

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

**FINANCIAL STATEMENTS
MARCH 31, 2006**

PJC

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

"we reckon but people count"

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

FINANCIAL STATEMENTS

MARCH 31, 2006

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P.O. Box 78WRD
Professional Business Centre
8th Avenue, Belleville, St. Michael BB11114
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, 2006 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.

We draw attention to Note #11 in the financial statements which points out that ‘Share Capital’ in the Balance Sheet has not been classified as a liability as set out in the International Financial Reporting Standard IAS 32 and also discloses how such a classification would have affected the financial statements.

.In our opinion, except for any changes that would have been necessary with respect to the matter raised in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Credit Union as of March 31, 2006 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
May 16, 2006

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

**BALANCE SHEET
MARCH 31, 2006**

	<u>2006</u>	<u>2005</u>
Assets		
Current assets		
Cash and bank deposits - Note 5	\$ 370,721	\$ 845,523
Accounts receivable and prepayments - Note 6	<u>227,952</u>	<u>210,788</u>
	598,673	1,056,311
Loan to members - Note 7	20,913,032	16,973,836
Plant and equipment - Note 8	151,494	188,722
Investments - Note 9	<u>5,627,873</u>	<u>6,581,439</u>
Total assets	<u><u>27,291,072</u></u>	<u><u>24,800,308</u></u>
Liabilities and Equity		
Liabilities		
Accounts payable and accruals - Note 10	594,150	1,323,262
Members' deposits	<u>7,645,387</u>	<u>4,800,117</u>
Total liabilities	<u><u>8,239,537</u></u>	<u><u>6,123,379</u></u>
Equity		
Share capital - Note 11	16,446,580	16,195,938
Statutory Reserve	1,707,684	1,520,830
Education Fund	18,277	18,777
Undivided Earnings	<u>878,994</u>	<u>941,384</u>
Total equity	<u><u>19,051,535</u></u>	<u><u>18,676,929</u></u>
Total liabilities and equity	<u><u>27,291,072</u></u>	<u><u>24,800,308</u></u>
See notes to financial statements.		

Approved by the Board of Directors, May 16, 2006:

President

Treasurer

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

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2006**

	Share capital	Education Fund	Statutory Reserve	Undivided Earnings	Total
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
Net income for year	-	-	-	743,797	743,797
Net income – 1% (minimum)	-	7,500	-	(7,500)	-
Net income – 25%	-	-	185,949	(185,949)	-
Entrance fees	-	-	905	-	905
Increase in share capital - net	250,642	-	-	-	250,642
Dividend – 4.25%	-	-	-	(612,738)	(612,738)
League's Education Fund	-	(8,000)	-	-	(8,000)
Balance - March 31, 2006	16,446,580	18,277	1,707,684	878,994	19,051,535

See notes to financial statements.

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

**STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2006**

	<u>2006</u>	<u>2005</u>
Income		
Interest earned on:		
- Loans to members	\$ 1,845,242	\$ 1,438,469
- Barbados Shipping and Trading Co. Ltd.		
Term Deposits	202,170	288,001
- Other Term Deposits	8,115	4,756
- Government securities	48,861	54,019
- Bank deposits	2,676	201
- B'dos Co-op and Credit Union League Deposits	7,925	5,626
Dividends	3,420	1,995
Unrealised gain on investments – Note 9	0	24,187
Sundry income	1,634	2,312
	<u>2,120,043</u>	<u>1,819,566</u>
 Expenditure		
Depreciation	67,830	46,314
Interest expense - deposits	288,857	104,160
Staff costs	449,789	364,945
Unrealised loss on investments	9,462	0
Other operating expenses	560,308	506,724
	<u>1,376,246</u>	<u>1,022,143</u>
 Net Income for year	<u>743,797</u>	<u>797,423</u>

See notes to financial statements.

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006**

	<u>2006</u>	<u>2005</u>
Cash Provided / (Used) By:		
Operations		
Net income for year	\$ 743,797	\$ 797,423
Add item not involving cash:		
Depreciation	<u>67,830</u>	<u>46,314</u>
	811,627	843,737
Change in non-cash working capital items:		
Accounts receivable and prepayments	(17,164)	(25,125)
Accounts payable and accruals	(729,112)	453,932
Members' deposits	<u>2,845,270</u>	<u>1,457,052</u>
Net cash provided by operations	<u>2,910,621</u>	<u>2,729,596</u>
Investments		
Increase in:		
Loans to members	(3,939,196)	(5,510,840)
Investments	953,566	1,737,046
Purchase of plant and equipment	<u>(30,602)</u>	<u>(144,709)</u>
Net cash used by investing activities	<u>(3,016,232)</u>	<u>(3,918,503)</u>
Financing		
Increase in share capital	250,642	2,528,957
Dividends and loan interest rebate	(612,738)	(550,290)
Paid to the League's Education Fund	(8,000)	(8,500)
Entrance fees	<u>905</u>	<u>1,465</u>
Net cash provided / (used) by financing activities	<u>(369,191)</u>	<u>1,971,632</u>
Increase / (Decrease) in cash and bank deposits	(474,802)	782,725
Cash and bank deposits - start of year	<u>845,523</u>	<u>62,798</u>
Cash and bank deposits - end of year	<u><u>370,721</u></u>	<u><u>845,523</u></u>
See notes to financial statements.		

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

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2006

1. Registration

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 thirteen (prior year - ten).

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.

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

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2006

- (c) Investments: All investments are initially recorded at cost. For subsequent measurement, investments that are classified as being held to maturity are 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 5, 7 and 9.

