundness of the Credit Union's financial structure and the profitability of the Credit Union's operations, the following ratios are presented in **Table 10**.

Table 10: PEARLS and EFFICIENCY RATIOS

Financial Ratio Equation	RHAND Value 2011	RHAND Value 2010	Standard of Excellence Value	COMMENT
<b>1) Institutional Capital Ratio</b>				
$\frac{\text{Fund Undivided Balances + Earnings}}{\text{Total Assets}} = \frac{\$43,232,963}{\$417,432,098}$	10.36%	8.47%	Minimum of 8.00%	RHAND value more favourable than standard
<b>2) Liquidity Adequacy Ratio</b>				
$\frac{\text{Cash Resources}}{\text{Total Assets}} = \frac{\$64,219,786}{\$417,432,098}$	15.38%	18.96%	Maximum of 20.00%	RHAND value more favourable than standard
<b>3) Asset Quality Ratio</b>				
$\frac{\text{Total Non-Performing Loans}}{\text{Total Loans}} = \frac{\$11,316,990}{\$269,489,895}$	4.20%	4.49%	Maximum of 5.00%	RHAND value more favourable than standard
<b>4) Operating Expenses To Average Asset Ratio</b>				
$\frac{\text{Non-Interest Expenses}}{\text{Average Assets}} = \frac{\$20,046,799}{\$405,987,092}$	4.94%	4.23%	Maximum of 5.00%	RHAND value more favourable than standard
<b>5) Productivity Ratio</b>				
$\frac{\text{Non-Interest Expenses}}{\text{Net Interest Income + Other Income}} = \frac{\$20,046,799}{\$30,175,552}$	66.43%	58.77%	Maximum of 55.00%	RHAND value less favourable than standard
<b>6) Return On Average Members' Equity</b>				
$\frac{\text{Comprehensive Income}}{\text{Average Members' Equity}} = \frac{\$14,587,284}{\$289,012,923}$	5.05%	0.20%	Minimum of 5.00%	RHAND value more favourable than standard



# REPORT OF THE BOARD OF DIRECTORS

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## 15. WOODBROOK PROPERTY PROJECT

- 15.1 In 2011, RHAND Credit Union through its technical support team of Architects – Gillespie + Partners and Mr. Moulton Fabien – Town Planning Consultant, pursued the securing of the necessary planning approval for the proposed building design, from the Town and Country Planning Division of the Ministry of Planning and the Economy. While some progress was made, the extent of the approval granted by the Town and Country Planning Division to date, remains deficient for the proposed structure –

	<u>Original Approval</u>	<u>Revised Approval</u>	<u>Building Design Requirements</u>
<b>Floor Area Ratio</b>	1 : 1.10	1 : 1.75	1 : 2.16
<b>Building Coverage</b>	50.0%	55.0%	71.0%

The present design equates to a building coverage (footprint) of 71.0% - 16.0% more than the new allowable coverage of 55.0%. Discussions and negotiations are ongoing to resolve this constraint.

## 16. ADMISSION OF YOUNG PERSONS TO MEMBERSHIP

- 16.1 At a Special Meeting held on the afternoon of January 11, 2012, the Members of the Board of Directors unanimously agreed to allow young persons who have attained the age of ten (10) years to become members of RHAND Credit Union. Approval for this proposed amendment to the Bye-Laws of the Society is being sought from the Commissioner for Co-operative Development.

## 17. REPAYMENT OF CLICO INVESTMENTS

- 17.1 At its Statutory Meeting held on January 25, 2012, the Members of the Board of Directors agreed to accept the offer of the Government of the Republic of Trinidad and Tobago to pay to eligible investors - the full amount of their principal balance in two (2) equal tranches, over a period of two years.

## 18. MEMBER EDUCATION, TRAINING AND DEVELOPMENT FOR THE YEAR 2011

- 18.1 Activities facilitated during the year covered the following -

### 18.1.1 Publications

Two newsletters were published, highlighting different aspects of the operations, programmes, products and services of the Credit Union. The content also sought to inform members of all the activities that occurred at RHAND Credit Union from December 2010 – November 2011.

### 18.1.2 Membership Skills Development Activities

#### **Skills Development Programmes - Trinidad**

Two (2) M.S.D.P. modules were conducted in Trinidad. The first module ran for a period of twelve (12) weeks, while the second module ran for a period of seven (7) weeks.

# REPORT OF THE BOARD OF DIRECTORS

## CONT'D

- Module 1 (May 2011 to August 2011)

Eight (8) courses were offered at Port of Spain -

PVC Meets Lumber	Dance
Basic Electrical Wiring and Small Appliance Repair	Tile Laying
Fashion Essentials	Baking and Pastry Arts
Beauty Therapy	Know Your Car and Tune Up

Two (2) Courses were offered at Arima -

Beauty Therapy	Tile Laying
----------------	-------------

One hundred and sixty-six (166) members took part in the offerings.

- Module 2 (October 2011 to November 2011)

Four (4) courses were offered at Port of Spain -

Christmas Baking	Re-Upholstering
Drapery and Valances	Zumba

No courses were offered at Arima for this period.

### **Skills Development Programmes - Tobago**

No M.S.D.P. modules were conducted in Tobago in 2011 as the response of the membership to the advertised programmes was inadequate.

#### 18.1.3 **Outreach Programmes**

##### **Credit Union Day Activities – Port-of-Spain**

The theme for Credit Union Month 2011 was “Credit Unions Build a Better World”, with Credit Union Day being celebrated on October 21, 2011. Once again the focus of RHAND Credit Union was on health and wellness in partnering with the North West Regional Health Authority to host a Health Fair on the rooftop of the Head Office.



# REPORT OF THE BOARD OF DIRECTORS

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## **Credit Union Day Activities – Arima**

In Arima, a Health Fair was also hosted, with members visiting the Branch Office being tested for diabetes, hypertension and cholesterol.

## **Credit Union Day Activities – Tobago**

The activities in Tobago mirrored those of the Offices in Trinidad. On October 18, 2011, a lunch-time lecture on Healthy Living Habits was conducted by Ms. Rose Ambrose from the Family Planning Association. Additionally, on October 24, 2011, another lunch-time lecture was conducted by a representative of Colonial Fire and General Insurance Company Limited, informing members of the benefits of general insurance coverage.

## **RHAND On D' Road Activities**

The RHAND "bus" rolled into the following areas on two Saturdays in 2011 -

- September 3, 2011 – The Central Diego Martin Community Centre - Diego Martin  
56 persons were in attendance.
- November 12, 2011 – The KAM-PO Chinese Restaurant and Lounge – Chaguanas  
85 persons were in attendance.

These sessions were very well received by members as well as persons interested in joining the Credit Union. Those present were grateful for the information and financial guidance offered.

### 18.1.4 **Secondary Entrance Assessment (SEA) Awards**

Fifteen (15) SEA Scholarships are awarded yearly, each with a value of \$700.00 a year for a period of five (5) consecutive years.

#### **The awardees of 2011 were:**

Amie Jackman	Sarah Boodansingh
Jamal Ali	Cherae Mitchell
Akilah Eversley	Malick Cumberbatch
Nasser Ramsawak	Shanice Patterson
Joel Ramkhelawan	Nyasha Baptiste
Denzel Lamont	Christian Sam
Johanna Marie Serrette	Selena Callender
Danielle Charles	

# REPORT OF THE BOARD OF DIRECTORS

CONT'D

## 18.1.5 Social Interaction Events

### **Happy Evening - Trinidad**

The Happy Evening event planned for October 2011 was cancelled due to the curfew restrictions associated with the declared state of emergency.

### **Happy Evening - Tobago**

There being no curfew restrictions in Tobago, the annual after work lime was held on Friday - November 25, 2011, on the terrace of the Tobago Branch Office, with one hundred and fifty (150) persons being in attendance. Entertainment was provided by our very own Reigning Youth Monarch – Garve' Sandy, along with performances by the band "Simplicity" and calypsonian Prince Unique.

### **Calypso Competition**

One of the most sought after events on the RHAND calendar was hosted on Friday - February 25, 2011, with our very own Ainsley Andrews "MC Credit" adding his special wit and humour to the show. The renditions by participants in the Masters and Youth categories were enjoyed by all in attendance, with winners of the competition receiving nods of approval. Contestants securing the top three positions in the respective categories were -

#### Adult Category -

- First Place – Stanley Adams "Protected By The Law"
- Second Place – Terry Marcelle "PNM's Mistake Ignoring Calypso"
- Third Place – Sheldon Bullen "Then We Will Rise"

#### Youth Category -

- First Place – Garve' Sandy "T & T A Better Place"
- Second Place – Ezekiel Yorke "We Legacy"
- Third Place – Tenisha Weekes "Wash Dey Mouth"

### **Christmas Party - Trinidad**

The Trinidad Children's Christmas Party was held on Sunday - December 11, 2011, at the Jean Pierre Complex. Two thousand, one hundred and thirty-nine (2,139) children were registered for the event as compared to two thousand, five hundred and five (2505) in 2010. Once again this event proved to be successful and was thoroughly enjoyed by the children in attendance.

### **Christmas Party - Tobago**

The Tobago Children's Christmas Party was held on Sunday - December 04, 2011, at the Mason Hall Secondary School. Five hundred and fifty (550) children were registered for the event.



# REPORT OF THE BOARD OF DIRECTORS

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## Vacation Camp - Trinidad

No camp was offered in 2011 as the response of the membership to the advertised programme was inadequate.

## Vacation Camp - Tobago

The Annual Summer Camp was held during the period July 11 – July 29, 2011. Seventeen (17) campers between the ages of 6 – 12 years participated in several activities which covered the topics of Computer Literacy, Body Development, Arts and Craft, Cooking, Sign Language, Martial Arts and How to Save. In addition, field trips were organised.

