

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

**FINANCIAL STATEMENTS
MARCH 31, 2012**

PJC

**Chartered Accountants
Barbados**

"We reckon but people count"

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

**Financial Statements
Year ended March 31, 2012**

CONTENTS

Independent Auditors' Report	2
Financial Statements	
Balance Sheet	3
Statement of Changes In Equity	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Other Financial Information	
Schedule of Other Operating Expenses	15

Independent Auditors’ Report

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

We have audited the accompanying financial statements of BS&T Employees’ Co-operative Credit Union Ltd., which comprise the Balance Sheet as of March 31, 2012 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. 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.

Auditors’ Responsibility

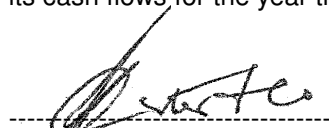
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 BS&T Employees’ Co-operative Credit Union Ltd. as of March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



PETER J. CARTER & CO.
Chartered Accountants
BARBADOS
May 25, 2012

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

Balance Sheet


Year ended March 31, 2012

Expressed in Barbados dollars


	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents - Note 6	1,678,201	1,323,204
Accounts receivable and prepayments - Note 7	410,012	304,464
	2,088,213	1,627,668
Loans to members - Note 8	29,058,266	28,451,133
Investments - Note 9	11,014,301	10,876,084
Plant and equipment - Note 10	127,259	147,285
Total assets	<u>42,288,039</u>	<u>41,102,170</u>
Liabilities and equity		
Liabilities		
Accounts payable and accruals - Note 11	777,583	757,886
Deposits and shares payable - Note 12	38,121,281	37,268,424
Total liabilities	<u>38,898,864</u>	<u>38,026,310</u>
Equity		
Statutory reserve	2,655,195	2,443,099
Undivided Earnings	733,980	632,761
Total equity	<u>3,389,175</u>	<u>3,075,860</u>
Total liabilities and equity	<u>42,288,039</u>	<u>41,102,170</u>

See notes to financial statements.

Approved by the Board of Directors, May 25, 2012, and signed on their behalf by:



President



Treasurer

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

**Statement of Changes in Equity
Year ended March 31, 2012
Expressed in Barbados dollars**

	Statutory Reserve	Undivided Earnings	Total
Balance - March 31, 2010	2,236,938	432,252	2,669,190
Entrance fees	650		650
Net income for year		406,020	406,020
0.5% of total assets	205,511	(205,511)	0
Balance - March 31, 2011	2,443,099	632,761	3,075,860
Entrance fees	650		650
Net income for year		312,665	312,665
0.5% of total assets	211,446	(211,446)	0
Balance - March 31, 2012	<u>2,655,195</u>	<u>733,980</u>	<u>3,389,175</u>

See notes to financial statements.

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.**Statement of Comprehensive Income
Year ended March 31, 2012
Expressed in Barbados dollars**

	<u>2012</u>	<u>2011</u>
Interest income		
Loans to members	2,732,511	2,572,623
Investments	543,184	543,226
Cash equivalents	10,384	4,843
	<u>3,286,079</u>	<u>3,120,692</u>
Interest expense		
Deposits and shares – 2.5% to 2.75% p.a. (prior year 2.5% to 2.75%)	788,502	715,657
Term deposits – 3.5% to 5% p.a. (3.5% to 4.75%)	388,595	380,821
	<u>1,177,097</u>	<u>1,096,478</u>
Net interest income	<u>2,108,982</u>	<u>2,024,214</u>
Other income		
Dividends received	13,875	6,805
Realized gain on investments	0	3,931
Sundry	10,494	4,591
	<u>24,279</u>	<u>13,047</u>
Other expenses		
Depreciation	48,383	47,172
Staff costs	840,862	792,745
Education Fund provision	3,200	406
Unrealized (loss) / gain on investments - Note 8	24,161	(22,476)
Other operating expenses	903,990	813,394
	<u>1,820,596</u>	<u>1,631,241</u>
Net realized income for year	<u>312,665</u>	<u>406,020</u>

See notes to financial statements.