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

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2006

5. Cash and bank deposits	<u>2006</u>	<u>2005</u>
Savings account – 4.75% p.a (prior year 2.25%)	\$ 275,085	\$ 717,990
Current account	94,246	126,033
Cash	1,390	1,500
	<u>370,721</u>	<u>845,523</u>
6. Accounts Receivable and Prepayments	<u>2006</u>	<u>2005</u>
Interest receivable	\$ 191,764	\$ 155,198
Remote Location Deposits	52,344	83,592
Sundry accounts	6,168	36,169
Less: Provision for bad debts	(54,006)	(66,005)
Prepayments	31,682	1,834
	<u>227,952</u>	<u>210,788</u>
7. Loans to Members	<u>2006</u>	<u>2005</u>
Regular loans	\$ 10,163,619	\$ 9,241,782
Mortgage loans – 6.75% to 7.75% p.a.	10,912,413	7,830,054
Less: Provision for bad debts	(163,000)	(98,000)
Net value of loans	<u>20,913,032</u>	<u>16,973,836</u>

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

8. Plant and Equipment	<u>Furniture and Equipment</u>	<u>Vehicle</u>	<u>Total</u>
Cost			
Balance - start of year	\$ 318,095	\$ 58,767	\$ 376,862
Additions	30,602	0	30,602
Balance - end of year	<u>348,697</u>	<u>58,767</u>	<u>407,464</u>
Accumulated depreciation			
Balance - start of year	163,223	24,917	188,140
Charge for year	61,060	6,770	67,830
Balance - end of year	<u>224,283</u>	<u>31,687</u>	<u>255,970</u>
Net book value - start of year	<u>154,872</u>	<u>33,850</u>	<u>188,722</u>
Net book value - end of year	<u>124,414</u>	<u>27,080</u>	<u>151,494</u>

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

NOTES TO FINANCIAL STATEMENTS - Continued

MARCH 31, 2006

9.	Investments	2006	2005
(a)	<u>Current Investments</u>		
	Marketable securities	\$ 359,625	\$ 369,087
	<u>Held to maturity</u>		
	Barbados Shipping and Trading Co. Ltd.:		
	- "PEARLS" deposits - maturing in one year	3,275,000	4,275,000
	- Loan payable	902,170	124,312
	Treasury Notes - 8.5%	30,000	30,000
		4,566,795	4,798,399
	<u>Non-current Investments</u>		
	<u>Held to maturity</u>		
	Treasury Notes - 7% to 9.25% p.a.	700,000	730,000
	Government Savings Bonds 2001/2006	47,200	44,800
	Signia Financial Corporation - deposits, 4% p.a.	0	700,000
	<u>Available-for-sale</u>		
	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	79,156	73,518
	- Statutory Reserve Deposits	126,712	126,712
		1,061,078	1,783,040
	Total investments	5,627,873	6,581,439

(b)	Marketable securities					
		Cost	Purchases	Market Value – start of year	Market Value – end of year	Unrealised gain / (loss) in year
	Sagicor Financial Corporation					
	-28,500 shares	\$ 49,875	\$ 0	\$ 123,975	\$ 111,720	\$ (12,255)
	Fortress Mutual Fund					
	- 33,948 shares	90,000	0	129,001	135,451	6,450
	CLICO Balanced Fund					
	- 91,426 shares	100,000	0	116,111	112,454	(3,657)
		239,875	0	369,087	359,625	(9,462)

(c) PEARLS (Perpetual Automatic Rollover Loans) are one-year term deposits. 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, 2006

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.

10. Accounts Payable and Accruals	2006	2005
Remote Location Withdrawals	\$ 557,279	\$ 1,300,082
Sundry accounts	36,871	23,180
	594,150	1,323,262

11. 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. The classification of share capital as Equity in the Balance Sheet is consistent with traditional co-operative practice and with relevant legislation and the Society's By-Laws. However, the Directors have recognized that share capital would be (re)classified in the Balance Sheet as Liabilities instead of Equity in accordance with International Financial Reporting Standards, IAS 32, and the subsequent Interpretation issued in relation thereto by the International Financial Reporting Standards Interpretations Committee (IFRIC). Any dividend paid on share capital would accordingly be charged as an expense in the Statement of Income and not as an appropriation of Undivided Earnings as has been done traditionally. Had the change mentioned been implemented in the current financial statements, the total liabilities would be \$24,686,117 instead of \$8,239,537 and the total equity would be \$2,604,955 instead of \$19,051,535.

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

**SCHEDULE OF OTHER OPERATING EXPENSES
YEAR ENDED MARCH 31, 2006**

	2006	2005
Advertising	\$ 13,660	\$ 18,865
Bad debt expense	53,000	24,167
Bank charges	15,371	10,074
Business travel expense	0	1,466
Convention fees	30,455	28,684
Co-operative celebrations	10,130	25,402
Courier services	3,000	2,640
Credit checks	1,013	3,479
Education grants	0	400
Entertainment	0	825
Insurance - fidelity bonding	1,500	1,625
Insurance - general	2,267	1,898
League dues	24,471	21,464
Loan Protection and Life Savings	96,796	90,291
Meetings	23,604	23,616
Member communications	1,062	2,535
Member statements	24,953	17,345
Miscellaneous	13,007	6,216
Professional fees	42,849	35,992
Relocation expenses	0	6,224
Rent - office	54,726	50,408
Repairs and maintenance	8,777	8,983
Security	0	1,121
Stationery and office supplies	47,148	33,714
Subscriptions	1,441	3,745
Training and seminars	19,847	22,244
Uniforms	5,925	5,894
Utilities - electricity	33,959	27,529
Utilities - telephone	19,616	20,838
Vehicle expenses	11,731	9,040
	<u>560,308</u>	<u>506,724</u>