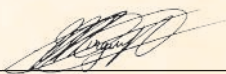
## RHAND Retirees Group

The Retirees Group had a very busy schedule for 2011, with its calendar of events covering the following diverse activities –

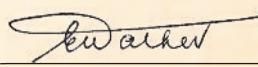
- monthly meetings on the last Tuesday of every month at 5:00 p.m. at the Head Office Rooftop
- trips to local places of interest
- all inclusive Carnival fete
- lenten service
- Christmas Cruise (St. Martin, St. Thomas, St. Kitts and Haiti (resort Labadee)
- Christmas dinner

## 19. RECOGNITION AND BEST WISHES

- 19.1 The Board of Directors wishes to recognize all the individuals who have contributed to the many successes achieved by RHAND Credit Union in the Year 2011 – Members of the Joint Management Team (Board of Directors and Statutory Committees), Members of Staff and most importantly – the general membership. **Best wishes to everyone and God's Blessings for the Year 2012.**



Martin Minguell  
President – Board of Directors



Emmanuel Walker  
Secretary – Board of Directors

# REPORT OF THE CREDIT COMMITTEE

## 1. INTRODUCTION

- 1.1 For the financial year ended December 31, 2011, the Credit Committee is pleased to report on its statutory role, as outlined in Section 34 of the Co-operative Societies Act and Section 23 (a) of the Bye-Laws of the Society, that is, the Supervision of Credit.

## 2. COMPOSITION OF THE CREDIT COMMITTEE

- 2.1 At the 63rd Annual General Meeting held on March 19, 2011, the following members were elected to serve on the Credit Committee.

- Ms. Jennifer James
- Ms. Patricia Harry
- Mrs. Mary Lou Marcano – 1st Substitute
- Mr. Peter Lewis – 2nd Substitute

Ms. Jennifer James and Ms. Patricia Harry were elected to serve for a period of two (2) years, consistent with the provisions of Section 23 (b) (ii) of the Bye-Laws of the Society.

- 2.2 At the first meeting of the Credit Committee, Ms. Jennifer James and Ms. Patricia Harry were elected Chairman and Secretary respectively.

- 2.3 The full Credit Committee for the 2011/2012 Term, comprised the following five (5) members:

- |                         |   |                |
|-------------------------|---|----------------|
| • Ms. Jennifer James    | - | Chairman       |
| • Ms. Patricia Harry    | - | Secretary      |
| • Mr. Lenus Joseph      | - | Member         |
| • Ms. Marcia Codougan   | - | Member         |
| • Mr. Dave Williams     | - | Member         |
| • Mrs. Mary Lou Marcano | - | 1st Substitute |
| • Mr. Peter Lewis       | - | 2nd Substitute |

- 2.4 The term of office of the following two (2) members of the Credit Committee, comes to an end at this 64th Annual General Meeting:

- Mr. Lenus Joseph
- Mr. Dave Williams

## 3. MEETINGS OF THE CREDIT COMMITTEE

- 3.1 The members of the Credit Committee attended ninety-eight (98) Regular and five (5) Joint Management Committee Meetings. Attendance of members of the Credit Committee at Meetings is detailed at **Table 11**.





# REPORT OF CONT'D THE CREDIT COMMITTEE

Table 11: Attendance at Credit Committee Meetings

Name Of Member	Regular			Special			REMARKS
	P	Ex	A	P	Ex	A	
J. James	82	16	-	3	2	-	Official duties / ill
P. Harry	90	8	-	4	1	-	Out of the Country / ill
D. Williams	81	14	3	4	1	-	Out of the Country on Official Duties
M. Codougan	44	10	-	2	2	-	Out of the Country / ill. Resigned with effect from July 21, 2011
L. Joseph	95	3	-	4	1	-	Out of the Country
Mary Lou Marcano	55	19	3	2	1	1	1st Substitute from January to July 2011. Assumed duties as full Member with effect from July 21, 2011 on resignation of Marcia Codougan

## 4. CREDIT SUPERVISION

- 4.1 One hundred and six (106) loan applications were processed by the Credit Committee and all, with the exception of one, were approved. To complete the processing of some of the approved loan applications, properties were inspected where deemed necessary.
- 4.2 Of the one hundred and five (105) applications approved by the Credit Committee, thirty-eight (38) needed sanctioning by the Executive Committee of the Board of Directors, as the total loan sum exceeded the \$120,000.00 limit set by the Board of Directors. Further, thirteen (13) members were interviewed in order to conclude the processing of their applications.
- 4.3 Generally, files were monitored, with the necessary notes outlining the comments of members of the Credit Committee being affixed thereon.
- 4.4 For the financial year, seven thousand, three hundred and ninety-four (7,394) loan applications were approved by the other approving agents namely: General Manager, Manager-Credit Administration, Supervisor II, Supervisor I, Manager-Tobago Branch, Credit Officer-Tobago Branch, Operations Officer – Arima Branch, Senior Clerk and Clerk I.
- 4.5 **Table 12** captures the level at which loan approvals were granted, while **Tables 13** and **14** profile the classification of loans approved and disbursed.
- 4.6 The Credit Committee made its annual visits to the Tobago and Arima Branch Offices of the Society. In addition to the files being monitored, discussions were held with the Branch Managers with respect to the Loans Portfolio. The members of the Credit Committee are satisfied that the credit approval and disbursement responsibilities at both the Tobago and Arima Branch Offices are being discharged satisfactorily.

# REPORT OF THE CREDIT COMMITTEE

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Table 12: Approving Authority for Loans Granted

Authority	Number of Loans	(%) of Loans	Approval Limit (\$)
Credit Committee	105	1.40	120,000
General Manager	1	0.01	120,000
Manager - Credit Administration	1922	25.63	100,000
Manager - Tobago Branch	154	2.05	80,000
Operations Officer – Arima Branch	789	10.52	80,000
Supervisor II	1779	23.72	75,000
Credit Officer - Tobago Branch	736	9.83	65,000
Supervisor I	1379	18.39	65,000
Senior Clerk	633	8.44	35,000
Clerk I	1	0.01	30,000
<b>Total</b>	<b>7,499</b>	<b>100.00</b>	

Table 13: Particulars of All Loans Approved and Disbursed by Credit Union

Class of Loan	2011		2010	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Loan	6,577	71,019,215.11	6,582	69,943,329.14
Cruise Loan	17	287,619.82	47	998,262.80
Debt Consolidation Loan	102	5,427,928.49	140	5,285,734.25
Education and Training Financing	322	3,988,096.81	497	4,599,642.17
Enterprise/Business Financing	29	834,062.00	32	704,297.19
Financial Assets (Investment) Financing	11	367,082.61	13	283,000.00
Medical Expenses Financing	216	1,821,752.93	303	2,265,523.92
Motor Vehicle Financing	177	15,752,498.43	198	15,560,601.58
Real Estate Financing	48	14,738,413.19	28	8,013,486.98
<b>Total</b>	<b>7,499</b>	<b>114,236,669.39</b>	<b>7,840</b>	<b>107,653,878.03</b>



# REPORT OF CONT'D THE CREDIT COMMITTEE

Table 14: Particulars of Loans Disbursed by Tobago Branch Office

Class of Loan	2011		2010	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Loan	941	10,751,037.23	895	10,624,632.07
Cruise Loan	1	8,000.00	5	154,979.10
Debt Consolidation Loan	4	630,495.28	4	342,190.78
Education and Training Financing	5	75,400.00	8	255,685.87
Enterprise/Business Financing	3	100,000.00	-	-
Financial Assets (Investment) Financing	4	304,400.00	2	29,000.00
Medical Expenses Financing	3	92,007.00	5	13,500.00
Motor Vehicle Financing	14	1,355,802.61	14	836,827.87
Real Estate Financing	12	2,117,686.47	8	260,085.60
<b>Total</b>	<b>987</b>	<b>15,434,828.59</b>	<b>941</b>	<b>12,516,901.29</b>

## 5. NON-PERFORMING LOANS

- 5.1 There were five hundred and thirty-nine (539) non-performing loans with a value of \$10,977,837 on the on the books of the Society as at December 31, 2010, resulting in a delinquency ratio of 4.49%.
- 5.2 As at December 31, 2011, there were two hundred and eighty-six (286) non-performing loans, with a value of \$11,316,990. on the books of the Society. Of these 286 non-performing loans, 139 of these loans, with a value of \$7,143,283., were loans which were one (1) month in arrears, as a result of the late remittance of December 2011 salary deductions and standing order payments by four (4) commercial banks, two (2) Ministries and two (2) Regional Health Authorities. There was therefore, an increase in the value of the non-performing loans in the sum of \$339,153., however, there was an improvement in the number of non-performing loans, with a reduction from 539 in 2010 to 286 in 2011. The true delinquency ratio for 2011 is 1.55% compared with a true delinquency of 2.34% for 2010.

## 6. ADMINISTRATION OF DEATH BENEFIT CLAIMS

- 6.1 The Credit Committee advised the Board of Directors on the settlement of thirty-three (33) Death Benefit Claims with a dollar value of \$1,226,995.82, payable to the estates of our deceased members.

# REPORT OF THE CREDIT COMMITTEE

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## 7. PARTICIPATION ON BOARD APPOINTED COMMITTEES

7.1 During the period under review, members of the Credit Committee served on the following Committees set up by the Board of Directors:

- Annual General Meeting Planning Committee
- Loan Protection Committee
- Cummings-Fraser Foundation
- 65th Anniversary Planning Committee

## 8. RECOGNITION AND BEST WISHES

8.1 The Credit Committee wishes to recognize those who have contributed to the successful achievements of RHAND Credit Union in the Year 2011:- Members of the Joint Management Team (Board of Directors and Statutory Committees), Members of Staff and you - our valued members.

