

**BS&T EMPLOYEES'
CO-OPERATIVE CREDIT UNION LTD.**

**FINANCIAL STATEMENTS
MARCH 31, 2005**

PJC

**PETER J. CARTER & CO.
Chartered Accountants
Barbados**

"we reckon but people count"

CONTENTS

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

FINANCIAL STATEMENTS

MARCH 31, 2005

AUDIT REPORT.....	2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Changes in Equity.....	4
Statement of Income	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
OTHER FINANCIAL INFORMATION	
Schedule of Other Operating Expenses.....	12



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"We reckon but people count"

P.O. Box 78WRD
Professional Business Centre
8th Avenue, Belleville, St. Michael
Barbados, W.I.
Tel: 429-7531
email – pjcarter@caribsurf.com

AUDIT REPORT

The Members
BS&T Employees' Co-operative Credit Union Ltd.
Cavans Lane
Bridgetown
Barbados

We have examined the accompanying Balance Sheet of BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD. as of March 31, 2005 and the related Statements of Changes in Equity, Income and Cash Flows for the year then ended. The financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as of March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PETER J. CARTER & CO.
Chartered Accountants

BARBADOS
September 19, 2005

2005

2004

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

**BALANCE SHEET
MARCH 31, 2005**

Assets

Current assets

Cash and bank deposits	\$ 845,523	\$ 62,798
Accounts receivable and prepayments – Note 5	210,788	185,663
	<u>1,056,311</u>	<u>248,461</u>
Loan to members - Note 6	16,973,836	11,462,996
Plant and equipment - Note 7	188,722	90,327
Investments - Note 8	6,581,439	8,318,485
Total assets	<u><u>24,800,308</u></u>	<u><u>20,120,269</u></u>

Liabilities and Equity

Liabilities

Accounts payable and accruals - Note 9	1,323,262	869,330
Members' deposits	4,800,117	3,343,065
Total liabilities	<u>6,123,379</u>	<u>4,212,395</u>

Equity

Share capital - Note 10	16,195,938	13,666,981
Statutory Reserve	1,520,830	1,320,009
Education Fund	18,777	19,277
Undivided Earnings	941,384	901,607
Total equity	<u>18,676,929</u>	<u>15,907,874</u>

Total liabilities and equity	<u><u>24,800,308</u></u>	<u><u>20,120,269</u></u>
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See notes to financial statements.

Approved by the Board of Directors, September 19, 2005:

President

Treasurer

Share	Educatio	Statutory	Undivided	Total
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BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2005**

	capital	n Fund	Reserve	Earnings	
Balance - March 31, 2003	\$ 11,452,146	\$ 14,300	\$ 1,108,776	\$ 759,934	\$ 13,335,156
Net income for year	-	-	-	836,715	836,715
Net income – 1% (minimum)	-	8,500	-	(8,500)	-
Net income – 25%	-	-	209,178	(209,178)	-
Entrance fees	-	-	2,055	-	2,055
Increase in share capital - net	2,214,835	-	-	-	2,214,835
Dividend – 4.5%	-	-	-	(458,640)	(458,640)
Loan interest rebate – 2.25%	-	-	-	(18,724)	(18,724)
Training course	-	(3,523)	-	-	(3,523)
Balance - March 31, 2004	13,666,981	19,277	1,320,009	901,607	15,907,874
Net income for year	-	-	-	797,423	797,423
Net income – 1% (minimum)	-	8,000	-	(8,000)	-
Net income – 25%	-	-	199,356	(199,356)	-
Entrance fees	-	-	1,465	-	1,465
Increase in share capital - net	2,528,957	-	-	-	2,528,957
Dividend – 4.5%	-	-	-	(496,960)	(496,960)
Loan interest rebate – 2.25%	-	-	-	(53,330)	(53,330)
League's Education Fund	-	(8,500)	-	-	(8,500)
Balance - March 31, 2005	16,195,938	18,777	1,520,830	941,384	18,676,929

See notes to financial statements.

2005

2004

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

**STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2005**

Income

Interest earned on:

- Loans to members	\$ 1,438,469	\$ 999,095
- Barbados Shipping and Trading Co. Ltd. Term Deposits	288,001	386,536
- Other Term Deposits	4,756	0
- Government securities	54,019	56,250
- Bank deposits	201	1,242
- B'dos Co-op and Credit Union League Deposits	5,626	6,383
Dividends	1,995	2,520
Unrealised gain on investments – Note 8	24,187	82,225
Gain on disposal of investment	0	45,788
Sundry income	2,312	2,294
	<u>1,819,566</u>	<u>1,582,333</u>

Expenditure

Depreciation	46,314	30,061
Interest expense - deposits	104,160	86,813
Staff costs	364,945	289,067
Other operating expenses	506,724	339,677
	<u>1,022,143</u>	<u>745,618</u>
Net Income for year	<u>797,423</u>	<u>836,715</u>

See notes to financial statements.