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.**Statement of Cash Flows
Year ended March 31, 2012
Expressed in Barbados dollars**

	<u>2012</u>	<u>2011</u>
Cash provided / (used) by:		
Operating activities		
Net income for year	312,665	406,020
Item not involving cash:		
Depreciation	48,383	47,172
	<u>361,048</u>	<u>453,192</u>
Change in non-cash operating items:		
Accounts receivable and prepayments	(105,548)	(93,258)
Accounts payable and accruals	19,697	(36,371)
Deposits and shares payable	852,857	2,807,079
Net cash provided by operating activities	<u>1,128,054</u>	<u>3,130,642</u>
Investing activities		
Increase in:		
Loans to members	(607,133)	(1,798,322)
Investments	(138,217)	(1,058,633)
Purchase of plant and equipment	(28,357)	(33,116)
Net cash used by investing activities	<u>(773,707)</u>	<u>(2,890,071)</u>
Financing activities		
Entrance fees	650	650
Net cash provided by financing activities	<u>650</u>	<u>650</u>
Increase in cash and cash equivalents	354,997	241,221
Cash and cash equivalents - start of year	<u>1,323,204</u>	<u>1,081,983</u>
Cash and cash equivalents - end of year	<u><u>1,678,201</u></u>	<u><u>1,323,204</u></u>

See notes to financial statements.

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

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 places of business are Cavans Lane, Bridgetown, Barbados and J.B's Supermarket, Sargeant's Village, Christ Church, Barbados. The average number of employees during the year was seventeen (prior year - sixteen).

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 Credit Union can be purchased;
- (b) The education of members in Co-operative principles and methods and the efficient management of the Credit Union'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 Credit Union:

(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%.

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

(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*

Investments are initially recorded at cost. For subsequent measurement, investments that are classified as being held to maturity are recorded at cost or amortized cost. Marketable securities are designated as investments at fair value through profit and loss, and as such are recorded at their fair values and any gains or losses are recorded in the Income Statement for the year in which they arise. Available-for-sale assets for which there is no quoted market value in an active market, and for which there is no reliable method of measuring the fair value, are shown at cost subject to adjustment for any impairment of value. Impairment occurs where the estimated recoverable amount of an asset is less than its carrying value. Management makes an assessment as at each Balance Sheet date as to whether any assets are impaired.

(d) *Statutory Reserve*

The greater amount of either 0.5% of assets or twenty-five percent (25%) of surplus is to be transferred to a Reserve account until the capital of the Credit Union equals ten percent (10%) of the total assets of the Society, in accordance with the Co-operative Societies' legislation. Similarly, Entrance Fees are taken to a Reserve Account.

(e) *Education Fund*

A minimum amount of one percent (1%) of net income is appropriated for education in accordance with advice received from the Registrar of Co-operative Societies.

(f) *Bad debt provision*

The bad debt provision 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. A provision is also made for unimpaired loans based on the operating history of the Credit Union. The overall provision represents Management's best estimate of the amount which is unlikely to be collected.

(g) *Cash equivalents*

Cash equivalents comprise cash, bank deposits and deposits on call.

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

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, members' deposits and shares.
- (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: Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As part of the risk management process, bank deposits are placed only with reputable banking institutions. Loans limits are established and approved by Management and security is generally required for loans granted. Credit risk on accounts receivable is limited by the provision made for doubtful debts.
- (d) Liquidity Risk: Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. It arises because of the possibility that the entity could be required to pay its liabilities earlier than expected. Management reviews the liquidity position of the credit union periodically to assess the availability of cash resources as compared to the projected cash outflows.
- (e) Market Risk: Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk. Interest rate risk is the risk of fluctuations in interest rates. The Credit Union's exposure to market risk on its financial instruments is disclosed in the Notes 6, 8 and 9.