8.2 Best Wishes and God's Richest Blessing for the Year 2012.

**Respectfully submitted,**

**Jennifer James - Chairman**

**Patricia Harry - Secretary**

**Lenus Joseph**

**Dave Williams**

**Mary Lou Marcano**



# REPORT OF THE SUPERVISORY COMMITTEE

## 1. INTRODUCTION

- 1.1 In accordance with the Co-operative Societies Act (No. 22 of 1971) Chapter 81:03 and the Bye-Laws of RHAND Credit Union, we the members of the Supervisory Committee are exceedingly pleased to present our report on the supervision of the affairs of the Society for the administrative period April 2011 to March 2012. An overview of the Society's financial year of January 01, 2011 to December 31, 2011, also forms part of this report.

## 2. COMPOSITION OF THE SUPERVISORY COMMITTEE

- 2.1 At the 63rd Annual General Meeting held on March 19, 2011, the following members were elected to serve on the Supervisory Committee
- Ms. Hermoine James
  - Ms. Erica Charles
  - Mr. Anthony St. Bernard – 1st Substitute
  - Mrs. Dhanraji Ramlakhan – 2nd Substitute
- 2.2 In accordance with Bye-Law 24 (c), at the first meeting of the Supervisory Committee held on March 23, 2011, Ms. Claudette Brown and Ms. Erica Charles were elected Chairman and Secretary respectively.
- 2.3 The full Supervisory Committee for the 2011/2012 Term, comprised the following five (5) members:
- |                          |   |           |
|--------------------------|---|-----------|
| • Ms. Claudette Brown    | - | Chairman  |
| • Ms. Erica Charles      | - | Secretary |
| • Mrs. Patricia Williams | - | Member    |
| • Ms. Pamela Ogiste      | - | Member    |
| • Ms. Hermoine James     | - | Member    |
- 2.4 The term of office of the following three (3) members of the Supervisory Committee, comes to an end at this 64th Annual General Meeting:
- Ms. Claudette Brown
  - Mrs. Patricia Williams
  - Ms. Pamela Ogiste

## 3. THE AUTHORITY OF THE SUPERVISORY COMMITTEE

- 3.1 Bye-law 24 (a) states that the Supervisory Committee is the Statutory Internal Auditors of the Credit Union and as such, has the following powers and duties:
- Make an examination of the affairs of the Society, including an examination of its books, at least semi-annually,

# REPORT OF THE SUPERVISORY COMMITTEE

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and if the Committee thinks it necessary, make a report of its findings to the Commissioner for Co-operative Development.

- Make an annual report of its audit and submit the same to the Annual General Meeting of the members.
- Attest (at least one (1) member) the monthly statement prepared by the General Manager of the Society.

## 4. MEETINGS OF THE SUPERVISORY COMMITTEE

### 4.1 Statutory and Special Meetings

The Supervisory Committee held ten (10) Statutory Meetings and two (2) Special Meetings up to the time of reporting. Detailed at **Table 15** is a record of attendance at these meetings.

Table 15: Attendance at Statutory and Special Meetings

NAME OF MEMBER	Statutory			Special			REMARKS
	P	Ex	A	P	Ex	A	
Claudette Brown	10	-	-	2	-	-	
Erica Charles	9	1	-	2	-	-	
Patricia Williams	9	1	-	2	-	-	
Hermoine James	9	1	-	2	-	-	Vacation Leave
Pamela Ogiste	10	-	-	1	1	-	
Anthony St. Bernard	8	2	-	1	1	-	
Dhanraji Ramlakhan	10	-	-	2	-	-	

### 4.2 Macro Committee Meetings

The Supervisory Committee was invited to Macro Committee Meetings called by the Board of Directors for the following purposes:

- To discuss the Quarterly Financial Statements
- To consider the loan applications of members of the Board of Directors and Statutory Committees
- To view the presentation by SAGICOR Life Inc. for the promotion of a Group Health Plan for members of RHAND Credit Union.

### 4.3 President and Chairmen Meetings

During the period under review, meetings were chaired by the President of the Board of Directors and attended by the Chairmen of the Credit and Supervisory Committees. The meetings were interactive in nature and served as a medium for the sharing of information and the exchange of ideas with a view to furthering growth and development of the Credit Union.



# REPORT OF CONT'D THE SUPERVISORY COMMITTEE

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## 4.4 Other Meetings

Members of the Supervisory Committee also participated in the work of the following Board-Appointed Committees:

- Cummings/Fraser Foundation Task Force
- 65th Anniversary Planning Committee
- Loan Protection Committee
- Annual General Meeting Planning Committee

## 5. WORK PROGRAMME OF THE COMMITTEE FOR APRIL 2011 TO DECEMBER 2011

For the period under review the following key areas of the operations of the Credit Union were examined:

- Attestation of the Monthly Financial Statements
- Credit Administration Review
- Review of the Delinquency Portfolio
- Review of the Minutes of Meetings of the Board of Directors
- Cash Counts
- Review of the Family Indemnity Plan Portfolio
- Review of Compliance with the Occupational Safety and Health Act of 2004 (OSHA)
- Examination of Arrears of Salary Computations
- Review of Branch Operations at Arima and Tobago
- Review of the Activities of the Education Committee
- Review of Legal and Professional Fees
- Review of Compliance with the Proceeds of Crime Act of 2000

## 6. OBSERVATIONS ON AREAS OF EXAMINATION

### 6.1 Examinations of the Financial Records and Attestation of the Monthly Financial Statements

A review of the financial statements was carried out during the period under review to ensure compliance with the relevant accounting standards. Discussions were held with the General Manager and Manager – Finance and Accounting. Recommendations were made and reports were submitted to the Board of Directors.

# REPORT OF THE SUPERVISORY COMMITTEE

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## 6.2 Credit Administration Review

Audits were conducted on the Loan Portfolio. The objective was to determine:

- Compliance with the Co-operative Societies Act and Regulations, RHAND's Bye-Laws, the Loan Policy and Procedures.
- The validity and the adequacy of securities held for exposures on loans.
- The adequacy and effectiveness of the internal control systems.

All concerns were addressed and satisfactorily clarified by the Manager-Credit Administration.

## 6.3 Review of the Delinquency Portfolio

Audits were conducted on the delinquency portfolio in order to determine whether:

- Adequate systems were in place to communicate with delinquent members to recover outstanding amounts
- The systems and procedures in place resulted in the reduction of non-performing loans.

As at December 31 2011, there were two hundred and eighty six (286) non-performing loans, with a value of \$ 11,316,990. on the books of RHAND Credit Union. This represents a delinquency ratio of 4.20% percent, which is below the PEARLS standard ceiling of 5.00 percent. The comparative ratio for the year ended December 31, 2010 was 4.49%.

## 6.4 Review of the Minutes of Meetings of the Board of Directors

The Supervisory Committee received and reviewed on a timely basis, the Minutes of meetings of the Board of Directors.

The intent of the review was to ensure that the decisions taken:

- were for the benefit of the membership, and
- were put into effect.

The Committee has noted the efforts of the Board of Directors in developing plans and making decisions that will redound to the benefit of the membership.





# REPORT OF CONT'D THE SUPERVISORY COMMITTEE

## 6.5 Cash Counts

The Committee conducted Statutory Cash Counts simultaneously at Head Office and the Branch Offices at Arima and Tobago, on June 30, 2011 and December 30, 2011 respectively.

Surprise Cash Counts were also conducted during the course of the year. These exercises did not reveal any excesses or shortages of cash.

## 6.6 Review of the Family Indemnity Plan Portfolio

During the period under review, an audit of the Family Indemnity Plan portfolio was conducted to verify that premiums were being paid on time and members were receiving the full benefit of the plan. We also verified that changes of plans, beneficiaries and next of kin were being communicated to CUNA Caribbean Insurance Society Limited on a timely basis. Based on the audit, the Committee was reasonably satisfied that internal controls were in place to account for remittances received from members.

## 6.7 Review of Compliance with the Occupational Safety and Health Act

During the year under review, a physical audit was done at the premises of Head Office of the Society and the Branch Offices to ascertain compliance with the Act. The Committee is pleased to know that RHAND is pro-active in this exercise and that there was evidence of the implementation of health and safety standards. The process is ongoing and RHAND is continuously seeking ways to upkeep a healthy and safe environment for its staff and membership.

## 6.8 Examination of Arrears of Salary Computations

An Examination was undertaken of the Arrears of Salary Computations for the outstanding sums due to members of staff for the period January 01, 2009 to October 31, 2011.

A review of the Memorandum of Agreement between the Banking, Insurance and General Workers Union and RHAND Credit Union Co-operative Society Limited was also undertaken, with particular reference to the financial terms and conditions relating to Salary and Allowances. Based on the examination conducted, the Committee was satisfied with the computations, which allowed for the payment of the arrears to staff to the end of October 2011.

# REPORT OF THE SUPERVISORY COMMITTEE

CONT'D

## 6.9 Review of Branch Operations at Arima and Tobago

### • Arima Branch

Several audits were carried out at the Arima Branch office. These include Credit Administration, Cash Counts and compliance with the OSH Act 2004. On-site interviews were held with our tenant storeowners, who provide a wide range of products for inner and outer health and beauty. Entrepreneurship is encouraged to ensure full tenancy of the building. In our opinion, operations conducted at this branch, were found to be satisfactory.