	<u>2005</u>	<u>2004</u>
Cash Provided / (Used) By:		

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005**

Operations

Net income for year	\$ 797,423	\$ 836,715
Add items not involving cash:		
Depreciation	46,314	30,061
Loss on disposal of assets	0	337
	<u>843,737</u>	<u>867,113</u>

Change in non-cash working capital items:

Accounts receivable and prepayments	(25,125)	(57,975)
Accounts payable and accruals	453,932	578,695
Members' deposits	1,457,052	528,296
Net cash provided by operations	<u>2,729,596</u>	<u>1,916,129</u>

Investments

Increase in:		
Loans to members	(5,510,840)	(3,655,190)
Investments	1,737,046	(71,749)
Purchase of plant and equipment	(144,709)	(30,522)
Net cash used by investing activities	<u>(3,918,503)</u>	<u>(3,757,461)</u>

Financing

Increase in share capital	2,528,957	2,214,835
Dividends and loan interest rebate	(550,290)	(477,364)
Paid to the league's Education Fund	(8,500)	(3,523)
Entrance fees	1,465	2,055
Net cash provided by financing activities	<u>1,971,632</u>	<u>1,736,003</u>

Increase / (Decrease) In Cash and Bank 782,725 (105,329)

Cash and Bank Deposits - start of year 62,798 168,127

Cash and Bank Deposits - end of year 845,523 62,798

See notes to financial statements.

1. Registration

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2005

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD. was registered on August 01, 1989 in accordance with the Co-operative Societies' Act, Cap 378. The Society was continued on September 02, 1994 under the Co-operative Societies Act 1990. The principal place of business is Cavans Lane, Bridgetown, Barbados. The average number of employees during the year was ten (prior year - nine).

2. Principal Activities

The principal activities are as follows:

- (a) The provision of means whereby savings can be effected by members and whereby shares in the Society can be purchased;
- (b) The education of members in Co-operative principles and methods and the efficient management of the Society's affairs;
- (c) The creation, out of savings of members and otherwise, of a source of credit available to members on reasonable terms and conditions.

3. Significant Accounting Policies

These financial statements are stated in Barbados dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following are the significant accounting policies adopted by the business:

- (a) Depreciation: Depreciation is provided on plant and equipment on a straight line basis and on the vehicle on a declining balance basis, at rates designed to reduce the cost of assets to their residual value at the end of their useful lives in the business. The annual rates being used are as follows: Furniture - 10% and 20%; Equipment - 12.5% and 33.33%; Vehicle 20% .
- (b) Taxation: The Credit Union is not required to pay taxes on its operating surplus under Section 9(g) of the Income Tax Act of Barbados.
- (c) Investments: All investments are initially recorded at cost. For subsequent measurement, investments that are classified as being held to maturity are

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2005

recorded at cost or amortised cost. Marketable securities are recorded at their market value as of the Balance Sheet date and any gains or losses are recorded in the Income Statement for the year in which they arise.

- (d) Statutory Reserve: Twenty-five percent (25%) of net income is transferred to a Reserve Account in accordance with the Co-operative Societies' legislation. Similarly, Entrance fees are required to be taken to a Reserve account.
- (e) Education Fund: A minimum amount of one percent (1%) of net income is transferred to an Education Fund in accordance with advice received from the Registrar of Co-operative Societies.
- (f) Provision for bad debts: The provision for bad debts is determined after a review of all delinquent loans to identify those loans which are in arrears. Provision is made based on the period of arrears and represents Management's best estimate of the amount which is unlikely to be collected.

4. Fair Value of Financial Instruments

- (a) Financial instruments: Financial instruments consist of financial assets and liabilities. Financial assets include cash and bank deposits, accounts receivable, loans receivable and investments. Financial liabilities include accounts payable and accruals and members' deposits.
- (b) Fair Value: Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is best evidenced by a quoted market value. An estimate, based on assumptions, is made of the fair value of each class of financial instrument for which it is practical to make an estimate. The fair values of the financial instruments are estimated to be not materially different from their carrying values in the financial statements.
- (c) Credit Risk: Bank deposits are placed with a reputable bank. Credit risk on amounts receivable is limited by the provision for doubtful debts where such is deemed necessary.
- (d) Interest Rate Risk: The Credit Union's exposure to interest rate risk on its financial instruments is disclosed in Notes 6 and 8.

5. Accounts Receivable and Prepayments	<u>2005</u>	<u>2004</u>
Interest receivable - Loans to members	\$ 135,958	\$ 95,391

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2005

Interest receivable - Investments	19,240	18,653
Remote Location Deposits	83,592	82,273
Sundry accounts	36,169	6,184
Less: Provision for bad debts	(66,005)	(41,839)
Prepayments	1,834	25,001
	<u>210,788</u>	<u>185,663</u>

6. Loans to Members	<u>2005</u>	<u>2004</u>
Regular loans	\$ 9,241,782	\$ 7,356,809
Mortgage loans – 6.75% to 7.75% p.a.	7,830,054	4,204,187
Less: Provision for bad debts	(98,000)	(98,000)
Net value of loans	<u>16,973,836</u>	<u>11,462,996</u>

Regular loans to members are normally granted at interest rates ranging from 9% to 12% per annum on the reducing balance basis.