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

5. Related parties

- (a) Related parties exist where one party has the ability to control or exercise significant influence over the financial or operating decisions of another party. Transactions with related parties may be entered into in the normal course of business. Any such transactions are undertaken on commercial terms and conditions and are conducted at market rates.
- (b) The Credit Union has a related party relationship with its directors. As at the Balance Sheet date, loans due by Directors totaled \$291,126 (prior year \$582,544). Savings held by directors in the form of shares and deposits totaled \$230,465 (prior year \$198,135).
- (c) Key management personnel remuneration for the year totaled \$371,434 (prior year \$357,864). At the Balance Sheet date loans due by key management personnel totaled \$318,806 (prior year \$331,206). Savings held by key management personnel in the form of shares and deposits totaled \$64,570 (prior year \$73,494)

6. Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
Savings account – 2.5% p.a. (prior year 2.5%)	457,400	702,355
Current accounts	956,992	363,938
Cash	2,736	3,134
Central Fund Facility Trust:		
- Ordinary Deposits – 2.75% (prior year 2.75%)	134,361	127,065
- Statutory Reserve Deposits - 3% p.a. (prior year 3%)	<u>126,712</u>	<u>126,712</u>
	<u>1,678,201</u>	<u>1,323,204</u>

Current accounts include deposits of \$141,260 (prior year \$175,067) on which the interest rate at the Balance Sheet date was 0.5% p.a. (prior year 0.5%).

7. Accounts receivable and prepayments

	<u>2012</u>	<u>2011</u>
Interest receivable	420,586	342,142
Remote Location deposits	80,725	40,602
Sundry accounts	43,716	45,417
Less: Bad debt provision	(176,795)	(142,909)
Prepayments	<u>41,780</u>	<u>19,212</u>
	<u>410,012</u>	<u>304,464</u>

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

**Notes to Financial Statements
March 31, 2012
Expressed in Barbados dollars**

8. Loans to members	<u>2012</u>	<u>2011</u>
Gross loans	29,471,837	28,811,018
Less: Provision for bad debts	<u>(413,571)</u>	<u>(359,885)</u>
Net value of loans	<u><u>29,058,266</u></u>	<u><u>28,451,133</u></u>

(a) Loans to members are granted at rates varying from 7.5% to 12.25% per annum, except for Christmas and Back-to-School loans which total \$1,235,035 (prior year \$1,031,667) and which carry interest rates ranging from 13.5% to 16% per annum. Interest is charged on the reducing balance basis.

(b) <i>Bad debt provision</i>	<u>2012</u>	<u>2011</u>
Balance - start of year	359,886	251,647
Amounts written off	0	(323)
Increase in provision	<u>53,685</u>	<u>108,561</u>
Balance - end of year	<u><u>413,571</u></u>	<u><u>359,885</u></u>

(c) As at the Balance Sheet date, the maturity profile of loans to members was as follows:

<i>Amount due in</i>	<u>2012</u>	<u>2011</u>
Less than one year	6,204,812	5,852,333
One to five years	9,386,059	9,238,619
Over five years	<u>13,880,966</u>	<u>13,720,066</u>
Total	<u><u>29,471,837</u></u>	<u><u>28,811,018</u></u>

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

9. Investments	2012	2011
(a) Fair value investments - see part (b)	637,319	661,481
<i>Held to maturity</i>		
Barbados Shipping and Trading Co. Ltd.:		
- PEARLS deposits – 4.25% (prior year 4.75%)	3,125,000	3,125,000
- Demand deposits - 3.25% (prior year 4%)	1,101,728	927,013
Treasury Notes – 5.85% to 8.5% (prior year 5.85% to 8.5%)	3,800,000	3,550,000
Barbados Port Authority Bonds	283,064	300,000
Signia Financial Corporation - deposits, 4% to 5.25% p.a. (prior year 4.25% to 5.25%)	1,950,000	1,950,000
Barbados Public Workers Co-operative Credit Union	0	250,000
<i>Available-for-sale</i>		
Co-operators General Insurance Co. Ltd. shares:		
- One class “C” ordinary voting	100	100
- 973 class “B” ordinary non-voting	99,590	94,990
Barbados Co-operative & Credit Union League - shares	17,500	17,500
	11,014,301	10,876,084