### • Tobago Branch

During the period under review several audits were conducted on the operations at the Tobago Branch office. These included Credit Administration, the Delinquency Portfolio, Cash Counts and compliance with the OSH Act 2004. The committee is satisfied with the conduct of operations at this office.

## 6.10 Review of the Activities of the Education Committee

Section 21 (a) of the Bye Laws of RHAND Credit Union states the role of the Education Committee is as follows - "This Committee shall be in charge of publicity and education and shall supply strategic support to the Board of Directors in achieving the objectives of the Society."

The Committee held monthly and special meetings to plan and execute its mandate to provide education, training and development opportunities of members and their children. A review of the activities for the year 2011, established that this was satisfactorily achieved with the assistance of several sub committees. Secondary Assessment Award and Orientation Sessions were conducted at both the Head Office and the Tobago Branch Office. Some of the other activities held during the period of review were:

- Orientation Sessions for New Members
- Membership Skills Development Programmes (M.S.D.P), Display and Achievement Days
- Youth Recognition Competition
- RHAND on D' Road
- RHAND Entrepreneurship Development Programme (RED)
- Production of 2012 Calendar



# REPORT OF CONT'D THE SUPERVISORY COMMITTEE

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In addition to the above listed activities, some annual social events were also held:

- Calypso Competition
- Children Christmas Party

## 6.11 Review of Legal and Professional Fees

During the period under review, an audit of the Legal and Professional fees was conducted. The object was to verify that the provision of legal and professional services when requested by RHAND Credit Union was adhered to and also to ensure that payments were made as directed by Management. The Committee is satisfied that this area is managed in an efficient manner.

## 6.12 Review of Compliance with the Proceeds of Crime Act 2000

An Audit on the systems and controls as it relates to the Anti-Money Laundering (AML) portfolio was conducted for the period January 2011 to June 2011. The Committee is satisfied that in the conduct of the operation, adequate supporting documents were presented by members when they were conducting their financial transactions at the Society.

## 7. TRAINING

### • ACCA Roundtable Session

Three members attended the ACCA Roundtable Session held at the Trinidad Hilton on May 25, 2011. The theme of the Roundtable was "The Role of Audit in Enhancing Confidence in Financial Reporting" This session proved to be beneficial to the Committee and its work in delivering a high performance in auditing and accounting to the RHAND membership.

### • Anti-Money Laundering Training

An in-house training session entitled "Reducing the Risk of Money Laundering through Prevention and Detection" facilitated by Mr. Cameron Mitchell was held in November. Members of the Supervisory Committee together with members of the Board of Directors, Credit Committee and staff members of RHAND were in attendance. This was a much anticipated training/retraining session in the area of combating money laundering and learning the countermeasures involved in the fight against financing terrorism as proclaimed in the Proceeds of Crimes Act of 2000.

# REPORT OF THE SUPERVISORY COMMITTEE

CONT'D

## 8. INTERNAL AUDIT DEPARTMENT

The Supervisory Committee is pleased to report that during the past year a full time Internal Auditor is now on the staff of RHAND. We look forward in the new term, to building a meaningful, working relationship with this department which will work towards the benefit of RHAND.

## 9. APPRECIATION

The members of the Supervisory Committee would like to thank you the Membership for entrusting us with the responsibility to monitor our affairs. We also take this opportunity to express our gratitude to the Board of Directors, the General Manager and staff of RHAND for the commitment and efficiency in providing all the assistance and co-operation required by the Supervisory Committee during the year.

**Respectfully submitted,**

**Claudette Brown - Chairman**

**Erica Charles - Secretary**

**Patricia Williams**

**Pamela Ogiste**

**Hermoine James**





Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

### **The Members**

#### **RHAND Credit Union Co-operative Society Limited**

We have audited the accompanying financial statements of RHAND Credit Union Co-operative Society Limited, which comprise the statement of financial position as at December 31, 2011, the statements of comprehensive income, appropriated funds and undivided earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of RHAND Credit Union Co-operative Society Limited as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature of 'PKF' in blue ink.

**Port of Spain**  
**17 February 2012**



RHAND  
Credit Union  
Co-operative  
Society Limited

# FINANCIAL STATEMENTS DECEMBER 31, 2011

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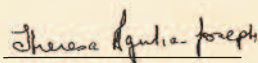
# STATEMENT OF FINANCIAL POSITION

December 31

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	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>Cash Resources:</b>			
Cash in hand and at bank	5	\$ 7,461,080	\$ 3,674,203
Short-term investments	6	56,758,706	71,082,724
Total Cash Resources		64,219,786	74,756,927
<b>Other Assets:</b>			
Accounts receivable and prepayments	7	2,380,590	2,226,044
Net loans to members	8	268,631,869	242,550,058
Long-term investments	9	53,897,186	48,623,889
Fixed assets	10	28,302,617	26,385,217
<b>Total Assets</b>		<b>\$ 417,432,048</b>	<b>\$ 394,542,135</b>
<b>Liabilities:</b>			
Accounts payable and accruals	11	\$ 5,250,082	\$ 5,807,327
Members' savings deposits		23,080,898	18,411,531
Members' time deposits		86,410,661	92,987,839
Provision for terminal benefits	12	1,030,000	970,000
Total Liabilities		115,771,641	118,176,697
<b>Members' Equity:</b>			
Members' shares	13	258,427,444	242,970,251
Reserve fund		19,323,250	18,256,775
Education fund		317,741	135,730
Loan protection fund	14	1,204,916	1,374,037
Building fund		9,250,000	9,250,000
Investment re-measurement reserve	15	954,144	(3,054,387)
Undivided earnings		12,182,912	7,433,032
Total Members' Equity		301,660,407	276,365,438
<b>Total Liabilities and Members' Equity</b>		<b>\$ 417,432,048</b>	<b>\$ 394,542,135</b>

These financial statements were approved by the Board of Directors and authorised for issue on February 17, 2012 and signed on their behalf by:

  
Treasurer

  
Member,  
Board of Directors

  
Member,  
Supervisory Committee

(The accompanying notes form part of these financial statements)

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

	<u>Schedules</u>	<u>2011</u>	<u>2010</u>
<b>Income:</b>			
Interest on loans	1	\$ 29,348,127	\$ 26,834,405
Investment income	2	1,887,882	5,430,072
Other income		<u>1,254,062</u>	<u>1,372,829</u>
Total Income		<u>32,490,071</u>	<u>33,637,306</u>
<b>Expenditure:</b>			
Administrative expenses	3	6,169,384	5,839,398
Board and committees' expenses	4	827,918	646,045
Life savings insurance		729,331	698,641
Loan protection expense		1,226,996	301,179
Loan loss expense		1,200,000	480,000
Interest on members' deposits		2,314,519	5,213,130
Member education, training and development expenses		875,864	1,047,862
Personnel costs	5	<u>9,017,306</u>	<u>7,692,150</u>
Total Expenditure		<u>22,361,318</u>	<u>21,918,405</u>
Operating surplus for the year		10,128,753	11,718,901
Accrued interest adjustment ( <b>Note 6</b> )		<u>450,000</u>	<u>(11,610,502)</u>
<b>Net surplus for the year</b>		10,578,753	108,399
<b>Other Comprehensive Income:</b>			
Unrealised gain on available-for-sale financial assets		<u>4,008,531</u>	<u>430,869</u>
<b>Total Comprehensive Income for the year</b>		<u>\$ 14,587,284</u>	<u>\$ 539,268</u>

(The accompanying notes form part of these financial statements)





# STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

For the year ended December 31, 2011

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	<u>Reserve Fund</u>	<u>Education Fund</u>	<u>Loan Protection Fund</u>	<u>Building Fund</u>	<u>Investment Re-measurement Reserve</u>	<u>Undivided Earnings</u>
Balance as at January 1, 2011	\$ 18,256,775	\$ 135,730	\$ 1,374,037	\$ 9,250,000	\$ (3,054,387)	\$ 7,433,032
Total comprehensive income for the year					4,008,531	10,578,753
Appropriation of net surplus for the year:						
(i) 10.0% to the Reserve Fund	1,057,875					(1,057,875)
(ii) 10.0% to the Education Fund		1,057,875				(1,057,875)
(iii) 10.0% to the Loan Protection Fund	-	-	1,057,875	-	-	(1,057,875)
	19,314,650	1,193,605	2,431,912	9,250,000	954,144	14,838,160
Add/(less) adjustments as follows:						
(i) Dividends (2010)						(4,749,508)
(ii) Entrance fees	8,600					(8,600)
(iii) Member education, training and development expenses		(875,864)				875,864
(iv) Transfer to Building Fund						-
(v) Transfer to Loan Protection Fund	-	-	(1,226,996)	-	-	1,226,996
<b>Balance as at December 31, 2011</b>	<u>\$19,323,250</u>	<u>\$ 317,741</u>	<u>\$ 1,204,916</u>	<u>\$9,250,000</u>	<u>\$ 954,144</u>	<u>\$ 12,182,912</u>

(The accompanying notes form part of these financial statements)

# STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

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For the year ended December 31, 2011

