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of 2012 annual report

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MESSAGE FROM THE PRESIDENT OF RHAND CREDIT UNION

William Shakespeare – the English Dramatist, insightfully stated that “Uneasy lies the head that wears the crown.”

Notwithstanding, it is my pleasure once again to extend greetings to each of you on behalf of the Members of the Board of Directors, Members of the Statutory Committees and members of staff of RHAND Credit Union and ask that the blessings of the Almighty be showered on us all and on the members of our cherished families.

The Members of the Board wish to say thanks and congratulate each of you for the tremendous growth and improved operating performance experienced by the Credit Union in 2012 in all of its key portfolios and performance metrics, despite the lackluster economic activity at the macroeconomic level. In the market place today however, the barometer of success is no longer just the making of a profit but more importantly remaining relevant in a world of change, so as to be a vehicle for the creation of long-term value for shareholders and other stakeholders.



In attempting to assess the competitive positioning of RHAND Credit Union in the financial services industry and the state of organizational health, the following three elements cited by Colin Price are relevant –

- Organization alignment - Does the organization know where it is going and are the people within the organization aligned around the path chosen?
- Capacity for execution - Does the management of the organization have a demonstrated capacity for turning ideas into action?
- Capacity for renewal - Is the organization changing at the rate required by the dynamics of the industry?

The Members at Annual General Meetings select the Members of the Board of Directors and the Members of the Statutory Committees and appointees must be accountable for the overall health of the organization. In this regard, there must be an adequate framework in place for the measurement of performance at the individual and group level and the reporting of assessment results to the general membership, as a platform going forward for informed decision making. It is only by leading by example, that a culture of performance and accountability can be institutionalized, thus assuring a state of competitive fitness for meeting the turbulent times which would be with us for some time to come.

Best wishes to all for the Year 2013.

A handwritten signature in black ink, appearing to read 'Martin Minguell', written over a horizontal line.

Martin Minguell
President – Board of Directors



NOTICE OF 65th ANNUAL GENERAL MEETING

Notice is hereby given that the 65th Annual General Meeting of RHAND Credit Union Co-operative Society Limited will be held on Saturday-March 16, 2013, 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 - Tobago Nutrition Co-operative Society Limited, Canaan

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 64th Annual General Meeting of March 17, 2012
4. Matters Arising out of the Minutes of the 64th Annual General Meeting
5. Reports 2012
 - Board of Directors
 - Credit Committee
 - Supervisory Committee
 - Independent Auditors
 - Financial Statements
6. Election of Officers for the 2013/2014 Term
7. 2013 Quantitative Objectives, Proposed Capital Expenditure and Financial Projections
8. Amendment to the Bye-Laws of the Society
9. Motions
10. Resolutions
11. Other Business

Dated this 25th day of February, 2013

BY ORDER OF THE BOARD,

Theresa Agulia-Joseph

Theresa Agulia-Joseph
Secretary – Board of Directors

**NOTE: Registration begins at 12:00 noon.
 Only members in good financial standing will be admitted to the meeting.
 Members are required to present their ID when registering.**

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

2012 - 2013

Board of Directors

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

Supervisory Committee

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

Credit Committee

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



MINUTES OF THE 64th ANNUAL GENERAL MEETING

Held on Saturday-March 17, 2012, 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 1:10 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 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 three hundred and sixty-two (362) members present:– three hundred and six (306) in Trinidad and fifty-six (56) 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. Trevor Boissiere – a Retiree and seconded by Mr. Lenus Joseph – also a Retiree. The motion was put to the vote and carried.
- 2.3 Subject to the following amendments, members also agreed to a proposal for the 2011 Annual Report to be taken as read.
 - In the Remarks Column of Table 1 on Page 23, with respect to the attendance of Director Neil Parsanalal. Replace “April 26” with “March 22”.
 - In Paragraph 16.1 on Page 35 re: Admission of Young Persons to Membership. Replace the second sentence of the paragraph with-“Approval for this proposed amendment of the Bye-Laws of the Society is being sought at this 64th Annual General Meeting, after which a formal approval would be sought from the Commissioner for Co-operative Development”.
 - With respect to Note 8b) of the Notes to the Financial Statements on Page 72 –

-For Non-Performing Loans Write-Offs	-	Replace \$(2,920,120) with \$(2,542,955)
-For Non-Performing Loans Recovered	-	Replace \$538,287 with \$161,122





MINUTES OF THE 64th cont'd ANNUAL GENERAL MEETING

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, addressed the membership, sharing the following observations, thoughts and perspectives:

- The state of the global, regional and domestic macroeconomic environments.
- The impact of the failure of CL Financial Limited and Hindu Credit Union on confidence within the domestic financial services sector.
- The ongoing challenge of finding investments with reasonable rates of return in an investment climate which was challenged by excess liquidity.
- The initiatives of the Information and Communications Technology Department of RHAND Credit Union in upgrading the technology platforms of the Society so as to better serve the needs of members.
- The ongoing initiatives of the Management of the Society to enhance the operating efficiency of the organisation.

4. CONFIRMATION OF THE MINUTES OF THE 63RD ANNUAL GENERAL MEETING

4.1 The Minutes of the 63rd Annual General Meeting were tabled for the consideration of the membership.

4.2 The Minutes of the 63rd Annual General Meeting were confirmed, without amendment, on a motion by Mr. Trevor Boissiere - a Retiree, and seconded by Ms. Celia Berassa - also a Retiree.

4.3 The motion was put to the vote and carried.

5. MATTERS ARISING OUT OF THE MINUTES OF THE 63RD ANNUAL GENERAL MEETING

5.1 There were no matters arising out of the Minutes of the 63rd Annual General Meeting.

6. RESOLUTION TO WRITE OFF CERTAIN NON-PERFORMING LOANS

6.1 At this point, the Chairman sought the approval of the membership to vary the Agenda to treat with a Resolution to write off certain non-performing loans totaling \$2,542,954.52, the adjusting entry for which was already reflected in the Financial Statements of the Society for the 2011 financial year. The Chairman advised that the External Auditors requested the write off be effected, in keeping with International Financial Reporting Standards requirements. The Chairman further advised that the Resolution was brought at this time, so as to meet the twin objectives of giving legitimacy to the

MINUTES OF THE 64th ANNUAL GENERAL MEETING cont'd

Audited Financial Statements of the Society and keeping faith with the accepted practice of seeking the approval of the general membership for write offs of this nature.

6.2 The members, on a motion moved by the Chairman and seconded by Ms. Mary Lou Marcano, duly agreed to vary the Agenda to accommodate the Resolution.

6.3 Members discussed the Resolution and sought clarification on the following matters:

- The reason for the absence of the Resolution from Page 84 of the Annual Report.
- The criteria used in determining the loans to be written off.
- The reason for the absence of an age profile on such loans in the Annual Report.
- The expenses incurred by the Society to date in its recovery efforts regarding the loans.
- The position regarding the shareholdings of the members whose loan balances were listed to be written off.

6.4 Answers were provided to the above queries to the satisfaction of members. In particular, the point was made that the writing off of the loans was an accounting matter and it did not mean that the Society, thereafter, would cease making attempts to recover all of the outstanding balances.

6.5 With nine persons abstaining, members approved the Resolution to write off non-performing loans totaling \$2,542,954.52 in the 2011 financial year.

7. REPORTS

REPORT OF THE BOARD OF DIRECTORS

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

7.2 Members were asked to make the following amendment to the Report:

- In the second line of Paragraph 6.1 on Page 25, replace the word "sums" with "sum".

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

- The major contributory factor for the increase in the asset base of the Society.
- The reason for the decline in size of the Time Deposit Portfolio.
- Request for explanation of the Pearls Ratios as stated in the Report.
- The proposed use of the funds to be received with respect to the CLICO investments.

7.4 There being no further discussions concerning the Report of the Board of Directors, a motion for its adoption was moved by Mr. Lenus Joseph – a Retiree and seconded by Mr. John Dyett – also a Retiree.

7.5 The motion was put to the vote and carried.



MINUTES OF THE 64th cont'd ANNUAL GENERAL MEETING

REPORT OF CREDIT COMMITTEE

- 7.6 The Report of the Credit Committee was tabled for the consideration of the membership.
- 7.7 Jennifer James – the Chairman of the Credit Committee, presented the said Report.
- 7.8 There being no questions from the membership on the Report, a motion for its adoption was moved by Ms. Esme Forde – a Retiree and seconded by Mr. Joseph Lewis – also a Retiree.
- 7.9 The motion was put to the vote and carried.

REPORT OF SUPERVISORY COMMITTEE

- 7.10 The Report of the Credit Committee was tabled for the consideration of the membership.
- 7.11 Ms. Claudette Brown – the Chairman of the Supervisory Committee, presented the said Report.
- 7.12 With respect to the review of the financial records of the Society by the Supervisory Committee as stated in its Report, a member asked what were the initial recommendations made to the Board. Ms. Brown advised that she did not have such information in her possession.
- 7.13 There being no further questions from the membership on the Report, a motion for its adoption was moved by Mr. Trevor Boissiere – a Retiree, and seconded by Mr. Lenus Joseph – also a Retiree.
- 7.14 The motion was put to the vote and carried.

AUDITORS' REPORT

- 7.15 Ms. Camille Providence, a representative from the firm of Chartered Accountants – PKF, was invited by the Chairman to present the Auditors' Report.
- 7.16 The Auditors' Report was read by Ms. Providence and then was duly adopted by the meeting on a motion moved by Ms. Esme Forde – a Retiree and seconded by Ms. Ingrid Joseph.

FINANCIAL STATEMENTS

- 7.17 The Financial Statements of RHAND Credit Union for the year ended December 31, 2011 were tabled for the consideration of the membership. The General Manager – Mr. David Maynard gave an overview of the performance of the Society and advised that the Balance Sheet was strong with growth being registered in the key portfolios. On the other hand, he stated that there was still some work to be done with respect to improving the operational efficiency of the Society as operating overheads were still at unsatisfactory levels.
- 7.18 Members then raised the following three (3) matters with respect to Note 16 to the Financial Statements on Page 77 of the Annual Report.

MINUTES OF THE 64th ANNUAL GENERAL MEETING cont'd

- Were the balances reflected as Loans and Other Receivables due from Directors and Committee Members being serviced.
- What was the explanation for the reduction in the balance from \$5,096,054 to \$4,247,620 re: Shares, Deposits and Liabilities held in the names of Directors and Committee Members.
- Request for explanation of the balances reflected as -
 - Interest and Other Income re: Directors, Committee Members and Key Management Personnel
 - Interest and Other Expenses re: Directors, Committee Members and Key Management Personnel

7.19 Appropriate responses were provided by the General Manager.

7.20 There being no further matters raised by the members concerning the Financial Statements, a motion for its adoption was moved by Mr. Trevor Boissiere – a Retiree and seconded by Mr. James Huggins – also a Retiree.

7.21 The motion was put to the vote and carried.

8. ELECTIONS OF OFFICERS FOR THE 2012/2013 TERM

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

8.2 Mr. Lancelot Greaves – Chairman of the Nominating Committee, presented the said Report.

8.3 There being no discussions concerning the Report of the Nominating Committee, a motion for its adoption was moved by Mr. Lenus Joseph – a Retiree and seconded by Ms. Patricia Harry.

8.4 The motion was put to the vote and carried.

8.5 The President, then vacated the chair and invited Ms. Mala Sookoo of the Co-operative Development Division, to assume same in the capacity of Returning Officer.

