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INDEPENDENT AUDITORS' REPORT

Partners:
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Claude Burrell, CPA CISA

Consultant:
Julian Castillo, CA

**To the Board of Directors and Members of
St. Martin's Credit Union Limited:**

Report on the Financial Statements

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

We have audited the accompanying financial statements of St. Martin's Credit Union Limited, which comprises the statement of financial position as at March 31, 2012, and the statement of income and expenses, statement of changes in fund balances and statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements have been prepared by management based on the financial reporting provisions of the Credit Union Act Chapter 314 of the Substantive Laws of Belize.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Credit Union Act and for 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.

Auditor's Responsibility

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

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

Independent Correspondent Firm to Deloitte Touche Tohmatsu

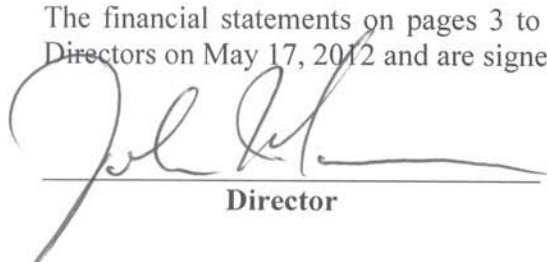
ST. MARTIN'S CREDIT UNION LIMITED

**STATEMENTS OF FINANCIAL POSITION – MODIFIED CASH BASIS
MARCH 31, 2012 AND 2011**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and bank balances	1d, 2	\$ 694,915	\$ 556,575
Fixed deposits	3	1,988,918	1,618,102*
Other receivables and prepayments	5	49,572	95,937
Office supplies	1f	6,456	8,267
Loans receivable	1g, 4	11,887,689	11,549,284
Less: loan loss reserve	1h, 4	<u>(263,441)</u>	<u>(214,493)</u>
Total current assets		<u>14,364,109</u>	<u>13,613,672</u>
INVESTMENTS	1e, 6	177,500	77,500*
PROPERTY PLANT & EQUIPMENT – net	1i, 7	<u>698,858</u>	<u>620,365</u>
TOTAL		<u>\$15,240,467</u>	<u>\$14,311,537</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES:			
Accounts payable and accruals		\$ 36,525	\$ 28,335
Members' deposits	1j, 8	1,191,120	1,121,341
Current portion of long term debt	9	<u>144,556</u>	<u>287,435</u>
Total current liabilities		<u>1,372,201</u>	<u>1,437,111</u>
LONG TERM DEBT	9	<u>397,033</u>	<u>703,567</u>
Total liabilities		<u>1,769,234</u>	<u>2,140,678</u>
EQUITY:			
Members' shares – voluntary	1k	12,140,769	10,986,583
Members' shares – mandatory	1k	175,950	164,600
Education fund	1m, 12	27,096	54,148
Development fund	1n	45,000	25,000
Revaluation reserve	10	125,193	-
Statutory reserve	1l, 12	481,309	420,009
Undistributed surplus	12	<u>475,916</u>	<u>520,519</u>
Total equity		<u>13,471,233</u>	<u>12,170,859</u>
TOTAL		<u>\$15,240,467</u>	<u>\$14,311,537</u>

*Reclassified for comparative purposes.

The financial statements on pages 3 to 6 were approved and authorized for issue by the Board of Directors on May 17, 2012 and are signed on its behalf by:



Director



Director

The notes on pages 7 to 13 are an integral part of these financial statements.

ST. MARTIN'S CREDIT UNION LIMITED**STATEMENTS OF INCOME AND EXPENSES – MODIFIED CASH BASIS
YEARS ENDED MARCH 31, 2012 AND 2011**

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
INCOME	1o		
Interest on loan – regular		\$1,189,078	\$1,077,245
Interest on loans – housing project		247,579	277,557
Micro Enterprise Project net income		-	45
Interest on fixed deposits		108,530	126,644
Service charge		89,785	72,754
Other income		<u>63,917</u>	<u>52,561</u>
Total Income		<u>1,698,889</u>	<u>1,606,806</u>
OPERATING EXPENSES	1o		
ATM expenses		\$ 17,885	\$ 12,056
Bad debt expense		94,898	88,810
Committee and cafeteria		10,996	11,752
Computer network		23,734	5,743
Conference and credit union week		12,476	14,157
CUNA/BCUL insurance		126,448	110,485
Depreciation expense		86,719	64,256
Insurance expense		16,623	9,816
Interest and bank charges		1,250	1,006
Interest expense – housing project loans		64,402	87,597
Interest on members' fixed deposits		42,846	62,031
Miscellaneous expense		425	2,027
Office expense/stationery and printing		32,691	28,571
Other allowances		14,138	10,613
Postage		623	1,315
Property taxes		853	853
Professional fees		19,571	14,000
Repair and maintenance		8,008	11,772
Salaries and wages		383,109	316,236
Security expense		50,620	52,725
Social security expense		10,199	9,816
Staff benefit		34,239	62,311
Training		9,628	547
Traveling		7,697	4,701
Utilities		51,754	51,988
Vehicle expense		<u>9,865</u>	<u>6,032</u>
TOTAL OPERATING EXPENSES		<u>1,131,697</u>	<u>1,041,216</u>
SURPLUS		<u>\$ 567,192</u>	<u>\$ 565,590</u>

The notes on pages 7 to 13 are an integral part of these financial statements.