	<u>Reserve Fund</u>	<u>Education Fund</u>	<u>Loan Protection Fund</u>	<u>Building Fund</u>	<u>Investment Re-measurement Reserve</u>	<u>Undivided Earnings</u>
Balance as at January 1, 2010	\$ 18,238,189	\$ 1,178,172	\$ 1,669,796	\$ 9,250,000	\$ (3,485,256)	\$ 13,917,824
Total comprehensive income for the year					430,869	108,399
Appropriation of net surplus for the year:						
(i) 10.0% to the Reserve Fund	10,840					(10,840)
(ii) 5.0% to the Education Fund		5,420				(5,420)
(iii) 5.0% to the Loan Protection Fund	-	-	5,420	-	-	(5,420)
	<u>18,249,029</u>	<u>1,183,592</u>	<u>1,675,216</u>	<u>9,250,000</u>	<u>(3,054,387)</u>	<u>14,004,543</u>
Add/(less) adjustments as follows:						
(i) Dividends (2010)						(7,912,806)
(ii) Entrance fees	7,746					(7,746)
(iii) Member education, training and development expenses		(1,047,862)				1,047,862
(iv) Transfer to Building Fund						-
(v) Transfer to Loan Protection Fund	-	-	(301,179)	-	-	301,179
<b>Balance as at December 31, 2010</b>	<u><b>\$18,256,775</b></u>	<u><b>\$ 135,730</b></u>	<u><b>\$ 1,374,037</b></u>	<u><b>\$ 9,250,000</b></u>	<u><b>\$(3,054,387)</b></u>	<u><b>\$ 7,433,032</b></u>

(The accompanying notes form part of these financial statements)



**RHAND**  
CREDIT UNION

today, tomorrow... together

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

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	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>		
Net surplus for the year	\$ 10,578,753	\$ 108,399
Adjustments to reconcile net surplus to cash used in operating activities:		
Depreciation	893,160	713,541
Increase in provision for terminal benefits	60,000	60,000
Increase in provision for loan losses	1,200,000	480,000
Loss on disposal of fixed assets	52,268	50,312
Non-performing loans (written-off)/recovered	(2,381,833)	397,083
Net change in accounts receivable and prepayments	(154,546)	3,327,911
Net change in loans to members	(24,899,978)	(23,231,548)
Net change in members' savings deposits	4,669,367	1,790,466
Net change in members' time deposits	(6,577,178)	(5,943,987)
Net change in accounts payable and accruals	(557,245)	(3,786,676)
Net change in members' shares	<u>15,457,193</u>	<u>13,704,312</u>
Cash used in operating activities	<u>(1,660,039)</u>	<u>(12,330,187)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from disposal of fixed assets	124,363	4,650
Purchase of long-term investments	(1,264,766)	(7,036,531)
Purchase of fixed assets	<u>(2,987,191)</u>	<u>(1,075,031)</u>
Cash used in investing activities	<u>(4,127,594)</u>	<u>(8,106,912)</u>
<b>Cash Flows from Financing Activities:</b>		
Dividends distribution	<u>(4,749,508)</u>	<u>(7,912,806)</u>
Cash used in financing activities	<u>(4,749,508)</u>	<u>(7,912,806)</u>
Net change in cash resources for the year	(10,537,141)	(28,349,905)
Cash resources, beginning of year	<u>74,756,927</u>	<u>103,106,832</u>
Cash resources, end of year	<u>\$ 64,219,786</u>	<u>\$ 74,756,927</u>
<b>Represented by:</b>		
Cash in hand and at bank	\$ 7,461,080	\$ 3,674,203
Short-term investments	<u>56,758,706</u>	<u>71,082,724</u>
	<u>\$ 64,219,786</u>	<u>\$ 74,756,927</u>

(The accompanying notes form part of these financial statements)

# NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2011

## 1. Registration and Objectives:

The Society is registered under the Co-operative Societies Act Ch: 81:03. Its objectives are to promote the economic and social welfare of its members, to encourage the spirit and practice of thrift, self-help and co-operation among members and to promote the development of co-operative ideas.

## 2. Significant Accounting Policies:

### a) **Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

### b) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### c) **New Accounting Standards and Interpretations -**

- i) The Society has not applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Society:

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.

- ii) The Society has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).

IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from hyperinflation (effective for accounting periods beginning on or after 1 July 2011).

IFRS 7 Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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- IFRS 9 Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).
- IFRS 9 Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 12 Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
- IAS 1 Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
- IAS 12 Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).
- IAS 19 Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
- IAS 32 Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
- IAS 34 Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Society's classification and presentation of financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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December 31, 2011

## 2. Significant Accounting Policies (Cont'd):

### d) **Fixed assets -**

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation is provided using both the reducing balance method and the straight-line method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Building	- 2%	- straight line
Car park	- 10%	- straight line
Furniture, fixtures and fittings	- 10%	- diminishing balance
Office equipment	- 20%	- diminishing balance
Telephone facilities	- 33 1/3%	- diminishing balance
Other equipment	- 12 1/2%, 33 1/3%	- diminishing balance
Motor vehicles	- 25%	- diminishing balance
Computer facilities	- 20%	- diminishing balance

No depreciation is provided on Land and Work-in-Progress.

The assets' residual values and useful lives are reviewed at each Statement of Financial Position date, and adjusted as appropriate. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

### e) **Investments -**

The Society has classified all investments into the following categories:

#### Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

#### Held to maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortized cost less provisions made for any permanent diminution in value. Amortised cost is calculated by taking into account any premium or discounts on acquisition over the period of maturity using the effective interest rate method.



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 2. Significant Accounting Policies (Cont'd):

### f) **Financial instruments -**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Society's Statement of Financial Position when the Society becomes a party to the contractual provisions of the instrument.

#### **Financial assets**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Society commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

#### **Impairment of financial assets**

The Society assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or 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 (a "loss event") and that 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 assets or group of financial assets is impaired includes observable data that comes to the attention of the Society about the following loss events:

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

# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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December 31, 2011

## 2. Significant Accounting Policies (Cont'd):

### f) **Financial instruments (cont'd) -**

#### **Impairment of financial assets (cont'd)**

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

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

#### **i) Financial assets measured at amortised cost**

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

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

#### **ii) Financial assets measured at cost**

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

#### **Financial liabilities**

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.





# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 2. **Significant Accounting Policies (Cont'd):**

### f) **Financial instruments (cont'd) -**

#### **Financial liabilities (cont'd)**

##### Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of twelve months or less and are carried at cost, which approximates market value.

##### Accounts receivable

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

##### Loans to members

Loans to members are stated at principal amounts outstanding net of allowances for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

Loans are secured by various forms of collateral, including charges over tangible assets, certificates of deposit, and assignment of funds held with other financial institutions.

##### Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### Members' deposits

Members' deposits are stated at the principal amounts invested by members together with any capitalised interest. Members' deposits bear interest at rates that are not significantly different from current market rates and are assumed to have discounted cash flow values which approximate carrying values.

##### Members' shares

Members' shares are classified as equity and stated at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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December 31, 2011

## 2. **Significant Accounting Policies (Cont'd):**

### g) **Revenue recognition -**

#### Loan Interest

Interest charged on all loans to members is calculated at 1.00% per month on the outstanding balance at the end of each month in accordance with Section 22 (a) of the Bye-laws. Loan interest is accounted for on the cash basis.

Interest on non-performing loans is not accrued or taken into income on an ongoing basis because there is doubt as to the recoverability of the loans. Income from non-performing loans is taken into income on a cash basis, but only after specific provisions for losses have been made.

For non-performing loans, specific provisions are made for the unsecured portion of the loan. The amount of the provision is dependent upon the extent of the delinquency.

#### Investment Income

Income from investments is accounted for on the accruals basis except for dividends, which are accounted for on a cash basis, consistent with International Accounting Standard (IAS) #18.

### h) **Dividends payable to members -**

Dividends are computed on the basis of the average value of shares held throughout the year, the average being determined on the basis of the value of shares held at the end of each month. Dividends that are proposed and declared after the Statement of Financial Position date are not shown as a liability in accordance with IAS #10 but are disclosed as a note to the financial statements.

### i) **Foreign currency -**

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the Statement of Financial Position date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

### j) **Provisions -**

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 2. **Significant Accounting Policies (Cont'd):**

### k) **Comparative figures -**

Certain changes in presentation have been made during the year and comparative figures have been restated accordingly. These changes have no impact on the net profit reported for the previous year.

## 3. **Financial Risk Management:**

### **Financial risk factors**

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Society to manage these risks are discussed below:

### a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

#### Loans

The Society generally invests in fixed rate loans for terms not exceeding five years. These are funded mainly from member deposits and shares.

### b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Society relies heavily on a written Credit Policies, Procedures and Guidelines Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Society's lending philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The Society's loan portfolio is managed and consistently monitored by the Credit Committee and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

# NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2011

### 3. Financial Risk Management (Cont'd):

#### **Financial risk factors (cont'd)**

##### **b) Credit risk (cont'd) -**

Cash balances are held with high credit quality financial institutions and the Society has policies to limit the amount of exposure to any single financial institution.

The Society also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

##### **c) Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Society has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Society is able to make daily calls on its available cash resources to settle financial and other liabilities.

#### Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Society. The Society employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Society's assets as well as generating sufficient cash from new and renewed members' deposits and shares.

To manage and reduce liquidity risk the Society's management actively seeks to match cash inflows with liability requirements.

##### **d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

##### **e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to the Society's information technology and control systems, as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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### 3. **Financial Risk Management (Cont'd):**

#### **Financial risk factors (cont'd)**

##### **f) Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Inspector of Financial Institutions at the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Society.

##### **g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society engages in public social endeavours to engender trust and minimize this risk.