8.6 The Returning Officer then explained the election process to members.

8.7 Members were then invited to cast their ballots.

8.8 The following persons were elected to serve on the Board of Directors and Statutory Committees for the 2012/2013 Term.



MINUTES OF THE 64th ANNUAL GENERAL MEETING

cont'd

Board of Directors

Martin Minguell	
Christine Campbell	
Marlene Felix	
Neil Parsanlal	
John Self	For One Year
Debra Lewis-Telesford	First Substitute
Kedron Duke	Second Substitute

Credit Committee

Mary Lou Marcano	
Dave Williams	
Lenus Joseph	
Lisa Robinson	First Substitute
Peter Lewis	Second Substitute

Supervisory Committee

Pamela Ogiste	
Patricia Williams	
Claudette Brown	
Ann Marie Sealy	First Substitute
Anthony St. Bernard	Second Substitute

8.9 A motion for the destruction of the ballots was duly passed on a motion moved by Mr. Winston Sebro – a Retiree and seconded by Mrs. Glendalyn Roberts – also a Retiree.

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

9. 2012 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

9.1 The 2012 Quantitative Objectives, Capital Expenditure Budget and Financial Projections were tabled for the consideration of the membership.

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

MINUTES OF THE 64th ANNUAL GENERAL MEETING cont'd

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

- How did Management propose to meet the budget targets.
- Request for explanation of the proposed capital expenditure in the sum of \$1,011,000. under the heading of Buildings.
- Request for explanation of the proposed capital expenditure in the sum of \$350,000 under the heading of Motor Vehicle.

9.4 There being no further discussion concerning the 2012 Quantitative Objectives, Proposed Capital Expenditure and Financial Projections, a motion for their adoption was moved by Mr. James Huggins – a Retiree and seconded by Mr. Peter Lewis.

9.5 The motion was put to the vote and carried.

10. REVIEW OF THE BYE-LAWS OF THE SOCIETY

10.1 A proposal for amending the Bye-Laws of the Society was tabled for the consideration of the membership.

10.2 The proposal sought to amend Bye-Law 4(a)(iii) which read “A spouse or a child of a member;” by splitting same into two separate parts as follows –

- iii) A spouse of a member
- iv) A child who has attained his/her tenth birthday

10.3 The Resolution was read by Mr. Emmanuel Walker-Secretary of the Board of Directors, moved by Mr. Lenus Joseph – a Retiree and seconded by Mr. Peter Lewis.

10.4 Members raised the following matters which were responded to accordingly.

- Did the Bye-Laws of the Society properly address the issue of loans to minors.
- Request for an explanation as to the reason for the imposition of the age limit of 10 years.

10.5 The Resolution was then put to the vote and passed with seventy-seven (77) of the eighty-seven (87) members present voting in favour of the Resolution, thus satisfying the three-fourths majority requirement of the Bye-Laws.



MINUTES OF THE 64th cont'd ANNUAL GENERAL MEETING

11. MOTIONS

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

12. RESOLUTIONS

- 12.1 The membership duly passed the following Resolutions:

- **APPOINTMENT OF AUDITORS**

That the firm of Chartered Accountants – PKF, be appointed as the Auditors of the Society for the financial year ending December 31, 2012.

- **BUILDING FUND**

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

- **DIVIDEND ON SHAREHOLDINGS**

That a dividend of 2.50% on the average monthly share balance held by each member for the year ended December 31, 2011, be declared from the Undivided Earnings of the Society as at December 31, 2011.

- **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, 2011.

13. CREDIT UNION BILL PRESENTATION

- 13.1 Guest Speaker – Mr. Lloyd Hercules, a Director of TECU Credit Union Co-operative Society Limited, shared the following perspectives on the Credit Union Bill with the membership.

- There was the need to know the vision of the Government for Co-operatives in Trinidad and Tobago.
- The proposed fit and proper criteria will impact negatively on the Boards and Statutory Committees of Credit Unions.
- The proposed use of fines as a compliance tool was of concern to many Credit Unions.
- The proposed use of the Courts as opposed to the Co-operative Development Division for the settlement of matters will have a negative impact on the finances of Credit Unions.
- The proposed supervision of Financial Services Co-operatives by the Central Bank was cause for grave concern.

MINUTES OF THE 64th ANNUAL GENERAL MEETING cont'd

14. OTHER BUSINESS

- 14.1 The following suggestions were made by members.
- Programmes such as learning to play the steel pan should be put in place so that young members could better occupy their time.
 - There should be more programmes catering specifically to the needs of aged members.
- 14.2 Members were requested to complete a circulating survey document and lodge same with a member of staff before leaving.
- 14.3 There being no further business, the meeting ended at 6.23 p.m.

Respectfully submitted

Theresa Agulia-Joseph
Theresa Agulia-Joseph
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, 2012. The Year 2012 in many ways mirrored 2011, in being another 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 fourth year of year-on-year 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 2012, 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 64th Annual General Meeting held on Saturday March 17, 2012.

- Mr. Martin Minguell
- Ms. Christine Campbell
- Ms. Marlene Felix
- Mr. Neil Parsanlal
- Mr. John Self - elected to serve for one year following the passing of Mr. Earl Nesbitt

2.2 Mrs. Debra Lewis-Telesford was elected as the 1st Substitute member, while Mr. Kedron Duke was elected as the 2nd Substitute member.

2.3 The full Board for the 2012/2013 Term, comprised the following twelve (12) members (listed in alphabetical order):

- Theresa Agulia-Joseph
- Trevor Boissiere
- Glenda Bruce
- Christine Campbell
- Marlene Felix
- Martin Gibbs
- Martin Minguell

REPORT OF THE BOARD OF DIRECTORS

cont'd

- Neil Parsanlal
- Trevor Percival
- Monica Richards
- John Self
- Emmanuel Walker

2.4 The term of office of Directors Martin Gibbs, Trevor Percival, Monica Richards and John Self comes to an end at this 65th Annual General Meeting.

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 2012/2013 Term comprised the following:

- Martin Minguell - President
- Trevor Percival - Vice President
- Theresa Agulia-Joseph - Secretary
- Emmanuel Walker - Assistant Secretary
- Trevor Boissiere - 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.

4. MEETINGS OF THE BOARD OF DIRECTORS

4.1 The Board held eight (8) Regular and nineteen (19) Extraordinary meetings during the period January 01, 2012 to December 31, 2012. 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	8			18	1		
Trevor Percival	6	2		18	1		
Theresa Agulia-Joseph	8			16	3		
Emmanuel Walker	7	1		19			
Trevor Boissiere	8			17	2		
Marlene Felix	8			15	4		
Martin Gibbs	6	2		14	5		
Glenda Bruce	8			19			
Christine Campbell	7	1		17	2		
Monica Richards	7	1		15	4		
Neil Parsanlal	4	2	2	12	6	1	Leave of absence approved for the period Nov. 28 - Dec. 31, 2012
John Self	7	1		17	2		
Debra Lewis-Telesford	3	5		16	3		
Kedron Duke	6	2		18	1		



REPORT OF THE BOARD OF DIRECTORS

cont'd

5. MEMBERSHIP

- 5.1 During the year 2012, 497 applicants were admitted to membership. A total of 212 members, including fifty-nine (59) who passed away (**Table 2**), ceased membership in 2012. As at December 31, 2012, the total active membership complement of RHAND Credit Union stood at 18,145.

Table 2: Members Who Died In 2012

1	12492	Beverly Sooklal	January 01, 2012
2	21827	Christopher Charlerie	January 06, 2012
3	11386	Kailash Ramcharitar	January 07, 2012
4	10497	Kanskumar Beharrysingh	January 29, 2012
5	18562	Brian Francois	February 07, 2012
6	2639	Merle Bruzal	February 12, 2012
7	11328	Jennifer Ollivere-Buckmire	February 12, 2012
8	1135	Veda-Ann Gibbs	February 13, 2012
9	14677	Errol Sotio	March 02, 2012
10	14688	Teshaiah Deonarine	March 15, 2012
11	10615	Learie Farrell	March 19, 2012
12	6780	Randolph Radhay	March 22, 2012
13	16103	Gail Gordon	March 31, 2012
14	22948	Aldrick Stapleton	March 31, 2012
15	6373	Ermine Edwards	April 03, 2012
16	1673	Violet Greene	April 07, 2012
17	23611	Natalie Hepburn	April 14, 2012
18	15508	Donna Simon-Beharry	April 14, 2012
19	3691	Wayne Bain	April 19, 2012
20	6706	Hugh Davis	April 27, 2012
21	13357	Jennifer Ceasar-John	April 29, 2012
22	14846	Irma Daniel	April 30, 2012
23	19869	Errol Stevens	April 30, 2012
24	12026	Calistus Brown	May 04, 2012
25	496	Marjorie Solomon-Philip	May 05, 2012
26	15400	Stevenson Sobers	May 08, 2012
27	15640	Wayne Taylor	May 13, 2012
28	12251	Jennifer Jones	June 07, 2012
29	15344	Erna Mary Ahye	June 17, 2012
30	8938	Amryll Dicareau	June 20, 2012

REPORT OF THE BOARD OF DIRECTORS

cont'd

Table 2: Members Who Died In 2012 (Continued)

31	2315	Valdine Pierre	June 21, 2012
32	23907	Leslie Fitzpatrick	June 24, 2012
33	281	Verne Richard	June 25, 2012
34	2005	Carl Bristol	June 27, 2012
35	9055	Paul Balkaran	July 04, 2012
36	18390	Paula Phillip	July 15, 2012
37	1306	Dennis Robinson	July 25, 2012
38	13686	Ruth Davis-Floyd	July 28, 2012
39	9494	Unida Williams-Ellis	August 12, 2012
40	17366	Debbie Rampersad	August 29, 2012
41	3370	Barbara Jacqueline Jack	September 05, 2012
42	3812	Yvonne Guiseppi	September 06, 2012
43	8092	Berthly Richards	September 16, 2012
44	9127	Linda Sealey	September 20, 2012
45	5247	Valarie Walters	September 26, 2012
46	20410	Brenda Francois	October 01, 2012
47	811	Emmanuel K. Victor	October 01, 2012
48	16528	Yaywaitee Singh	October 03, 2012
49	15593	Stephanie Chandree	October 06, 2012
50	14795	John George-Sharpe	October 17, 2012
51	253	Hudson Mitchell	October 20, 2012
52	20641	Stephanie Ramjit	October 24, 2012
53	5086	Allan Hamilton Mc Donald	October 25, 2012
54	11211	Samuel Smith	October 28, 2012
55	22428	Henville Burke	November 29, 2012
56	3253	Harry Wilson	November 30, 2012
57	10295	Andre-Louis Clarke	December 03, 2012
58	23024	Toolsiah Maharaj	December 04, 2012
59	2658	Shirley Grenade	December 15, 2012

- 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.



REPORT OF THE BOARD OF DIRECTORS

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6. GLOBAL, REGIONAL AND DOMESTIC MACROECONOMIC ENVIRONMENT OVERVIEW

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 sum up the state of affairs of the global economy for most of 2011 and into 2012 –

“Debt-ridden and hindbound, 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 economic growth – seem to be sputtering these days.”

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

- strong growth in the economies of China, India, South Korea, Brazil and Colombia.
- weak and faltering recovery in the advance economies of the United States of America and Europe (which together account for approximately 50.00 percent of global Gross Domestic Product) and all of the Caribbean economies with the exceptions of Cuba and Guyana.