7. Plant and Equipment	<u>Furniture and Equipment</u>	<u>Vehicle</u>	<u>Total</u>
Cost			
Balance - start of year	\$ 173,386	\$ 58,767	\$ 232,153
Additions	144,709	0	144,709
Balance - end of year	<u>318,095</u>	<u>58,767</u>	<u>376,862</u>
Accumulated depreciation			
Balance - start of year	125,371	16,455	141,826
Charge for year	37,852	8,462	46,314
Balance - end of year	<u>163,223</u>	<u>24,917</u>	<u>188,140</u>
NET BOOK VALUE - start of year	<u>48,015</u>	<u>42,312</u>	<u>90,327</u>
NET BOOK VALUE - end of year	<u>154,872</u>	<u>33,850</u>	<u>188,722</u>

8. Investments	<u>2005</u>	<u>2004</u>
(a) <u>Current Investments</u>		
Marketable securities	\$ 369,087	\$ 304,900

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2005

Held to maturity

Barbados Shipping and Trading Co. Ltd.:		
- "PEARLS" deposits - maturing in one year	4,275,000	3,600,000
- Loan payable	124,312	1,509,535
Treasury Notes - 8.5%	30,000	0
	<u>4,798,399</u>	<u>5,414,435</u>

Non-current Investments

Held to maturity

Barbados Shipping and Trading Co. Ltd.		
- "PEARLS" deposits - not maturing in one year	0	1,800,000
Treasury Notes - 7% to 9.25% p.a.	730,000	760,000
Government Savings Bonds 2001/2006	44,800	42,200
Signia Financial Corporation - deposits, 4% p.a.	700,000	0

Available-for-sale

Co-operators General Insurance Co. Ltd. shares:		
- One class "C" ordinary voting	100	100
- 904 class "B" ordinary non-voting	90,410	90,410
Barbados Co-operative and Credit Union League:		
- Shares	17,500	17,500
- Ordinary Deposits	73,518	67,128
- Statutory Reserve Deposits	126,712	126,712
	<u>1,783,040</u>	<u>2,904,050</u>
Total investments	<u>6,581,439</u>	<u>8,318,485</u>

(b) Marketable securities

	Cost	Purchases	Market Value – start of year	Market Value – end of year	Unrealised gain in year
Sagicor Financial Corporation					
-28,500 shares	\$ 49,875	\$ 0	\$ 123,975	\$ 123,975	0
Fortress Mutual Fund					
- 33,948 shares	75,000	15,000	96,954	129,001	17,047
CLICO Balanced Fund					
- 91,426 shares	75,000	25,000	83,971	116,111	7,140
	<u>199,875</u>	<u>40,000</u>	<u>304,900</u>	<u>369,087</u>	<u>24,187</u>

(c) PEARLS (Perpetual Automatic Rollover Loans) are one-year term deposits (previously two years). At the Balance Sheet date, interest was being earned at rates between 5% and 5.5% per annum.

(d) Available-for-sale investments

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2005

There is no quoted market price for equity investments in Co-operators General Insurance Co. Ltd. nor in the Barbados Co-operative & Credit Union League Ltd. In such circumstances, the fair values of these equity investments cannot be reliably measured and the investments are carried at cost.

9. Accounts Payable and Accruals	2005	2004
Remote Location Withdrawals	\$ 1,300,082	\$ 824,550
Sundry accounts	23,180	44,780
	<u>1,323,262</u>	<u>869,330</u>

10. Share Capital

There is no limit to the number of shares which the Credit Union is authorized to issue. The number of shares held does not determine a member's voting rights since each member is entitled to one vote only at any general meeting.

	2005	2004
Advertising	\$ 18,865	\$ 10,256
Bad debt expense	24,167	28,222
Bank charges	10,074	11,960
Business Travel expense	1,466	0

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.

**SCHEDULE OF OTHER OPERATING EXPENSES
YEAR ENDED MARCH 31, 2005**

Convention fees	28,684	16,156
Co-operative celebrations	25,402	2,744
Credit checks	3,479	4,432
Donations	0	480
Education grants	400	800
Entertainment	825	0
Insurance - fidelity bonding	1,625	1,500
Insurance - general	1,898	1,567
League dues	21,464	19,131
Loan Protection and Life Savings	90,291	73,809
Meetings	23,616	19,273
Member communications	2,535	621
Member statements	17,345	13,687
Miscellaneous	6,216	7,193
Postage and courier services	4,172	5,165
Professional fees	35,992	18,404
Relocation expenses	6,224	0
Rent - office	50,408	27,706
Repairs and maintenance	8,983	2,590
Security	1,121	0
Stationery and office supplies	32,182	17,216
Strategic Planning Retreat	0	3,719
Subscriptions	3,745	2,630
Training and seminars	22,244	16,728
Uniforms	5,894	3,592
Utilities - electricity	27,529	8,358
Utilities - telephone	20,838	13,154
Vehicle expenses	9,040	8,584
	<u>506,724</u>	<u>339,677</u>