### 4. **Critical Accounting Estimates and Judgments:**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Society's accounting policies. See Note 2 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Society makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

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December 31, 2011

## 4. Critical Accounting Estimates and Judgments (Cont'd):

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

### i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

### ii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

## 5. Cash in Hand and at Bank:

	December 31	
	<u>2011</u>	<u>2010</u>
Cash in hand	\$ 397,718	\$ 292,410
Cheques in hand	353,536	57,152
Current account	<u>6,709,826</u>	<u>3,324,641</u>
	<b><u>\$ 7,461,080</u></b>	<b><u>\$ 3,674,203</u></b>



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 6. Short-Term Investments:

Short-term investments consist of treasury bills, repurchase agreements, time deposits and mutual fund units held at the following financial intermediaries/agencies:-

### Available-for-sale

	December 31	
	2011	2010
The Home Mortgage Bank	\$ 4,211,167	\$ 4,086,861
Colonial Life Insurance Company (Trinidad) Limited	22,493,443	22,043,443
First Citizens Investment Services Limited		
- Abercrombie Fund	2,636,636	1,829,462
- Repurchase Agreement	7,488,401	11,826,496
RBTT Trust Limited – ROYTRIN Money Market Fund	31,895	30,699
ANSA Merchant Bank Limited	7,416,116	6,916,735
Trinidad and Tobago Unit Trust Corporation		
- Money Market Fund	1,197,205	3,751,742
Government of the Republic of Trinidad and Tobago		
- Treasury Bills	-	250,000
British American Insurance Company (Trinidad) Limited	5,000,000	5,000,000
The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited	2,824,520	5,824,521
Guardian Asset Management Limited	3,459,323	9,225,333
Intercommercial Bank Limited – Mutual Fund	-	297,432
	\$ 56,758,706	\$ 71,082,724

On January 30, 2009 the Ministry of Finance (MOF) and the Central Bank of Trinidad and Tobago announced that the Government of the Republic of Trinidad and Tobago (GORTT) had reached an agreement with the CL Financial Limited Group for the provision of a package of financial support for the Group's financial services companies. These companies included Colonial Life Insurance Company Limited (CLICO), Caribbean Money Market Brokers Limited (CMMB) and British American Insurance Company (Trinidad) Limited (BAT).

Subsequent to this, the Minister of Finance stated that GORTT would repay local investors of Short Term Investment Products (STIPS) in CLICO and BAT, their principal balances, that is, the capital sum as at the issue date or last renewal date, minus any capital withdrawals or loans made prior to September 8, 2010. A similar guarantee was not made for interest accrued on the principal balances.

In light of the foregoing, the Credit Union decided to write off all accrued interest on its CLICO and BAT investments as at December 31, 2010.

On January 13, 2012, the Credit Union received confirmation from CLICO that the total value of the Society's two investments held with CLICO was **\$22,493,443**. The confirmed values reflect an increase in the value of the investments by **\$450,000**, which represents capitalised interest on one of the Credit Union's investments held with CLICO.

The Credit Union's management has decided to adjust the CLICO investment balances as at December 31, 2011 to reflect the amounts confirmed by CLICO. The reversal of the write-off of **\$450,000** in accrual interest is recorded in the Statement of Comprehensive Income as required by IAS 39 – Financial Instruments: Recognition and Measurement.

# NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2011

## 7. Accounts Receivable and Prepayments:

	December 31	
	<u>2011</u>	<u>2010</u>
Interest receivable on investments (see Note 6)	\$ 764,821	\$ 671,689
Staff members' loans	91,614	154,470
Other receivables and prepayments	1,524,155	1,399,885
	<u>\$ 2,380,59</u>	<u>\$ 2,226,044</u>

## 8. Net Loans to Members:

- a) Loans to members are stated at principal outstanding net of an allowance for loan losses. The allowance for loan losses is based on the Board's evaluation of the loan portfolio under current economic conditions and past loan loss experience.

	December 31	
	<u>2011</u>	<u>2010</u>
Loans to members	\$ 269,489,895	\$ 244,589,917
Less: Allowance for loan losses	(858,026)	(2,039,859)
	<u>\$ 268,631,869</u>	<u>\$ 242,550,058</u>

### b) Analysis of movement in Allowance for Loan Losses:

Balance, beginning of year	\$ 2,039,859	\$ 1,162,776
Non-performing loans write-offs	(2,920,120)	19,918
Non-performing loans recovered	538,287	377,165
Provision for the year	1,200,000	480,000
Balance, end of year	<u>\$ 858,026</u>	<u>\$ 2,039,859</u>





# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 9. Long-Term Investments:

Long-term investments consist of equity, mutual fund and fixed income investments held at the following institutions:-

		December 31	
<u>Available-for-sale</u>		<u>2011</u>	<u>2010</u>
Shares	<ul style="list-style-type: none"> <li>- Republic Bank Limited</li> <li>- Prestige Holdings Limited</li> <li>- Grace Kennedy Company Limited</li> <li>- Guardian Holdings Limited</li> <li>- Neal &amp; Massy Holdings Limited</li> <li>- West Indian Tobacco Company Limited</li> <li>- LINC Limited</li> <li>- One Caribbean Media</li> <li>- Sagicor Financial Corporation</li> <li>- Jamaica Money Market Brokers Limited</li> <li>- Ansa Mc Al Limited</li> <li>- The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited</li> <li>- Scotiabank Trinidad and Tobago Limited</li> <li>- Royal Bank of Canada</li> <li>- Trinidad Cement Limited</li> <li>- National Commercial Bank of Jamaica</li> <li>- Angostura Holdings Limited</li> </ul>	<ul style="list-style-type: none"> <li>\$ 1,406,716</li> <li>1,272,502</li> <li>214,500</li> <li>275,500</li> <li>727,332</li> <li>1,950,930</li> <li>2,000,001</li> <li>414,000</li> <li>279,650</li> <li>191,268</li> <li>801,350</li> <li>100,000</li> <li>785,148</li> <li>622,487</li> <li>66,065</li> <li>108,000</li> <li>155,000</li> </ul>	<ul style="list-style-type: none"> <li>\$ 1,112,209</li> <li>776,226</li> <li>180,000</li> <li>247,000</li> <li>585,155</li> <li>1,520,358</li> <li>2,000,001</li> <li>680,000</li> <li>280,000</li> <li>56,925</li> <li>648,365</li> <li>100,000</li> <li>566,592</li> <li>638,753</li> <li>103,342</li> <li>73,000</li> <li>-</li> </ul>
Mutual Fund Units	<ul style="list-style-type: none"> <li>- Trinidad &amp; Tobago Unit Trust Corporation Chaconia Income and Growth Fund</li> <li>- Growth and Income Fund</li> <li>- Deutsche Bank</li> </ul>	<ul style="list-style-type: none"> <li>2,685,551</li> <li>37,401,955</li> <li>317,451</li> <li style="border-top: 1px solid black;">51,775,406</li> </ul>	<ul style="list-style-type: none"> <li>2,788,780</li> <li>34,665,983</li> <li>319,300</li> <li style="border-top: 1px solid black;">47,341,989</li> </ul>
<u>Held to maturity</u>			
Bonds	<ul style="list-style-type: none"> <li>- Government of the Republic of Trinidad and Tobago</li> <li>- Housing Development Corporation</li> <li>- National Insurance Property Development Corporation</li> <li>- Neal and Massy Holdings Limited</li> <li>- Home Mortgage Bank</li> </ul>	<ul style="list-style-type: none"> <li>492,900</li> <li>189,000</li> <li>719,880</li> <li>500,000</li> <li>220,000</li> <li style="border-top: 1px solid black;"><b>\$ 53,897,186</b></li> </ul>	<ul style="list-style-type: none"> <li>492,900</li> <li>189,000</li> <li>100,000</li> <li>500,000</li> <li>-</li> <li style="border-top: 1px solid black;"><b>\$ 48,623,889</b></li> </ul>

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

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December 31, 2011

## 10. FIXED ASSETS:

COST	LAND	CAR PARK	BUILDING	WORK-IN-PROGRESS	FURNITURE, FIXTURES AND FITTINGS
Balance as at January 1, 2011	\$15,493,607	\$186,868	\$9,436,099	\$1,348,311	\$2,738,158
Additions	-	-	-	2,117,415	34,208
Disposals	-	-	-	-	(126,109)
Transfers	-	-	102,000	(139,919)	18,000
Balance as at December 31, 2011	<u>\$15,493,607</u>	<u>186,868</u>	<u>9,538,099</u>	<u>3,325,807</u>	<u>2,664,257</u>
<b>ACCUMULATED DEPRECIATION</b>					
Balance as at January 1, 2011	-	186,868	3,813,124	-	1,480,083
Charge for the year	-	-	189,583	-	118,271
Disposals	-	-	-	-	(80,757)
Balance as at December 31, 2011	<u>-</u>	<u>186,868</u>	<u>4,002,707</u>	<u>-</u>	<u>1,517,597</u>
<b>NET BOOK VALUE</b>					
<b>Balance as at December 31, 2011</b>	<b><u>\$15,493,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$5,535,392</u></b>	<b><u>\$3,325,807</u></b>	<b><u>\$1,146,660</u></b>
<b>Balance as at December 31, 2010</b>	<b><u>\$15,493,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,622,975</u></b>	<b><u>\$1,348,311</u></b>	<b><u>\$1,258,075</u></b>
<b>COST</b>					
Balance as at January 1, 2010	\$15,493,607	\$186,868	\$9,139,042	\$1,666,641	\$2,395,314
Additions	-	-	-	787,677	60,506
Disposals	-	-	-	-	-
Transfers	-	-	297,057	(1,106,007)	282,338
Balance as at December 31, 2010	<u>\$15,493,607</u>	<u>186,868</u>	<u>9,436,099</u>	<u>1,348,311</u>	<u>2,738,158</u>
<b>ACCUMULATED DEPRECIATION</b>					
Balance as at January 1, 2010	-	186,868	3,833,089	-	1,341,976
Charge for the year	-	-	188,091	-	126,361
Adjustments	-	-	(208,056)	-	11,746
Disposals	-	-	-	-	-
Balance as at December 31, 2010	<u>-</u>	<u>186,868</u>	<u>3,813,124</u>	<u>-</u>	<u>1,480,083</u>
<b>NET BOOK VALUE</b>					
<b>Balance as at December 31, 2010</b>	<b><u>\$15,493,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$5,622,975</u></b>	<b><u>\$1,348,311</u></b>	<b><u>\$1,258,075</u></b>
<b>Balance as at December 31, 2009</b>	<b><u>\$15,493,607</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,305,953</u></b>	<b><u>\$1,666,641</u></b>	<b><u>\$1,053,338</u></b>