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

6.4 The economic picture for the first half of 2012 continued to be a gloomy one, as can be gleaned from the following particulars –

- **United States of America** - economy continued to struggle and was unable to maintain momentum
 - unemployment stood at 8.20 percent in June 2012, the forty-first month of unemployment being above 8.00 percent
- **Europe** - economy faced with scant economic growth, crushing government debts and struggling banks
 - six of the 17 countries that used the Euro currency were in recession
 - unemployment in the 17 countries that used the Euro was 11.00 percent
- **China** - economic growth for the April - June 2012 quarter was the slowest since 2009
 - economic growth had decelerated for eight straight quarters - the longest slowdown on record, dating back to 1992



REPORT OF THE BOARD OF DIRECTORS

cont'd

- **Trinidad and Tobago** - economic growth remained subdued as Real Gross Domestic Product contracted for the first half of 2012
- negative growth is projected for 2012, the fourth year of year-on-year economic decline

6.5 As the year 2012 drew to an end, the following commentary and forecasts by Robin Bew in The Economist Publication – “The World in 2013”, pointed to a picture of very little sunshine on the horizon soon –

“You might think that six years after the global financial crisis broke, that the downturn would be well behind us and the economy would be humming along. Instead, huge swathes of the world seem to be embarking on a Japanese-styled experiment with long-term stagnation.”

Economy

Forecasted GDP Growth

- **United States of America** expansion at around 2.00 percent if “fiscal cliff” is averted
- **Euro Zone** growth of less than 0.50 percent
- **China** should grow by perhaps 8.60 percent (a far cry from historical double-digit annual leaps)
- **Brazil** might manage growth of 4.00 percent
- **Latin America** should grow by 4.00 percent, barely up on the 3.10 percent for 2012

7. YEAR 2012 DOMESTIC FINANCIAL SYSTEM OVERVIEW

7.1 As stated in the December 2012 – Financial Stability Report of the Central Bank of Trinidad and Tobago, “Against the backdrop of lackluster economic activity and relatively stable core inflation, the Bank maintained an accommodative monetary stance in support of recovery.” In this regard, the Repo rate which was held steady at 3.00 percent since July 2011, was reduced to an all-time low of 2.75 percent in September 2012. The knock-on effect of an accommodative monetary stance has been a low interest rate environment which has affected profitability and the rate of growth of assets across financial institutions.

7.2 In addition, the Central Bank has indicated that limited investment opportunities and sluggish credit growth have combined with substantial net domestic fiscal injections to lead to a build up of liquidity in the domestic financial system.



REPORT OF THE BOARD OF DIRECTORS

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- 7.3 It is against this backdrop of lackluster economic activity, limited investment opportunities and sluggish credit growth, that the Board of Directors of RHAND Credit Union is pleased to report that the year 2012, while challenging in many respects, was a highly successful one for the Credit Union.

8. ASSET BASE

- 8.1 Against the backdrop of no Gross Domestic Product (GDP) growth for fiscal 2012, RHAND Credit Union recorded an increase in its asset base of \$32,748,260 (7.83%), for the year ended December 31, 2012, moving from \$418,227,148 as at December 31, 2011 to \$450,975,408 as at December 31, 2012 (**Table 3**). The growth realized by the asset base of the Credit Union in 2012, was 1.57 times the projected growth of \$20,873,000.

Table 3: Total Assets 1997 – 2012

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	418,227,148	23,685,013	6.00
2012	450,975,408	32,748,260	7.83

- 8.2 The comparatively strong nominal and percentage rate growth of the asset base of the Credit Union for 2012, reflects the ongoing 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.
- 8.3 It is of significant interest to note, that over the fifteen (15) year period of January 01, 1998 to December 31, 2012, RHAND Credit Union has more than tripled its financial strength – moving from an asset base of \$132,360,568 as at December 31, 1997 to an asset base of \$450,975,408 as at December 31, 2012, thus registering a healthy average annual rate of growth during the period of 8.52%.

REPORT OF THE BOARD OF DIRECTORS

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9. LOANS PORTFOLIO

- 9.1 The total loan principal balances on the books of the Credit Union stood at \$294,093,566 as at December 31, 2012, representing an increase of \$24,603,671 (9.13%) when compared with the total loan principal balances of \$269,489,895 as at December 31, 2011 (**Table 4**). The rate of growth realized by the loans portfolio of the Credit Union in 2012 was in excess of the projected growth rate of 6.30%.
- 9.2 Despite the general hesitancy of individuals to increase indebtedness and the fierce competition which characterized the domestic financial services landscape, RHAND Credit Union was able in 2012 to register another year of healthy nominal and percentage rate growth in its loan portfolio.

Table 4: Loan Principal Balances 1995 – 2012

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
2012	294,093,566	24,603,671	9.13

- 9.3 The successes in loans underwriting, particularly over the past three (3) years in an environment of sluggish credit growth, 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.



REPORT OF THE BOARD OF DIRECTORS

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10. NON-PERFORMING LOANS

- 10.1 Consistent with the many efforts pursued over the past fifteen (15) years, during the course of the year 2012, 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.
- 10.2 As at December 31, 2012, the delinquency ratio was 4.34%, compared with a delinquency ratio of 4.20% as at December 31, 2011. Of the 274 non-performing loans with a value of \$12,750,087, on the books of the Society as at December 31, 2012 (**Table 5**), 93 of these loans, with a value of \$4,344,121, were loans which were one (1) month in arrears, as a result of the late remittance of December 2012 salary deductions and standing order payments by three (3) Regional Health Authorities and four (4) commercial banks respectively, thus the true delinquency ratio for 2012 is 2.86% compared to a true delinquency ratio for 2011 of 1.55%.

Table 5: Net Indebtedness, Loan Loss Allowance and Loan Loss Exposure 1997-2012

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
2012	274	12,750,087	9,536,515	1,087,319	1,945,345	7,591,170

- 10.3 As at December 31, 2012, shares and deposits totaling \$3,213,572 were held against the non-performing loans balances totaling \$12,750,087, thus falling short of the non-performing loan balances totaling \$12,750,087 by \$9,536,515. This exposure on non-performing loan balances net of savings in the sum of \$9,536,515, exceeds the Allowance for Loan Losses on the books of the Society as at December 31, 2012 in the sum of \$1,945,345 by \$7,591,170.

REPORT OF THE BOARD OF DIRECTORS

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10.4 The Allowance for Loan Losses in the sum of \$1,945,345 however, which provides for a loan portfolio coverage of 0.66% (0.32% - 2011) and a non-performing loans exposure coverage of 20.40% (11.74% - 2011), 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.

11. SHARE SAVINGS PORTFOLIO

11.1 The total share savings of the Credit Union stood at \$276,142,884 as at December 31, 2012, representing an increase of \$17,715,440 (6.86%), over the total share savings of \$258,427,444 as at December 31, 2011 (Table 6).

Table 6: Share Savings 1997 – 2012

Year	Share Savings (\$)	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
2012	276,142,884	17,715,440	6.86



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 \$85,768,582 as at December 31, 2012, representing a decrease of \$(642,079)(0.74%), from the total Time Deposits of \$86,410,661 as at December 31, 2011 (**Table 7**).

Table 7: Time Deposits 1997 - 2012

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)
2012	85,768,582	(642,079)	(0.74)

- 12.2 In the short period of nine (9) years, running from January 01, 2001 to December 31, 2009, RHAND Credit Union was able to build 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, resulting in positions of healthier net cash inflows and concomitant enhanced liquidity for RHAND Credit Union over the past few years.

- 12.3 Over the past three years, the growth momentum of the RHAND Deposit portfolio has been stymied. 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 RHAND Deposit 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. This hemorrhaging of funds continued into 2011 and 2012.

REPORT OF THE BOARD OF DIRECTORS

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13. EARNINGS PERFORMANCE AND OPERATING EFFICIENCY PROFILE

13.1 For the financial year ended December 31, 2012, RHAND Credit Union realized an operating surplus of \$12,519,714 (**Table 8**), which fell short of the budgeted operating surplus for the year of \$13,938,412, by \$1,418,701. This short fall is primarily explained by a charge in the sum of \$1,280,900 which was booked in 2012 to account for the excess of Pension Plan Obligations over Pension Plan Assets.

Table 8: Operating Surplus 2007 – 2012

Income/Expenses Captions	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)
Interest on loans	21,966,482	24,432,791	25,535,944	26,834,405	29,348,127	32,178,947
Investment income	5,559,883	7,371,860	9,166,351	5,430,072	1,887,882	2,616,200
Other income	797,756	918,330	1,371,127	1,372,829	1,254,062	1,104,170
Total Income	28,324,121	32,722,981	36,073,422	33,637,306	32,490,071	35,899,317
Total Expenses	19,883,708	22,143,416	22,087,447	21,918,405	22,361,318	25,479,602
Operating Surplus	8,440,413	10,579,565	13,985,975	11,718,901	10,128,753	10,419,715
Operating Margin Ratio	0.2980	0.3233	0.3877	0.3484	0.3117	0.2903
Expenses to Income Ratio	0.7020	0.6767	0.6123	0.6516	0.6883	0.7097
Cents Of Every Earned Dollar Consumed By Expenses	\$0.70	\$0.68	\$0.61	\$0.65	\$0.69	\$0.71

13.2 The costs incurred for the year 2012 under the main cost items of Personnel Costs, Interest on Deposits, Loan Protection Expense and Life Savings Insurance Expense totaled \$14,438,563, compared with \$13,288,152 for year 2011 (**Table 9**)



REPORT OF THE BOARD OF DIRECTORS

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Table 9: Expenses Highlighting Major Cost Items 2007 – 2012

Expenses Captions	2007 (\$)	2008 (\$)	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)
Personnel costs	5,457,524	7,499,043	6,825,666	7,692,150	9,017,306	10,608,595
Interest on Savings and Time Deposits	4,085,829	5,439,104	6,521,762	5,213,130	2,314,519	2,010,366
Credit life and savings insurance expenses	1,931,307	1,921,994	1,734,873	698,641	729,331	837,482
Loan protection expense	-	-	-	301,179	1,226,996	982,121
Education Committee expenses	810,005	783,965	693,905	1,047,862	875,864	1,218,132
Loss on investments	-	-	-	-	-	2,099,999
Loan loss expense	48,000	48,000	48,000	480,000	1,200,000	846,000
Depreciation expense	901,776	847,930	788,912	713,541	893,160	896,428
Stationery, supplies and postage expenses	626,992	468,692	499,220	484,056	630,252	541,771
Other expenses	6,022,275	5,134,688	4,975,109	5,287,846	5,473,890	5,438,708
Total Expenses	19,883,708	22,143,416	22,087,447	21,918,405	22,361,318	25,479,602