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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OFFICE EQUIPMENT	TELEPHONE FACILITIES	OTHER EQUIPMENT	MOTOR VEHICLES	COMPUTER FACILITIES	TOTAL
\$792,805	\$264,148	\$1,621,683	\$604,361	\$5,633,334	\$38,119,374
48,181	20,199	41,029	189,950	536,209	2,987,191
(289,975)	(19,506)	(10,762)	(169,030)	(106,432)	(721,814)
<u>-</u>	<u>-</u>	<u>19,919</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>551,011</u>	<u>264,841</u>	<u>1,671,869</u>	<u>625,281</u>	<u>6,063,111</u>	<u>40,384,751</u>
540,450	106,012	1,010,238	496,960	4,100,422	11,734,157
43,480	47,361	96,823	50,804	346,838	893,160
<u>(252,204)</u>	<u>(11,558)</u>	<u>(9,805)</u>	<u>(104,836)</u>	<u>(86,023)</u>	<u>(545,183)</u>
<u>331,726</u>	<u>141,815</u>	<u>1,097,256</u>	<u>442,928</u>	<u>4,361,237</u>	<u>12,082,134</u>
<b><u>\$219,285</u></b>	<b><u>\$123,026</u></b>	<b><u>\$574,613</u></b>	<b><u>\$182,353</u></b>	<b><u>\$1,701,874</u></b>	<b><u>\$28,302,617</u></b>
<b><u>\$252,355</u></b>	<b><u>\$158,136</u></b>	<b><u>\$611,445</u></b>	<b><u>\$107,401</u></b>	<b><u>\$1,532,912</u></b>	<b><u>\$26,385,217</u></b>
\$648,951	\$489,371	\$1,584,582	\$604,361	\$5,320,486	\$37,529,223
143,854	4,345	39,689	-	38,960	1,075,031
-	(379,717)	(2,588)	-	(102,575)	(484,880)
<u>-</u>	<u>150,149</u>	<u>-</u>	<u>-</u>	<u>376,463</u>	<u>-</u>
<u>792,805</u>	<u>264,148</u>	<u>1,621,683</u>	<u>604,361</u>	<u>5,633,334</u>	<u>38,119,374</u>
507,178	403,020	899,937	466,091	3,812,375	11,450,534
33,272	51,241	109,647	30,869	324,126	863,607
-	-	2,887	-	43,357	(150,066)
<u>-</u>	<u>(348,249)</u>	<u>(2,233)</u>	<u>-</u>	<u>(79,436)</u>	<u>(429,918)</u>
<u>540,450</u>	<u>106,012</u>	<u>1,010,238</u>	<u>496,960</u>	<u>4,100,422</u>	<u>11,734,157</u>
<b><u>\$252,355</u></b>	<b><u>\$158,136</u></b>	<b><u>\$611,445</u></b>	<b><u>\$107,401</u></b>	<b><u>\$1,532,912</u></b>	<b><u>\$26,385,217</u></b>
<b><u>\$141,773</u></b>	<b><u>\$86,351</u></b>	<b><u>\$684,645</u></b>	<b><u>\$138,270</u></b>	<b><u>\$1,508,111</u></b>	<b><u>\$26,078,689</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

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December 31, 2011

**11. Accounts Payable and Accruals:**

	December 31	
	<u>2011</u>	<u>2010</u>
Death/disability claims due to members	\$ 2,078,323	\$ 1,793,722
Non-members' receipts	38,205	19,437
Interest payable on members' time deposits	873,104	1,593,117
Sharon FYFE "Coppers" Account	6,138	3,183
Cummings Fraser Clearing Account	100,000	100,000
Other payables and accruals	1,581,987	1,725,543
Unclaimed members' shares	24,595	24,595
Unclaimed members' savings deposits	547,730	547,730
	<u>\$ 5,250,082</u>	<u>\$ 5,807,327</u>

**12. Provision for Terminal Benefits:**

The Memorandum of Agreement between the Society and the Banking, Insurance and General Workers Union provides for the payment of Terminal Benefits to employees at normal retirement at age sixty (60) years.

**13. Members' Shares:**

In accordance with the Bye-Laws of RHAND Credit Union Co-operative Society Limited, the capital of the Society is composed of an unlimited number of shares valued at \$5.00 each.

**14. Loan Protection Fund:**

At the third statutory meeting of the Board of Directors held on June 25, 2009, it was agreed that the Board would take to the membership a resolution for an alternative approach for providing loan protection coverage for the Society's members. The proposed approach included the discontinuance of the loan protection coverage with CUNA Caribbean Insurance Society Limited, and the assumption of full responsibility internally for this member benefit by converting the Bad Debt Fund, with a balance of **\$970,497**, to a Loan Protection Fund and the appropriation of a percentage of the annual net surplus to this Fund. At a Special General Meeting held on November 14, 2009, the resolution was passed by the membership. The balance as at December 31, 2011 stands at **\$1,204,916**.

**15. Investment Re-measurement Reserve:**

In accordance with IAS #39, the Board of Directors has created an investment re-measurement reserve which includes the following:

- i) Unrealised gains/losses on available-for-sale investments.
- ii) Transfers from Retained Earnings.



# NOTES TO THE CONT'D FINANCIAL STATEMENTS

December 31, 2011

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## 16. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	December 31	
<u>Assets, Liabilities and Members' Equity</u>	<u>2011</u>	<u>2010</u>
<b>Loans and other receivables</b>		
Directors, committee members, key management personnel	\$ 3,232,951	\$ 3,232,618
Due from LINC Limited	\$ 474,731	\$ 271,243
Investment in LINC Limited	\$ 2,000,001	\$ 2,000,001
<b>Shares, deposits and other liabilities</b>		
Directors, committee members, key management personnel	\$ 4,247,620	\$ 5,096,504
Cummings Fraser Clearing Account	\$ 100,000	\$ 100,000
<b>Interest and other income</b>		
Directors, committee members, key management personnel	\$ 290,432	\$ 264,569
<b>Interest and other expenses</b>		
Directors, committee members, key management personnel	\$ 120,244	\$ 244,172
<b>Key management compensation</b>		
Short-term benefits	\$1,600,297	\$ 1,382,655
Post-employment benefits	257,080	142,800
	<b>\$ 1,857,377</b>	<b>\$ 1,525,455</b>

# NOTES TO THE FINANCIAL STATEMENTS

CONT'D

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December 31, 2011

## 17. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

### a) **Current assets and liabilities -**

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

### b) **Members' Loans -**

Loans are net of specific allowances for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

### c) **Investments -**

The fair values of investments are determined on the basis of market prices available at December 31, 2011.

### d) **Members' deposits -**

Members' deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

## 18. Capital Risk Management:

The Society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Society's overall strategy remains unchanged from previous years.

The capital structure of the Society consists of equity attributable to members, which comprises issued members shares, reserves and undivided earnings.



# SCHEDULES TO THE FINANCIAL STATEMENTS

December 31, 2011

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## 1. Investment Income:

	December 31	
	<u>2011</u>	<u>2010</u>
Money market investment income	\$ 1,131,954	\$ 4,555,084
Capital market investment income	755,928	874,988
	<u>\$ 1,887,882</u>	<u>\$ 5,430,072</u>

## 2. Other Income:

	December 31	
	<u>2011</u>	<u>2010</u>
Cyber Café income	\$ 75,387	\$ 78,124
Rental income	276,260	300,704
CUNA commissions	573,092	716,628
Other commissions	9,134	31,863
Service charges	3,365	4,037
Entrance fees	8,600	7,746
Miscellaneous income	308,224	233,727
	<u>\$ 1,254,062</u>	<u>\$ 1,372,829</u>

## 3. Administrative Expenses:

	December 31	
	<u>2011</u>	<u>2010</u>
Advertising and promotions	\$ 330,009	\$ 175,045
Annual and special general meetings	333,630	355,311
Audit fees	103,500	108,970
Bank charges	54,239	47,495
Debit card facility expenses	149,386	138,300
Debt collector's commission	31,414	40,332
Depreciation (net)	893,160	713,541
Donations	50,932	44,607
Electricity	361,839	377,676
Insurances	289,842	287,090
Legal and professional services	339,870	190,830
Loss on disposal of fixed assets	63,134	50,312
Loss on disposal of investments	33,529	67,628
Miscellaneous expenses	284,792	301,801
Rates and taxes	15,779	15,018
Property rental	520,000	420,000
Repairs, maintenance and cleaning	847,268	1,233,656
Security	203,250	177,744
Stationery, computer supplies, printing and postage	630,252	484,056
Telephone	633,559	609,986
	<u>\$ 6,169,384</u>	<u>\$ 5,839,398</u>

# SCHEDULES TO THE FINANCIAL STATEMENTS

CONT'D

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December 31, 2011

**4. Board and Committees' Expenses:**

	December 31	
	<u>2011</u>	<u>2010</u>
Conferences	\$ 53,670	\$ 43,113
Training	25,716	12,217
Meeting	189,652	201,961
Subsistence	131,581	143,860
Entertainment	12,147	12,000
Honoraria	396,501	219,714
Tobago committee	13,623	11,680
Travelling	5,028	1,500
	<u>\$ 827,918</u>	<u>\$ 646,045</u>