REPORT OF THE BOARD OF DIRECTORS

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14. STRENGTH, SAFETY AND SOUNDNESS AND EFFICIENCY REVIEW

14.1 As a guide for assessing the 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		Standard of Excellence Value	COMMENT
	2012	2011		
1) Institutional Capital Ratio $\frac{\text{Fund Balances} + \text{Undivided Earnings}}{\text{Total Assets}} = \frac{\$53,174,466}{\$450,975,408}$	11.79%	10.36%	Minimum of 8.00%	RHAND value more favourable than standard
2) Liquidity Adequacy Ratio $\frac{\text{Cash Resources}}{\text{Total Assets}} = \frac{\$69,131,668}{\$450,975,408}$	15.33%	15.38%	Maximum of 20.00%	RHAND value more favourable than standard
3) Asset Quality Ratio $\frac{\text{Total Non-Performing Loans}}{\text{Total Loans}} = \frac{\$12,750,087}{\$294,093,566}$	4.34%	4.20%	Maximum of 5.00%	RHAND value more favourable than standard
4) Operating Expenses To Average Asset Ratio $\frac{\text{Non-Interest Expenses}}{\text{Average Assets}} = \frac{\$23,469,237}{\$434,601,278}$	5.40%	4.94%	Maximum of 5.00%	RHAND value less favourable than standard
5) Productivity Ratio $\frac{\text{Non-Interest Expenses} - \text{Loss Expenses}}{\text{Net Interest Income} + \text{Other Income}} = \frac{\$23,469,237 - 2,945,999}{\$33,888,952}$	60.56%	62.46%	Maximum of 55.00%	RHAND value less favourable than standard
6) Return On Average Members' Equity $\frac{\text{Comprehensive Income}}{\text{Average Members' Equity}} = \frac{\$15,393,855}{\$315,886,429}$	4.87%	5.05%	Minimum of 5.00%	RHAND value less favourable than standard



REPORT OF THE BOARD OF DIRECTORS

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15. ACCOMPLISHMENTS OF THE BOARD OF DIRECTORS

- 15.1 The Board of Directors has the ultimate decision making authority and responsibility for the directing and controlling of the affairs of the Credit Union and the providing of effective and efficient management of overall operations. The Board is required to formulate and approve policies that direct operational management and delegate the necessary authority to staff so they can fulfill their job responsibilities. In 2012, RHAND continued on its path of the KENDO Strategy introduced in 2009, focussing on cost containment and growth. The intent of using this approach was the benefits that were to be derived by ensuring the reduction of operational inefficiencies and the transformation of the organization while moving towards a path of growth.
- 15.2 Cost containment was part of the strategy to over all operational efficiency. The major challenges for cost containment continued to be identified as:
- Salaries and Staff Benefits
 - Insurance Coverage for the Shares and Loans of members
 - Member Development Programmes through the Action Plan of the Education Committee
- 15.3 Nonetheless, the actions required for cost containment and transformation continued in areas such as the use of electronic communication among the Board Members through its "Smart Board Room" initiative and video conferencing for meetings between the different managers at the operational management level.
- 15.4 The Board ensured that the organization was resourced with the required human resources through the recruitment of appropriately qualified professional staff within the respective functional divisions. All levels of personnel, from employees to the Board and Statutory Committee members participated in workshops and conferences which facilitated the upgrading of existing skills and the acquiring of new ones to serve the Credit Union more effectively through its transformation process.
- 15.5 The Board focused heavily on policy formulation and review. These policies ranged from the development of Terms of Reference (TOR) for Board Appointed Committees, to policies in the area of Disability Claims and Loan Protection Coverage. In its ongoing thrust to bring into focus the reporting of Board performance to the membership, the Board engaged in the review of its existing Code of Ethics and Code of Conduct as well as the development of policy to facilitate Board Governance Principles and requirements for effective performance. The present debate related to the presentation of the Statement of Financial Position of the Credit Union consistent with the requirements of IFRIC 2 and IAS32 also engaged the attention of the Members of the Board of Directors.
- 15.6 The Board continued partnering with other Credit Union Institutions – the Central Finance Facility (CFF) and LinCU Company Limited. RHAND as one of the four shareholders of LinCU, continued to encourage the use and renewal of the LinCU Visa Debit Card as one of the Credit Union's medium of payment. Building relationships within the Credit Union Movement was not forgotten, as RHAND continued to be part of the Association of Credit Unions Presidents of Trinidad & Tobago (ACUPTT), which continued to discharge its advocacy responsibility through ongoing discussions with the Central Bank of Trinidad and Tobago on the proposed Credit Union Bill.



REPORT OF THE BOARD OF DIRECTORS

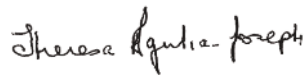
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16. RECOGNITION AND BEST WISHES

16.1 The Board of Directors wishes to recognize all the individuals who have contributed to the many successes achieved by RHAND Credit Union in Year 2012 – 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 2013.**



Martin Minguell
President – Board of Directors



Theresa Agulia-Joseph
Secretary – Board of Directors



REPORT OF THE CREDIT COMMITTEE

1. INTRODUCTION

- 1.1 For the financial year ended December 31, 2012, the Credit Committee is pleased to report on its statutory role as outlined in Section 34 of the Co-operative Society 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 64th Annual General Meeting held on Saturday March 17, 2012 the following members were elected to serve on the Credit Committee.

- Mrs. Mary Lou Marcano
- Mr. Dave Williams
- Mr. Lenus Joseph
- Ms. Lisa Robinson - 1st Substitute
- Mr. Peter Lewis - 2nd Substitute

Mrs. Mary Lou Marcano, Mr. Dave Williams and Mr. Lenus Joseph 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 2012/2013 Term, comprised the following members:

- | | | |
|-------------------------|---|----------------|
| • Ms. Jennifer James | - | Chairman |
| • Ms. Patricia Harry | - | Secretary |
| • Mrs. Mary Lou Marcano | - | Member |
| • Mr. Dave Williams | - | Member |
| • Mr. Lenus Joseph | - | Member |
| • Ms. Lisa Robinson | - | 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 65th Annual General Meeting:

- Ms. Jennifer James
- Ms. Patricia Harry

3. COMPOSITION OF THE CREDIT COMMITTEE

- 3.1 The members of the Credit Committee attended ninety-seven (97) Regular and eight (8) Joint Management Committee Meetings. The attendance of members of the Credit Committee at Meetings is detailed at **Table 11**.

REPORT OF THE CREDIT COMMITTEE

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Table 11: Attendance at Credit Committee Meetings

Name Of Member	Regular			Special			REMARKS
	P	Ex	A	P	Ex	A	
Jennifer James	86	11	-	6	2	-	
Patricia Harry	94	3	-	7	1	-	
Lenus Joseph	89	8	-	7	1	-	
Dave Williams	86	10	1	8	-	-	
Mary Lou Marcano	77	18	2	5	3	-	

4. CREDIT SUPERVISION

- 4.1 One hundred and four (104) loan applications were processed by the Credit Committee. To complete the processing of one (1) of the approved applications, the property was inspected.
- 4.2 Of the one hundred and four (104) applications approved by the Credit Committee, thirty-four (34) 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, nine (9) members were interviewed in order to conclude the processing of their applications.
- 4.3 Generally, files were monitored, with the relevant notes outlining the concerns of Members of the Credit Committee being affixed thereon.
- 4.4 For the financial year, seven thousand, three hundred and fifty-three (7,353) loan applications were approved by the other approving agents namely: 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 paid 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

cont'd

Table 12: Approving Authority for Loans Granted

Authority	Number of Loans	(%) of Loans	Approval Limit (\$)
Credit Committee	104	1.39	120,000
General Manager	4	0.05	120,000
Manager – Credit Administration	1,524	20.44	100,000
Manager – Tobago Branch	141	1.89	80,000
Officer-in Charge - Arima Branch	559	7.50	80,000
Supervisor II	1,621	21.74	75,000
Credit Officer - Tobago Branch	648	8.69	65,000
Supervisor I	1,047	14.04	65,000
Senior Clerk	1,682	22.56	35,000
Clerk I	127	1.70	30,000
Total	7,457	100.00	

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

Class of Loan	2012		2011	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Loans	6,417	73,631,430.28	6,577	71,019,215.11
Cruise Loans	44	847,323.21	17	287,619.82
Debt Consolidation Loans	97	3,229,198.13	102	5,427,928.49
Education and Training Financing	333	3,492,302.35	322	3,988,096.81
Enterprise/Business Financing	22	631,864.13	29	834,062.00
Financial Assets (Investment) Financing	12	202,000.00	11	367,082.61
Medical Expenses Financing	295	2,040,954.42	216	1,821,752.93
Motor Vehicle Financing	192	15,464,122.80	177	15,752,498.43
Real Estate Financing	45	11,714,300.93	48	14,738,413.19
Total	7,457	111,253,496.25	7,499	114,236,669.39

REPORT OF THE CREDIT COMMITTEE

cont'd

Table 14: Particulars of Loans Disbursed by Tobago Branch Office

Class of Loan	2012		2011	
	Number of Loans	\$ Value	Number of Loans	\$ Value
Consumer Loans	893	11,591,681.35	941	10,751,037.23
Cruise Loans	8	166,199.75	1	8,000.00
Debt Consolidation Loans	2	288,741.44	4	630,495.28
Education and Training Financing	3	105,000.00	5	75,400.00
Enterprise/Business Financing	3	534,900.00	3	100,000.00
Financial Assets (Investment) Financing	0	0	4	304,400.00
Medical Expenses Financing	2	78,000.00	3	92,007.00
Motor Vehicle Financing	9	648,950.00	14	1,355,802.61
Real Estate Financing	5	1,036,285.51	12	2,117,686.47
Total	925	14,449,758.05	987	15,434,828.59

5. NON-PERFORMING LOANS

5.1 There were two hundred and seventy-four (274) non-performing loans with a value of \$12,750,087. on the books of the Society as at December, 2012 - resulting in a delinquency ratio of 4.34%. Of these 274 non-performing loans, 93 loans with a dollar value of \$4,344,121 were loans which were one (1) month in arrears, as a result of the late remittance of December 2012 salary deduction and standing order payments by three (3) Regional Health Authorities, one (1) Statutory Authority, seven (7) Ministries and four (4) commercial banks. The true delinquency ratio for 2012 is 2.86% compared to a true delinquency ratio for 2011 of 1.55%.

6. ADMINISTRATION OF LOAN PROTECTION BENEFITS

6.1 The Credit Committee advised the Board of Directors on the settlement of twenty-eight (28) Death Benefit Claims with a dollar value of \$810,775.28, payable to estates of deceased members.

6.2 The Credit Committee also advised the Board of Directors on the settlement of five (5) Disability Benefit Claims with a dollar value of \$171,345.13.

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
- Cummings-Fraser Foundation



REPORT OF THE CREDIT COMMITTEE

cont'd



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 2012:- 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 2013.



Respectfully submitted,

Jennifer James - Chairperson
Patricia Harry - Secretary
Mary Lou Marcano
Dave Williams
Lenus Joseph



REPORT OF THE SUPERVISORY COMMITTEE

1. INTRODUCTION

1.1 We, the members of the Supervisory Committee are pleased to present our report for the administrative period of March 2012 to March 2013 and the financial period of January 2012 to December, 2012, as required by the Co-operative Societies Act (No. 22 of 1971) and the Bye-Laws of RHAND Credit Union Co-operative Society Limited.

2. COMPOSITION OF THE SUPERVISORY COMMITTEE

2.1 At the 64th Annual General Meeting held on March 17, 2012, the following members were elected to serve on the Supervisory Committee:

- Ms. Claudette Brown
- Mrs. Patricia Williams
- Ms. Pamela Ogiste
- Ms. Ann Marie Sealy - 1st Substitute
- Mr. Anthony St. Bernard - 2nd Substitute

2.2 In accordance with Bye-Law 24(c), at the first meeting of the Supervisory Committee held on March 21, 2012, Ms. Claudette Brown and Ms. Erica Charles were elected Chairman and Secretary respectively.

2.3 The full Supervisory Committee for the 2012/2013 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 two (2) members of the Supervisory Committee, comes to an end at this 65th Annual General Meeting:

- Ms. Hermoine James
- Ms. Erica Charles

3. THE AUTHORITY OF THE SUPERVISORY COMMITTEE

3.1 Bye-Law 24 (a) states that the Supervisory Committee shall be the Statutory Internal Auditors of the Society and as such shall have the following powers and duties:

- Make an examination of the affairs of the Society, including an audit of its books, at least semi-annually and, if the Committee thinks it necessary, make a report of its findings to the Commissioner for Co-operative Development.



REPORT OF THE SUPERVISORY COMMITTEE

cont'd

- 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 Treasurer or Manager of the Society.

4. MEETINGS OF THE SUPERVISORY COMMITTEE

4.1 Statutory and Special Meetings

The Supervisory Committee held nine (9) Statutory Meetings and four (4) 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	9			4			
Erica Charles	8	1		3	1		Vacation leave
Patricia Williams	8	1		4			
Hermoine James	6	3		3			(1)Vacation leave (2) Excused
Pamela Ogiste	9			1	3		(2) Work Related (1) Excused
Ann Marie Sealy	7	2		3	1		
Anthony St. Bernard	7	1	1	4			

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 discuss the Investment Policy Statement for the Credit Union

4.3 Other Meetings

Members of the Supervisory Committee participated in the work of the following Board-Appointed Committee in order to facilitate information sharing:

- Annual General Meeting Planning Committee



REPORT OF THE SUPERVISORY COMMITTEE

cont'd

5. WORK PROGRAMME OF THE COMMITTEE FOR APRIL 2012 TO DECEMBER 2012

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 the Meetings of the Board of Directors
- Cash Counts
- Review of Branch Operations at Tobago and Arima
- Review of the Activities of the Education Committee
- 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 Statements

During the period under review, the Committee received on a timely basis, the Monthly Financial Statements of the Credit Union. The Statements were examined to ensure that there were systems of internal controls in place and that a reliable basis existed for the preparation of the Financial Statements. The Committee was satisfied that the Financial Statements were presented in accordance with International Accounting Standards.

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 and the Credit Policy and Procedures.
- The adequacy and validity of securities held.
- The adequacy and effectiveness of the internal control systems.
- The effectiveness of the monitoring systems for non-performing loans.

Methodology:

A random sampling of loans was done, with particular emphasis on mortgage loans and the associated securities documents.



REPORT OF THE SUPERVISORY COMMITTEE

cont'd

Observations:

- The Committee observed that RHAND was not submitting mortgage loans for approval by the Commissioner for Cooperative Development in accordance with Section 43 (2) of the Co-operatives Societies Act (Chap 81:03) which states "A Society may not, save with the consent in writing of the Commissioner, lend its money on mortgage of real property." The submission of these loans was being done after the loans were approved and disbursed. After the Committee indicated that adherence to this law would be prudent to protect the Credit Unions interests however, assurance was given that in the future it would be done.
- An examination of Mortgages and Securities was undertaken to ensure that RHAND held good title to assets being used as security for loans by members.
- Examination of loans revealed that there was satisfactory compliance with the stipulated terms of the loan contracts, however there were instances when payments from banking institutions and salary deductions were not timely.

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.
- Efforts were made by the Recoveries Department to have the delinquency amounts reduced.

Contact was being made with members with arrears accounts on a timely basis in accordance with the Delinquency Policy of the Society and as at December 31, 2012 - there were two hundred and seventy-four (274) non-performing loans, with a value of \$12,750,087 on the books of RHAND Credit Union. This represents a delinquency ratio of 4.34%, which is below the PEARLS standard ceiling of 5.00%. The corresponding period of 2011, showed a figure of 4.20% - representing two hundred and eight-six (286) non-performing loans with a value of \$11,316,990.

6.4 Review of the Minutes of the 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:

- To keep abreast with the policy and operational decisions taken by the Board.
- To monitor the implementation and progress of the follow up action taken by the Board.

The Committee is of the opinion that the Members of the Board of Directors are carrying out the mandate for which they have been elected and are working towards the further growth of RHAND by ensuring that the principles and policies of the Credit Union Movement are being up-held.



REPORT OF THE SUPERVISORY COMMITTEE

cont'd

6.5 Cash Counts

The Committee conducted Statutory Cash Counts simultaneously at Head Office, and the Branch Offices of Arima and Tobago, on June 30, 2012 and December 31, 2012 respectively. Surprise Cash Counts were also conducted at Head Office during the course of the year. In both instances, Committee Members from Trinidad were sent to Tobago and vice versa in an effort to expose all members to every aspect of audit exercises at all branches. These exercises did not reveal any excesses or shortages of cash. The relevant protocols and internal controls were observed.

6.6 Review of Branch Operations at Arima and Tobago

- **Arima Branch**

Several audits were carried out at the Arima Branch Office. These included Credit Administration and Cash Counts. 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 Fixed Assets. The Committee is satisfied with the conduct of operations at this Branch.

6.7 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 Supervisory Committee in the conduct of its work programme will continue to monitor the activities of this Committee to ensure that the decisions taken are for the benefit of the membership.

6.8 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 under review. From examination of the documents presented and after discussions with the Compliance Officer, the Committee is of the view that every effort is being made to ensure compliance with the law.



REPORT OF THE SUPERVISORY COMMITTEE

cont'd



7. TRAINING

During the period under review, the Chairman and Secretary attended an in-house training session conducted by Mr. Anthony Pierre on April 14 2012, and May 5, 2012, on the topic of 'Understanding Financial Statements'. These sessions have proven to be beneficial to the participants and have assisted the Committee in the conduct of its work programme. The Committee also participated in the 'JUICE' Software Training held on September 25, 2012, which was conducted by the staff of the ICT Department of RHAND. This training has assisted the Committee in the conduct of its operations and we look forward to continued working relations with this Department.

8. INTERNAL AUDIT DEPARTMENT

The Committee notes the presence of the Internal Audit Department whose responsibility, among others, is to review and comment on the operations and controls of the Credit Union. The Committee eagerly looks forward to having discussions with, and receiving reports from the Internal Auditor.



9. APPRECIATION

We, the members of the Supervisory Committee, wish to express our heartfelt gratitude to our cherished membership for granting us the opportunity to serve for the past year. We also wish to thank the Board of Directors, the Credit Committee, the General Manager and all other Managers and staff for their commitment and dedication in ensuring excellent service.

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, 2012, 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, 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Port of Spain
21 February 2013

Direct tel (868) 624-4569 | Direct fax (868) 624-4388

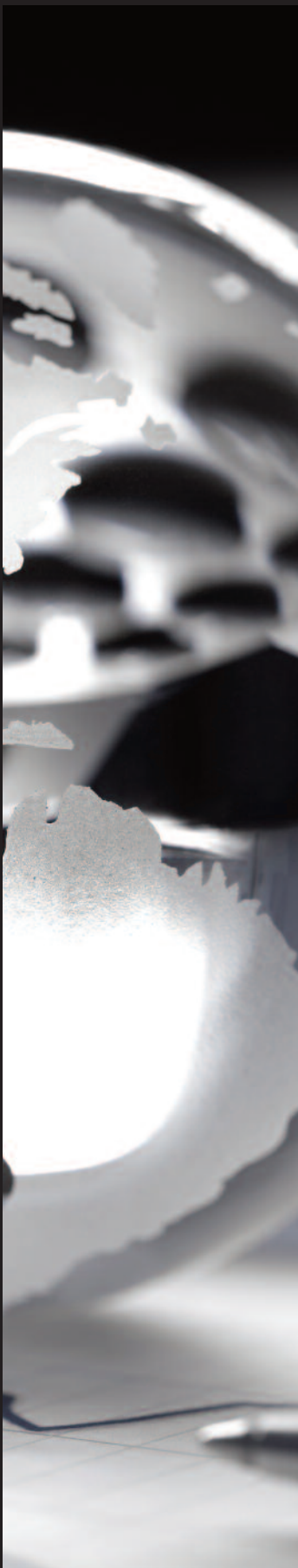
Email pkf-trinidad@trinidad.net

PKF | 245 Belmont Circular Road | PO Bag 250 | Belmont | Port-of-Spain | Trinidad | WI

FINANCIAL STATEMENTS

December 31, 2012

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RHAND Credit Union Co-operative Society Limited

57 – 61 Abercromby Street, Port of Spain, Trinidad W.I. Tel. 623-5920, 624-8708/9, 627-4263
Email: info@rhand.org.tt Website: www.rhand.org.tt
Registered No. 38 on 27th, March 1947

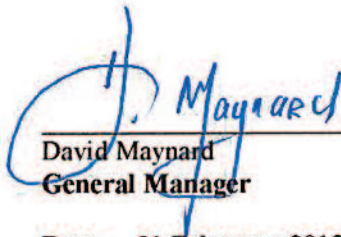
Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of RHAND Credit Union Co-operative Society Limited as at the end of the financial year and of the operating results of RHAND Credit Union Co-operative Society Limited for the year. It is also management's responsibility to ensure that RHAND Credit Union Co-operative Society Limited keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of RHAND Credit Union Co-operative Society Limited. They are also responsible for safeguarding the assets of RHAND Credit Union Co-operative Society Limited.

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

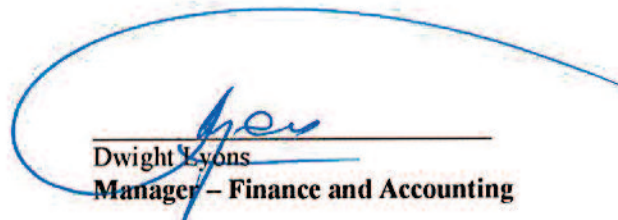
Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of RHAND Credit Union Co-operative Society Limited and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that RHAND Credit Union Co-operative Society Limited will not remain a going concern for at least the next twelve months from the date of this statement.