**5. Personnel Costs:**

	December 31	
	<u>2011</u>	<u>2010</u>
Salaries and other staff benefits	\$ 8,855,682	\$ 7,509,908
Training and subsistence	161,624	182,242
	<u>\$ 9,017,306</u>	<u>\$ 7,692,150</u>





# QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

## 2012 Quantitative Objectives

Key Results Area	Actual	Budgeted	Increase/(Decrease)	
	2011 (\$)	2012 (\$)	(\$)	%
Total income	32,490,071	35,787,071	3,297,000	10.15
Total expenses	22,361,318	21,848,656	(512,662)	(2.29)
Net surplus	10,128,753	13,938,415	3,809,662	37.61
Share capital portfolio	258,427,444	273,927,447	15,500,003	6.00
Time deposits portfolio	86,410,661	92,410,661	6,000,000	6.94
Savings deposits portfolio	23,080,898	24,587,035	1,506,137	6.53
Loans portfolio	269,489,895	286,489,895	17,000,000	6.31
Non-performing loans	11,316,990	11,447,603	130,613	1.15
Money market investments portfolio	56,758,706	63,358,706	6,600,000	11.63
Capital market investments portfolio	53,897,186	55,997,186	2,100,000	3.90

### PRIMARY STRATEGIES FOR THE REALISATION OF OBJECTIVES

During the year 2012, initiatives will continue to be focused on the following areas:-

- Building the share capital portfolio
- Building the time deposits portfolio
- Building the savings deposit portfolio
- Curtailing the level of non-performing loans
- Generating a larger stream of non-interest income by way of agency fees and rental income
- Keeping overhead expenditure under control

The strategies to be pursued are the following:-

- Monitoring of arrears loan accounts and exercising all options for collection
- Promotion of RHANDeposit (flexible time deposit)
- Promotion of programmes on Planning For Retirement and Financial Literacy
- Marketing and promotion of agency relationships and services
  - CUNA Caribbean Insurance Society Limited – Family Indemnity Plan, Payment Protector and Pensions Plus
  - Trinidad and Tobago Unit Trust Corporation – mutual funds
  - Colonial Life and General Insurance Company Limited – general insurance products
  - Sagicor Life Inc. – medical insurance plan for members

# QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS CONT'D

## 2012 Proposed Capital Expenditure With Proposed And Actual Expenditure For The Year 2011

Project/Item Of Expenditure	Proposed 2011 (\$)	Actual 2011 (\$)	Proposed 2012 (\$)
Woodbrook Properties	2,000,000	1,671,572	0
Buildings	958,500	120,000	1,011,000
Motor vehicle	400,000	189,950	350,000
Computer facilities	1,478,216	836,351	1,597,267
Furniture, fixtures and fittings	343,000	34,208	365,300
Office equipment	60,000	48,181	71,980
Other equipment	74,000	86,929	265,401
<b>Total</b>	<b>5,313,716</b>	<b>2,987,191</b>	<b>3,660,948</b>

## 2012 Financial Projections with Budgeted and Actual Results for 2010 and 2011

	2010		2010		2011		2011		2012	
	BUDGETED \$	%	ACTUAL \$	%	BUDGETED \$	%	ACTUAL \$	%	BUDGETED \$	%
<b>INCOME</b>										
Interest on loans	25,923,930	75.2	26,834,405	79.8	28,939,616	85.2	29,348,127	90.3	31,718,985	88.6
Investment income	6,977,980	20.2	5,430,072	16.0	3,361,980	9.9	1,887,882	5.8	2,479,086	6.9
Fees and commissions	840,000	2.4	748,491	2.2	780,000	2.3	582,226	1.8	660,000	1.9
Rental income	360,000	1.1	300,704	0.9	360,000	1.1	276,260	0.8	360,000	1.0
Miscellaneous income	379,200	1.1	323,634	1.1	520,800	1.5	395,576	1.3	569,000	1.6
<b>TOTAL INCOME</b>	<b>34,481,110</b>	<b>100.0</b>	<b>33,637,306</b>	<b>100.0</b>	<b>33,962,396</b>	<b>100.0</b>	<b>32,490,071</b>	<b>100.0</b>	<b>35,787,071</b>	<b>100.0</b>



# QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL CONT'D PROJECTIONS

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## 2012 Financial Projections with Budgeted and Actual Results for 2010 and 2011

EXPENSES	2010				2011				2012	
	BUDGETED		ACTUAL		BUDGETED		ACTUAL		BUDGETED	
	\$	%	\$	%	\$	%	\$	%	\$	%
Advertising and promotion	180,000	0.8	175,035	0.8	180,000	0.9	330,009	1.5	348,000	1.6
Annual General Meeting expenses	400,000	1.8	355,311	1.6	385,000	2.0	333,630	1.5	375,000	1.7
Audit fees	84,000	0.4	108,970	0.5	108,000	0.6	103,500	0.5	108,000	0.5
Bank charges and interest	54,000	0.2	47,497	0.2	48,000	0.2	54,239	0.2	60,000	0.2
Business Continuity Planning expenses	24,000	0.1	2,145	0.0	12,000	0.1	11,374	0.1	12,000	0.1
Committees' expenses	340,000	1.6	383,218	1.7	327,600	1.7	377,747	1.7	390,000	1.8
Conferences and meetings	120,000	0.6	43,113	0.2	120,000	0.6	53,670	0.2	150,000	0.4
Life savings insurance	765,000	3.5	698,641	3.2	720,000	3.7	729,331	3.3	780,000	3.6
Loan protection expense	840,000	3.9	301,178	1.4	900,000	4.7	1,226,996	5.5	1,260,000	5.8
Debt collectors' commission	49,200	0.2	40,334	0.2	45,600	0.2	31,414	0.1	39,600	0.2
Depreciation	798,000	3.7	713,542	3.3	862,000	4.5	893,160	4.0	861,000	4.0
Donations	36,000	0.2	44,607	0.2	42,000	0.2	50,932	0.2	60,000	0.3
Member education, training and development expenses	1,104,000	5.1	1,047,862	4.8	1,236,832	6.4	875,864	3.9	1,200,000	5.5
Electricity	396,000	1.8	377,675	1.7	396,000	2.0	361,839	1.6	396,000	1.8
Honoraria	235,000	1.0	219,714	1.0	313,334	1.6	293,407	1.3	300,000	1.4
Insurances	138,000	0.6	146,005	0.7	144,000	0.7	289,842	1.3	312,000	1.4
Interest on members' savings deposits	177,262	0.8	208,867	1.0	189,676	1.0	198,520	0.9	238,412	1.1
Interest on members' time deposits	5,222,902	24.1	5,004,263	22.8	1,942,650	10.0	2,115,999	9.4	1,788,244	8.2
Legal and professional services	492,000	2.3	188,685	0.9	168,000	0.9	339,870	1.5	300,000	1.4
Loan loss expense	48,000	0.2	480,000	2.2	1,200,000	6.2	1,200,000	5.4	846,000	3.9
Loss on disposal of assets	12,000	0.1	50,312	0.2	12,000	0.1	63,134	0.5	12,000	0.1
Loss on disposal of investments	0	0	67,628	0.3	0	0.0	33,529	0.1	0	
Miscellaneous expenses	258,000	1.2	360,267	1.6	252,000	1.3	525,898	2.4	324,000	1.5
Rates and taxes	120,000	0.6	15,020	0.1	72,000	0.4	15,779	0.1	18,000	0.1
Rental expense	420,000	1.9	420,000	1.9	420,000	2.2	520,000	2.3	540,000	2.5
Repairs, maintenance and cleaning	951,000	4.4	1,401,743	6.4	870,600	4.5	847,268	3.8	842,000	3.9
Personnel costs	7,254,000	33.5	7,692,150	35.1	7,318,000	37.8	9,017,306	40.2	8,782,400	40.3
Security expenses	198,000	0.9	177,744	0.8	192,000	1.0	203,250	0.9	192,000	0.9
Special General Meeting expenses	24,000	0.1	0	0	18,000	0.1	0	0.0	50,000	0.1
Stationery, computer supplies, printing and postage	538,500	2.5	536,891	2.4	526,500	2.7	630,252	2.8	604,000	2.7
Telephone expenses	420,000	1.9	609,988	2.8	420,000	2.2	633,559	2.8	660,000	3.0
<b>TOTAL EXPENSES</b>	<b>21,698,864</b>	<b>100.0</b>	<b>21,918,405</b>	<b>100.0</b>	<b>19,441,792</b>	<b>100.0</b>	<b>22,361,318</b>	<b>100.0</b>	<b>21,848,656</b>	<b>100.0</b>
<b>NET SURPLUS</b>	<b>12,782,246</b>	<b>37.1</b>	<b>11,718,901</b>	<b>34.8</b>	<b>14,520,604</b>	<b>42.0</b>	<b>10,128,753</b>	<b>31.1</b>	<b>13,938,415</b>	<b>38.9</b>

# RESOLUTIONS

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**1. APPOINTMENT OF AUDITOR**

Be it resolved, that the firm of Chartered Accountants – PKF, be appointed as the Society's Auditors for the financial year ending December 31, 2012.

**2. BUILDING FUND**

Be it resolved, that pursuant to By-Law 15 (h) (ix), that the sum of \$750,000 be allocated from the surplus for the year ended December 31, 2011 to the Building Fund.

**3. DIVIDEND ON SHAREHOLDINGS**

Be it resolved, that a dividend of 2.5% on the average monthly share balance held by each member for the year ended December 31, 2011, be declared for the year ended December 31, 2011.

**4. HONORARIA**

Be it resolved, that honoraria in the gross sum of \$ 313,334. (\$ 235,000. net of income tax liability), be declared for the year ended December 31, 2011.