David Maynard
General Manager

Date: 21 February 2013



Dwight Lyons
Manager – Finance and Accounting

Date: 21 February 2013

M. MINGUELL
President

T. PERCIVAL
Vice President

T. AGULIA-JOSEPH
Secretary


E. WALKER
Asst. Secretary

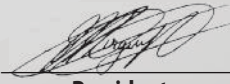
T. BOISSIERE
Treasurer

STATEMENT OF FINANCIAL POSITION

		December 31	
	<u>Notes</u>	<u>2012</u>	<u>2011</u> (Restated)
Cash Resources:			
Cash in hand and at bank	5	\$ 5,593,967	\$ 7,461,080
Short-term investments	6	63,537,701	56,758,706
		<hr/>	<hr/>
Total Cash Resources		69,131,668	64,219,786
Other Assets:			
Accounts receivable and prepayments	7	3,647,733	2,380,590
Net loans to members	8	292,148,221	268,631,869
Long-term investments	9	57,896,501	53,897,186
Retirement benefit asset	10	-	795,100
Fixed assets	11	28,151,285	28,302,617
		<hr/>	<hr/>
Total Assets		\$ 450,975,408	\$ 418,227,148
Liabilities:			
Accounts payable and accruals	12	\$ 5,981,852	\$ 5,250,082
Members' deposit savings		28,331,824	23,080,898
Members' time deposits		85,768,582	86,410,661
Provision for terminal benefits	13	1,090,000	1,030,000
Retirement benefit obligation	10	485,800	-
Members' share savings	14	276,142,884	258,427,444
		<hr/>	<hr/>
Total Liabilities		397,800,942	374,199,085
Institutional Capital:			
Reserve fund		20,377,997	19,323,250
Education fund	15	662,566	317,741
Loan protection fund		743,781	1,204,916
Building fund	16	10,750,000	10,000,000
Investment re-measurement reserve		5,928,284	954,144
Undivided earnings		14,711,838	12,228,012
		<hr/>	<hr/>
Total Institutional Capital		53,174,466	44,028,063
		<hr/>	<hr/>
Total Liabilities and Institutional Capital		\$ 450,975,408	\$ 418,227,148

These financial statements were approved by the Board of Directors and authorised for issue on 21 February 2013 and signed on their behalf by:


Treasurer


President


Member,
Supervisory Committee

(The accompanying notes form part of these financial statements)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

	<u>Schedules</u>	<u>2012</u>	<u>2011</u>
Income:			
Interest on loans		\$ 32,178,947	\$ 29,348,127
Investment income	1	2,616,200	1,887,882
Other income	2	<u>1,104,170</u>	<u>1,254,062</u>
Total Income		<u>35,899,317</u>	<u>32,490,071</u>
Expenditure:			
Administrative expenses	3	6,120,983	6,169,384
Board and committees' expenses	4	755,925	827,918
Life savings insurance		837,482	729,331
Loan protection expense		982,121	1,226,996
Loan loss expense		846,000	1,200,000
Interest on members' deposits		2,010,365	2,314,519
Impairment loss on investments		2,099,999	-
Member education, training and development expenses		1,218,132	875,864
Personnel costs	5	<u>10,608,595</u>	<u>9,017,306</u>
Total Expenditure		<u>25,479,602</u>	<u>22,361,318</u>
Operating surplus for the year		10,419,715	10,128,753
Accrued interest adjustment (Note 6)		<u>-</u>	<u>450,000</u>
Net surplus for the year		10,419,715	10,578,753
Other Comprehensive Income:			
Unrealised gain on available-for-sale financial assets		<u>4,974,140</u>	<u>4,008,531</u>
Total Comprehensive Income for the year		<u>\$ 15,393,855</u>	<u>\$ 14,587,284</u>

(The accompanying notes form part of these financial statements)



STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

For the year ended December 31, 2012

	<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, 2012	\$ 19,323,250	\$ 317,741	\$ 1,204,916	\$10,000,000	\$ 954,144	\$ 11,432,912
Restatement (Note 17)	-	-	-	-	-	795,100
Balance as at January 1, 2012 (restated)	19,323,250	317,741	1,204,916	10,000,000	954,144	12,228,012
Total comprehensive income for the year					4,974,140	10,419,715
Appropriation of net surplus for the year:						
(i) 10.0% to the Reserve Fund	1,041,972					(1,041,972)
(ii) 15.0% to the Education Fund		1,562,957				(1,562,957)
(iii) 5.0% to the Loan Protection Fund	-	-	520,986	-	-	(520,986)
	<u>20,365,222</u>	<u>1,880,698</u>	<u>1,725,902</u>	<u>10,000,000</u>	<u>5,928,284</u>	<u>19,521,812</u>
Add/(less) adjustments as follows:						
(i) Dividends (2011)						(6,247,452)
(ii) Entrance fees	12,775					(12,775)
(iii) Member education, training and development expenses		(1,218,132)				1,218,132
(iv) Transfer to Building Fund				750,000		(750,000)
(v) Loan protection expense	-	-	(982,121)	-	-	982,121
Balance as at December 31, 2012	<u>\$20,377,997</u>	<u>\$ 662,566</u>	<u>\$ 743,781</u>	<u>\$10,750,000</u>	<u>\$ 5,928,284</u>	<u>\$ 14,711,838</u>

(The accompanying notes form part of these financial statements)

STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

For the year ended December 31, 2012

	<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)
	<u>19,314,650</u>	<u>1,193,605</u>	<u>2,431,912</u>	<u>9,250,000</u>	<u>954,144</u>	<u>14,838,160</u>
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				750,000		(750,000)
(v) Loan protection expense	-	-	(1,226,996)	-	-	1,226,996
Balance as at December 31, 2011	<u>\$19,323,250</u>	<u>\$ 317,741</u>	<u>\$ 1,204,916</u>	<u>\$ 10,000,000</u>	<u>\$ 954,144</u>	<u>\$ 11,432,912</u>

(The accompanying notes form part of these financial statements)



STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Net surplus for the year	\$ 10,419,715	\$ 10,578,753
Adjustments to reconcile net surplus to cash used in operating activities:		
Depreciation	896,428	893,160
Increase in provision for terminal benefits	60,000	60,000
Increase in provision for loan losses	846,000	1,200,000
Loss on disposal of fixed assets	23,820	52,268
Impairment loss on investments	2,099,999	-
Non-performing loans recovered/(written-off)	241,319	(2,381,833)
Retirement Benefit Asset – IAS #19 adjustment	1,280,900	-
Net change in accounts receivable and prepayments	(1,267,143)	(154,546)
Net change in loans to members	(24,603,671)	(24,899,978)
Net change in members' deposit savings	5,250,926	4,669,367
Net change in members' time deposits	(642,079)	(6,577,178)
Net change in accounts payable and accruals	731,770	(557,245)
Net change in members' share savings	17,715,440	15,457,193
Cash provided by/(used in) operating activities	<u>13,053,424</u>	<u>(1,660,039)</u>
Cash Flows from Investing Activities:		
Proceeds from disposal of fixed assets	21,200	124,363
Purchase of long-term investments	(1,125,174)	(1,264,766)
Net changes in fixed assets	(790,116)	(2,987,191)
Cash used in investing activities	<u>(1,894,090)</u>	<u>(4,127,594)</u>
Cash Flows from Financing Activities:		
Dividends distribution	(6,247,452)	(4,749,508)
Cash used in financing activities	<u>(6,247,452)</u>	<u>(4,749,508)</u>
Net change in cash resources for the year	4,911,882	(10,537,141)
Cash resources, beginning of year	<u>64,219,786</u>	<u>74,756,927</u>
Cash resources, end of year	<u>\$ 69,131,668</u>	<u>\$ 64,219,786</u>
Represented by:		
Cash in hand and at bank	\$ 5,593,967	\$ 7,461,080
Short-term investments	63,537,701	56,758,706
	<u>\$ 69,131,668</u>	<u>\$ 64,219,786</u>

(The accompanying notes form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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 revised standard, which became effective during the current year, as it does not apply to the activities of the Society:

IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets)

- 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 1 First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).



NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

- IFRS 7 Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).
- 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).
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013)

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

December 31, 2012

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 FINANCIAL STATEMENTS

cont'd

December 31, 2012

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

December 31, 2012

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 FINANCIAL STATEMENTS

cont'd

December 31, 2012

2. Significant Accounting Policies (Cont'd):

f) Financial instruments (cont'd) -

Impairment of financial assets (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 stated at fair value.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

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.

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 FINANCIAL STATEMENTS

cont'd

December 31, 2012

2. Significant Accounting Policies (Cont'd):

k) Retirement Benefits -

The Society operates a defined benefit plan for all employees who have completed at least three months of continuous service with the Credit Union and have attained the age of eighteen (18) years but are not yet sixty (60) years at the time of enrolment. Provision is made for pension benefits based on employees' salaries. Pension benefits are based upon contributions made by employees and the Credit Union during employment and determined by actuarial valuations of the Pension Fund Plan. International Accounting Standard 19 – Employee Benefits, requires the use of actuarial techniques on an annual basis to measure the present value of the defined benefit obligation, the related current service cost and the actuarial gains and losses are recognised in the financial statements.

The Plan was established by Trust Deed dated 18 August 1988 made between the RHAND Credit Union Co-operative Society Limited and Republic Bank Limited and is approved by the Board of Inland Revenue and registered with the Inspector of Financial Institutions. Its operations are governed by the aforementioned Trust Deed, Rules and the applicable Laws of Republic of Trinidad and Tobago.

The Trustee, Republic Bank Limited has elected to fund the benefits by way of a Deposit Administration Contract with the American Life and General Insurance Company (Trinidad and Tobago) Limited.

l) 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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

3. Financial Risk Management:

Financial risk factors

The Society's activities are primarily related to the use of financial instruments. The Society accepts funds from members and earns interest by investing in equity investments, government securities and on-lending to members at higher interest rates.

Financial instruments

The following table summarizes the carrying amounts and fair values of the Society's financial assets and liabilities:

	<u>2012</u>	
	Carrying Value	Fair Value
Financial Assets		
Cash in hand and at bank	5,593,967	5,593,967
Short-term investments	63,537,701	63,537,701
Long-term investments	51,968,217	57,896,501
Investment interest receivable	1,040,473	1,040,473
Loans to members	292,148,221	292,148,221
Financial Liabilities		
Members' deposits	28,331,824	28,331,824
Members' shares	276,142,884	276,142,884
Accrued interest payable	886,949	886,949

	<u>2011</u>	
	Carrying Value	Fair Value
Financial Assets		
Cash in hand and at bank	7,461,080	7,461,080
Short-term investments	56,758,706	56,758,706
Long-term investments	52,943,042	53,897,186
Investment interest receivable	1,131,954	1,131,954
Loans to members	268,631,869	268,631,869
Financial Liabilities		
Members' deposits	23,080,898	23,080,898
Members' shares	258,427,444	258,427,444
Accrued interest payable	873,104	873,104



NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

3. Financial Risk Management (Cont'd):

Financial risk factors (Cont'd)

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.

(i) Bonds

The Society invests mainly in medium term bonds consisting of fixed rate instruments.

The market values of the fixed rate bonds are not very sensitive to changes in interest rates. The market values of the floating rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market values will not impact the Statement of Comprehensive Income.

(ii) Loans

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

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

3. Financial Risk Management (Cont'd):

Financial risk factors (Cont'd)

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

3. Financial Risk Management (Cont'd):

Financial risk factors (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

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.

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.



NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

5. Cash in Hand and at Bank:

	December 31	
	<u>2012</u>	<u>2011</u>
Cash in hand	\$ 190,166	\$ 397,718
Cheques in hand	1,079,481	353,536
Current account	4,324,320	6,709,826
	<u>\$ 5,593,967</u>	<u>\$ 7,461,080</u>

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	
	<u>2012</u>	<u>2011</u>
The Home Mortgage Bank	\$ 4,317,660	\$ 4,211,167
Colonial Life Insurance Company (Trinidad) Limited	11,246,722	22,493,443
First Citizens Investment Services Limited		
- Abercrombie Fund	1,776,826	2,636,636
- Repurchase Agreement	1,757,750	7,488,401
RBTT Trust Limited – ROYTRIN Money Market Fund	32,863	31,895
ANSA Merchant Bank Limited	7,416,116	7,416,116
Trinidad and Tobago Unit Trust Corporation		
- Money Market Fund	23,024,077	1,197,205
British American Insurance Company (Trinidad) Limited	2,500,000	5,000,000
The Central Finance Facility Co-operative Society of		
Trinidad and Tobago Limited	2,941,010	2,824,520
Guardian Asset Management Limited	3,524,677	3,459,323
Public Service Credit Union Co-operative Society Limited	5,000,000	-
	<u>\$63,537,701</u>	<u>\$ 56,758,706</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

6. Short-Term Investments (Cont'd):

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 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.

During the financial year the Credit Union received 50.0% of the investments held in CLICO and BAT in the amount of **\$11,246,722** and **\$2,500,000**, respectively. This was deposited on April 19, 2012. The balance of these investments is to be received in 2013.



NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

7. Accounts Receivable and Prepayments:

	December 31	
	<u>2012</u>	<u>2011</u>
Interest receivable on investments	\$ 1,040,473	\$ 764,821
Staff members' loans	472,841	91,614
Other receivables and prepayments	<u>2,134,419</u>	<u>1,524,155</u>
	<u>\$ 3,647,733</u>	<u>\$ 2,380,590</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>2012</u>	<u>2011</u>
Loans to members	\$ 294,093,566	\$ 269,489,895
Less: Allowance for loan losses	<u>(1,945,345)</u>	<u>(858,026)</u>
	<u>\$ 292,148,221</u>	<u>\$ 268,631,869</u>

b) Analysis of movement in Allowance for Loan Losses:

Balance, beginning of year	\$ 858,026	\$ 2,039,859
Non-performing loans write-offs	-	(2,542,955)
Non-performing loans recovered	241,319	161,122
Provision for the year	<u>846,000</u>	<u>1,200,000</u>
Balance, end of year	<u>\$ 1,945,345</u>	<u>\$ 858,026</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

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>2012</u>	<u>2011</u>
Quoted Equity Investments			
- Republic Bank Limited	\$ 1,539,667	\$ 1,406,716	
- Prestige Holdings Limited	1,694,245	1,272,502	
- Grace Kennedy Company Limited	176,500	214,500	
- Guardian Holdings Limited	351,500	275,500	
- Neal & Massy Holdings Limited	743,463	727,332	
- West Indian Tobacco Company Limited	2,703,000	1,950,930	
- One Caribbean Media Limited	569,880	414,000	
- Sagicor Financial Corporation	369,600	279,650	
- Jamaica Money Market Brokers Limited	116,127	191,268	
- Ansa Mc Al Limited	970,362	801,350	
- Scotiabank Trinidad and Tobago Limited	1,021,956	785,148	
- Royal Bank of Canada	737,221	622,487	
- Trinidad Cement Limited	54,993	66,065	
- National Commercial Bank of Jamaica	72,000	108,000	
- Angostura Holdings Limited	179,800	155,000	
Unquoted Equity Investments			
- LINCUI Limited	2,000,001	2,000,001	
- The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited	100,000	100,000	
Mutual Fund Units			
- Trinidad and Tobago Unit Trust Corporation			
Chaconia Income and Growth Fund	2,844,167	2,685,551	
Growth and Income Fund	41,396,775	37,401,955	
- Deutsche Bank	453,463	317,451	
	58,094,720	51,775,406	
Less: provision for impairment losses (see note below)	(2,099,999)	-	
	55,994,721	51,775,406	
<u>Held to maturity</u>			
Bonds			
- Government of the Republic of Trinidad and Tobago	492,900	492,900	
- Housing Development Corporation	189,000	189,000	
- National Insurance Property Development Company	719,880	719,880	
- Neal and Massy Holdings Limited	500,000	500,000	
- Home Mortgage Bank	-	220,000	
	<u>\$ 57,896,501</u>	<u>\$53,897,186</u>	

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

9. Long-Term Investments (Cont'd):

The Board of Directors has decided to set up a provision for impairment losses against unquoted equity investments held with LINC Limited and The Central Finance Facility Co-operative Society of Trinidad and Tobago Limited. The provision of **\$2,099,999** is recorded in the Statement of Comprehensive Income.

10. Retirement Benefit (Asset)/Obligation:

	<u>2012</u>	31 December <u>2011</u> (Restated)
a) Change in Defined Benefit Obligations		
Defined benefit obligations at start	\$ 9,116,600	
Current service cost	623,300	
Interest cost	595,200	
Plan participant contributions	212,000	
Actuarial loss on obligation	569,700	
Benefits paid	(65,300)	
	<hr/>	
Defined Benefit Obligation at end of year	\$ 11,051,500	
b) Change in Plan Assets		
Plan assets at start of year	\$ 9,911,700	
Expected return on Plan assets	504,600	
Actuarial loss on Plan assets	(209,300)	
Employer contributions	212,000	
Plan participant contributions	212,000	
Benefits paid	(65,300)	
	<hr/>	
Plan Assets at end of year	\$ 10,565,700	
c) Items for Inclusion in Statement of Financial Position		
Defined benefit obligation	\$ 11,051,500	\$ 9,116,600
Fair value of assets	(10,565,700)	(9,911,700)
	<hr/>	<hr/>
Net IAS 19 Defined Benefit Obligation/(Asset)	\$ 485,800	\$ (795,100)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

10. Retirement Benefit (Asset)/Obligation (Cont'd):

	31 December	
	<u>2012</u>	<u>2011</u>
d) Items for Inclusion in Statement of Comprehensive Income		
Current service cost	\$ 623,300	
Interest cost	595,200	
Expected return on Plan assets	(504,600)	
Actuarial loss on Obligation	569,700	
Actuarial loss on Plan assets	209,300	
Expense recognised in Statement of Comprehensive Income	<u>\$ 1,492,900</u>	
e) Reconciliation of Opening and Closing Statement of Financial Position entries		
Opening defined benefit asset	\$ (795,100)	
Net pension cost	1,492,900	
Company contributions paid	(212,000)	
Closing Defined Benefit Obligation	<u>\$ 485,800</u>	
f) Actual Return on Plan Assets		
Expected return on Plan assets	\$ 504,600	
Actuarial loss on Plan assets	(209,300)	
Actual Return on Plan Assets	<u>\$ 295,300</u>	
g) Expected Company Contributions in 2013	<u>\$ 218,400</u>	
h) Summary of Principal Assumptions as at 31 December 2012		
Discount rate at start of year -	6.00%	
Discount rate at end of year -	5.00%	
Future salary increases -	3.00%	
Expected return on assets -	5.00%	





NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

11. Fixed Assets:

COST	LAND	CAR PARK	BUILDING	WORK-IN- PROGRESS	FURNITURE, FIXTURES AND FITTINGS
Balance as at January 1, 2012	\$15,493,607	\$186,868	\$9,538,099	\$3,325,807	\$2,664,257
Additions	-	-	34,173	133,514	200,701
Disposals	-	-	(34,941)	-	(1,650)
Transfers	-	-	-	(238,462)	-
Reclassification	-	-	-	(5,917)	-
Balance as at December 31, 2012	<u>\$15,493,607</u>	<u>186,868</u>	<u>9,537,331</u>	<u>3,214,942</u>	<u>2,863,308</u>
ACCUMULATED DEPRECIATION					
Balance as at January 1, 2012	-	186,868	4,002,707	-	1,517,597
Charge for the year	-	-	190,700	-	121,646
Disposals	-	-	(4,270)	-	(1,037)
Balance as at December 31, 2012	<u>-</u>	<u>186,868</u>	<u>4,189,137</u>	<u>-</u>	<u>1,638,206</u>
NET BOOK VALUE					
Balance as at December 31, 2012	<u>\$15,493,607</u>	<u>\$ -</u>	<u>\$5,348,194</u>	<u>\$3,214,942</u>	<u>\$1,225,102</u>
Balance as at December 31, 2011	<u>\$15,493,607</u>	<u>\$ -</u>	<u>\$ 5,535,392</u>	<u>\$3,325,807</u>	<u>\$1,146,660</u>
COST					
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>
ACCUMULATED DEPRECIATION					
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>
NET BOOK VALUE					
Balance as at December 31, 2011	<u>\$15,493,607</u>	<u>\$ -</u>	<u>\$5,535,392</u>	<u>\$3,325,807</u>	<u>\$1,146,660</u>
Balance as at December 31, 2010	<u>\$15,493,607</u>	<u>\$ -</u>	<u>\$5,622,975</u>	<u>\$1,348,311</u>	<u>\$1,258,075</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

OFFICE EQUIPMENT	TELEPHONE FACILITIES	OTHER EQUIPMENT	MOTOR VEHICLES	COMPUTER FACILITIES	TOTAL
\$551,011	\$264,841	\$1,671,869	\$625,281	\$6,063,111	\$40,384,751
73,354	45,161	136,819	-	172,312	796,034
-	(31,941)	-	(146,044)	(8,250)	(222,826)
-	-	54,197	-	184,265	-
-	-	-	-	-	(5,917)
<u>624,365</u>	<u>278,061</u>	<u>1,862,885</u>	<u>479,237</u>	<u>6,411,438</u>	<u>40,952,042</u>
331,726	141,815	1,097,256	442,928	4,361,237	12,082,134
48,495	40,727	107,802	39,775	347,284	896,429
-	(24,483)	-	(141,517)	(6,499)	(177,806)
<u>380,221</u>	<u>158,059</u>	<u>1,205,058</u>	<u>341,186</u>	<u>4,702,022</u>	<u>12,800,757</u>
<u>\$244,144</u>	<u>\$120,002</u>	<u>\$657,827</u>	<u>\$138,051</u>	<u>\$1,709,416</u>	<u>\$28,151,285</u>
<u>\$219,285</u>	<u>\$123,026</u>	<u>\$574,613</u>	<u>\$182,353</u>	<u>\$1,701,874</u>	<u>\$28,302,617</u>
\$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)
-	-	19,919	-	-	-
<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
(252,204)	(11,558)	(9,805)	(104,836)	(86,023)	(545,183)
<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>
<u>\$219,285</u>	<u>\$123,026</u>	<u>\$574,613</u>	<u>\$182,353</u>	<u>\$1,701,874</u>	<u>\$28,302,617</u>
<u>\$252,355</u>	<u>\$158,136</u>	<u>\$611,445</u>	<u>\$107,401</u>	<u>\$1,532,912</u>	<u>\$26,385,217</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

12. Accounts Payable and Accruals:

	December 31	
	<u>2012</u>	<u>2011</u>
Death/disability claims payable	\$ 2,205,025	\$ 2,078,323
Non-members' receipts	68,145	38,205
Interest payable on members' time deposits	886,948	873,104
Sharon FYFE "Coppers" Account	227	6,138
Cummings/Fraser Foundation Account	100,000	100,000
Other payables and accruals	2,149,182	1,581,987
Unclaimed members' share savings	24,595	24,595
Unclaimed members' deposit savings	547,730	547,730
	<u>\$ 5,981,852</u>	<u>\$ 5,250,082</u>

13. 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.

14. Members' Share Savings:

The Bye-Laws of RHAND Credit Union Co-operative Society Limited allows for the issue of an unlimited number of shares valued at \$5.00 each. In accordance with International Financial Reporting Interpretation Committee (IFRIC) Interpretation #2 redeemable shares have been treated as liabilities.

15. 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, 2012 stands at **\$743,781**.

16. 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 FINANCIAL STATEMENTS

cont'd

December 31, 2012

17. Restatement:

The financial statements for the year ended 31 December 2011 have been restated to record the defined benefit pension plan operated by the Credit Union in accordance with IAS 19 Employee Benefits. The Society restated its Undivided Earnings balance as at 31 December 2011 by **\$795,100** based on the net Retirement Benefit Asset calculated by the Society's Actuaries.

18. 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>2012</u>	<u>2011</u>
Assets, Liabilities and Members' Equity		
Loans and other receivables		
Directors, committee members, key management personnel	\$ 3,577,742	\$ 3,232,951
Due from LINCUI Limited	\$ 467,022	\$ 474,731
Investment in LINCUI Limited (net)	\$ 1	\$ 2,000,001
Shares, deposits and other liabilities		
Directors, committee members, key management personnel	\$ 4,430,344	\$ 4,247,620
Cummings /Fraser Foundation Account	\$ 100,000	\$ 100,000
Interest and other income		
Directors, committee members, key management personnel	\$ 352,645	\$ 290,432
Interest and other expenses		
Directors, committee members, key management personnel	\$ 93,043	\$ 120,244
Key management compensation		
Short-term benefits	\$ 1,777,648	\$ 1,600,297
Post-employment benefits	\$ 329,080	\$ 257,080
	<u>\$ 2,106,728</u>	<u>\$ 1,857,377</u>

NOTES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

19. 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, 2012.

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.

20. 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, 2012

1. Investment Income:

	December 31	
	<u>2012</u>	<u>2011</u>
Money market investment income	\$ 1,081,601	\$ 1,131,954
Capital market investment income	<u>1,534,599</u>	<u>755,928</u>
	<u>\$ 2,616,200</u>	<u>\$ 1,887,882</u>

2. Other Income:

	December 31	
	<u>2012</u>	<u>2011</u>
Cyber Café income	\$ 64,407	\$ 75,387
Rental income	317,319	276,260
CUNA commissions	498,668	573,092
Other commissions	30,959	9,134
Service charges	3,433	3,365
Entrance fees	12,775	8,600
Miscellaneous income	<u>176,609</u>	<u>308,224</u>
	<u>\$ 1,104,170</u>	<u>\$ 1,254,062</u>

3. Administrative Expenses:

	December 31	
	<u>2012</u>	<u>2011</u>
Advertising and promotions	\$ 224,931	\$ 330,009
Annual and special general meetings	435,481	333,630
Audit fees	113,750	103,500
Bank charges	53,904	54,239
Conference Participation – ACCUPTT Forum	52,500	-
Debit card facility expenses	143,589	149,386
Debt collector's commission	39,806	31,414
Depreciation (net)	896,428	893,160
Donations	34,916	50,932
Electricity	376,934	361,839
Insurances	265,951	289,842
Legal and professional services	233,249	339,870
Loss on disposal of fixed assets	23,820	63,134
Loss on disposal of investments	-	33,529
Miscellaneous expenses	326,743	284,792
Rates and taxes	13,955	15,779
Property rental	540,000	520,000
Repairs, maintenance and cleaning	850,172	847,268
Security	192,202	203,250
Stationery, computer supplies, printing and postage	541,771	630,252
Telephone	<u>760,881</u>	<u>633,559</u>
	<u>\$ 6,120,983</u>	<u>\$ 6,169,384</u>

SCHEDULES TO THE FINANCIAL STATEMENTS

cont'd

December 31, 2012

4. Board and Committees' Expenses:

	<u>2012</u>	December 31	<u>2011</u>
Conferences	\$ 12,975	\$	53,670
Training	18,855		25,716
Meeting	262,593		189,652
Subsistence	150,442		131,581
Entertainment	12,349		12,147
Honoraria	284,485		396,501
Tobago committee	14,146		13,623
Travelling	80		5,028
	<u>\$ 755,925</u>		<u>\$ 827,918</u>

5. Personnel Costs:

	<u>2012</u>	December 31	<u>2011</u>
Salaries and other staff benefits	\$ 9,043,927	\$	8,855,682
Retirement Benefit Asset – IAS #19 adjustment	1,280,900		-
Training and subsistence	283,768		161,624
	<u>\$ 10,608,595</u>		<u>\$ 9,017,306</u>



2013 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS

2013 Quantitative Objectives

Key Results Area	Actual	Budgeted	Increase/(Decrease)	
	2012 (\$)	2013 (\$)	(\$)	%
Total income	35,899,317	38,414,307	2,514,990	7.00
Total expenses	25,479,602	23,499,035	(1,980,567)	(7.73)
Net surplus	10,419,715	14,915,272	4,495,557	43.14
Share savings portfolio	276,142,884	292,642,885	16,500,000	5.98
Time deposits portfolio	85,768,582	90,268,582	4,500,000	5.25
Deposit savings portfolio	28,331,824	31,331,824	3,000,000	10.59
Loans portfolio	294,093,566	314,680,136	20,586,570	7.00
Non-performing loans	12,750,087	12,587,205	(162,882)	(1.28)
Money market investments portfolio	63,537,701	71,037,701	7,500,000	11.80
Capital market investments portfolio	57,896,501	60,896,501	3,000,000	5.18

PRIMARY STRATEGIES FOR THE REALISATION OF OBJECTIVES

During the year 2013, initiatives will continue to be focused on the following areas:-

- Building the share savings portfolio
- Building the time deposits portfolio
- Building the deposit savings 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
 - Sagikor Life Inc. – medical insurance coverage

2013 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL EXPENDITURE AND FINANCIAL PROJECTIONS cont'd

2013 Proposed Capital Expenditure With Proposed And Actual Expenditure For The Year 2012

Project/Item Of Expenditure	Proposed 2012 (\$)	Actual 2012 (\$)	Proposed 2013 (\$)
Buildings	1,011,000	113,952	1,021,150
Motor vehicle	350,000	0	350,000
Computer facilities	1,597,267	249,201	3,500,000
Furniture, fixtures and fittings	365,300	119,715	267,800
Office equipment	71,980	96,012	42,000
Other equipment	265,401	213,518	56,460
Total	3,660,948	792,398	5,237,410

2013 Financial Projections with Budgeted and Actual Results for 2011 and 2012

	2011		2012		2013		
	BUDGETED \$	ACTUAL %	BUDGETED \$	ACTUAL %	BUDGETED \$	ACTUAL %	
INCOME							
Interest on loans	28,939,616	85.2	29,348,127	90.3	31,718,985	88.6	
Investment income	3,361,980	9.9	1,887,882	5.8	2,479,086	6.9	
Fees and commissions	780,000	2.3	582,226	1.8	660,000	1.9	
Rental income	360,000	1.1	276,260	0.8	317,319	0.9	
Miscellaneous income	520,800	1.5	395,576	1.3	257,224	0.7	
TOTAL INCOME	33,962,396	100.0	32,490,071	100.0	35,787,071	100.0	
					35,899,317	100.0	
						38,414,307	100.0

2013 QUANTITATIVE OBJECTIVES, PROPOSED CAPITAL cont'd EXPENDITURE AND FINANCIAL PROJECTIONS

2013 Financial Projections with Budgeted and Actual Results for 2011 and 2012

EXPENSES	2011				2012				2013	
	BUDGETED		ACTUAL		BUDGETED		ACTUAL		BUDGETED	
	\$	%	\$	%	\$	%	\$	%	\$	%
Advertising and promotion	180,000	0.9	330,009	1.5	348,000	1.6	224,931	1.0	240,000	1.0
Annual General Meeting expenses	385,000	2.0	333,630	1.5	375,000	1.7	435,481	0.7	390,000	1.7
Audit fees	108,000	0.6	103,500	0.5	108,000	0.5	113,750	0.4	114,000	0.5
Bank charges and interest	48,000	0.2	54,239	0.2	60,000	0.2	53,904	0.2	60,000	0.3
Business Continuity Planning expenses	12,000	0.1	11,374	0.1	12,000	0.1	5,856	0.0	50,000	0.2
Committees' expenses	327,600	1.7	377,747	1.7	390,000	1.8	458,115	1.8	504,400	1.7
Conferences and meetings	120,000	0.6	53,670	0.2	150,000	0.4	12,974	0.1	96,000	0.4
Life savings insurance	720,000	3.7	729,331	3.3	780,000	3.6	837,482	3.3	876,000	3.7
Loan protection expense	900,000	4.7	1,226,996	5.5	1,260,000	5.8	982,121	3.8	1,200,000	5.1
Debt collectors' commission	45,600	0.2	31,414	0.1	39,600	0.2	39,806	0.2	42,000	0.2
Depreciation	862,000	4.5	893,160	4.0	861,000	4.0	896,428	3.5	898,500	3.8
Donations	42,000	0.2	50,932	0.2	60,000	0.3	34,916	0.1	48,000	0.2
Member education, training and development expenses	1,236,832	6.4	875,864	3.9	1,200,000	5.5	1,218,132	4.8	1,200,000	5.1
Electricity	396,000	2.0	361,839	1.6	396,000	1.8	376,934	1.5	396,000	1.7
Honoraria	313,334	1.6	293,407	1.3	300,000	1.4	284,485	1.1	300,000	1.3
Insurances	144,000	0.7	289,842	1.3	312,000	1.4	265,951	1.0	266,400	1.1
Interest on members' savings deposits	189,676	1.0	198,520	0.9	238,412	1.1	237,190	0.9	297,129	1.1
Interest on members' time deposits	1,942,650	10.0	2,115,999	9.4	1,788,244	8.2	1,773,176	7.0	1,756,806	7.7
Legal and professional services	168,000	0.9	339,870	1.5	300,000	1.4	233,249	0.9	192,000	0.8
Loan loss expense	1,200,000	6.2	1,200,000	5.4	846,000	3.9	846,000	3.3	705,000	3.0
Loss on disposal of assets	12,000	0.1	63,134	0.5	12,000	0.1	23,820	0.1	12,000	0.1
Loss on disposal of investments	0	0.0	33,529	0.1	0	0.0	0	0.0	0	0.0
Loss on investments	0	0.0	0	0.0	0	0.0	2,099,999	8.2		
Miscellaneous expenses	252,000	1.3	525,898	2.4	324,000	1.5	517,325	2.0	336,000	1.4
Rates and taxes	72,000	0.4	15,779	0.1	18,000	0.1	13,955	0.1	14,400	0.1
Rental expense	420,000	2.2	520,000	2.3	540,000	2.5	540,000	2.1	540,000	2.3
Repairs, maintenance and cleaning	870,600	4.5	847,268	3.8	842,000	3.9	850,172	3.3	1,020,000	4.4
Personnel costs	7,318,000	37.8	9,017,306	40.2	8,782,400	40.3	10,608,595	41.6	10,359,800	44.3
Security expenses	192,000	1.0	203,250	0.9	192,000	0.9	192,202	0.7	180,000	0.8
Special General Meeting expenses	18,000	0.1	0	0.0	50,000	0.1	0	0.0	24,000	0.1
Stationery, computer supplies, printing and postage	526,500	2.7	630,252	2.8	604,000	2.7	541,771	2.1	600,600	2.6
Telephone expenses	420,000	2.2	633,559	2.8	660,000	3.0	760,881	3.0	780,000	3.3
TOTAL EXPENSES	19,441,792	100.0	22,361,318	100.0	21,848,656	100.0	25,479,602	100.0	23,499,035	100.0
NET SURPLUS	14,520,604	42.8	10,128,753	31.2	13,938,415	38.9	10,419,715	29.0	14,915,272	38.8

RESOLUTIONS

1. APPOINTMENT OF AUDITORS

Be it resolved, that the firm of Chartered Accountants – PKF, be appointed as the Auditors of the Society for the financial year ending December 31, 2013.

2. BUILDING FUND

Be it resolved, that pursuant to Bye-Law 15 (h) (ix), that the sum of \$750,000 be allocated from the surplus for the year ended December 31, 2012 to the Building Fund.

3. DIVIDEND ON SHAREHOLDINGS

Be it resolved, that a dividend of 3.0% on the average monthly share balance held by each member for the year ended December 31, 2012, be declared from the Undivided Earnings of the Society as at December 31, 2012.

4. HONORARIA

Be it resolved, that honoraria in the gross sum of \$ 313,334. (\$ 235,000. net of income tax liability), be approved for the year ended December 31, 2012.