(b) Fair value investments	Number of shares	Cost	Market - start of year	Value - end of year	Unrealized gain/(loss)
Sagikor Financial Corporation	28,500	49,875	87,210	65,550	(21,660)
Fortress Mutual Fund	45,114	140,000	207,737	206,568	(1,168)
Royal Fidelity Select Balanced Fund	13,192	50,000	62,368	60,707	(1,661)
Fortress High Interest	297,589	300,000	304,166	304,494	328
		539,875	661,481	637,319	(24,161)

(c) Available-for-sale investments
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.

(d) The value of the Class B ordinary non-voting shares held in Co-operators General Insurance Co. Ltd was \$200 per share as at May 31, 2011, the fiscal year-end date of that company. This valuation is based on the fact that Co-operators General Insurance Co. Ltd issued dividends to the Credit Union in the form of Class B ordinary non-voting shares at \$200 per share in respect of its fiscal year to May 31, 2011.

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

**Notes to Financial Statements
March 31, 2012
Expressed in Barbados dollars**

10. Plant and equipment

	Total	Furniture & equipment	Vehicle
As at March 31, 2010			
Cost	581,893	512,567	69,326
Accumulated depreciation	(420,552)	(402,989)	(17,563)
Net book value	<u>161,341</u>	<u>109,578</u>	<u>51,763</u>
 Year ended March 31, 2011			
Net book value - start of year	161,341	109,578	51,763
Purchases	33,116	33,116	0
Depreciation charge	(47,172)	(36,819)	(10,353)
Net book value - end of year	<u>147,285</u>	<u>105,875</u>	<u>41,410</u>
 As at March 31, 2011			
Cost	615,010	545,684	69,326
Accumulated depreciation	(467,725)	(439,809)	(27,916)
Net book value	<u>147,285</u>	<u>105,875</u>	<u>41,410</u>
 Year ended March 31, 2012			
Net book value - start of year	147,285	105,875	41,410
Purchases	28,357	28,357	0
Depreciation charge	(48,383)	(40,101)	(8,282)
Net book value - end of year	<u>127,259</u>	<u>94,131</u>	<u>33,128</u>
 As at March 31, 2012			
Cost	643,365	574,039	69,326
Accumulated depreciation	(516,106)	(479,908)	(36,198)
Net book value	<u>127,259</u>	<u>94,131</u>	<u>33,128</u>

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

Notes to Financial Statements

March 31, 2012

Expressed in Barbados dollars

11. Accounts payable and accruals	<u>2012</u>	<u>2011</u>
Remote Location withdrawals	123,499	80,188
Dividends on shares	515,189	485,520
Other accounts	<u>138,895</u>	<u>192,178</u>
	<u>777,583</u>	<u>757,886</u>

12. Deposits and shares payable	<u>2012</u>	<u>2011</u>
Demand deposits and shares	29,447,373	29,083,879
Term deposits	<u>8,673,908</u>	<u>8,184,545</u>
	<u>38,121,281</u>	<u>37,268,424</u>

- (a) There is no pre-determined rate of interest payable on the demand deposits and shares. The rates are set from time to time by the Board of Directors.
- (b) There is no limit to the number of shares that the Credit Union is authorized to issue. The number of shares held by a member does not determine the member's voting rights since each member is entitled to one vote only at any general meeting.
- (c) The Credit Union does not have an unconditional right to refuse to repay shares in any category when a member so requests. Consequently, shares are classified in the Balance Sheet as Liabilities instead of Equity to satisfy the requirements of IAS32 (International Accounting Standard 32). Accordingly, dividends payable on shares have been charged as an expense in the Statement of Comprehensive Income.
- (d) The Credit Union previously applied to the Registrar of Co-operatives for changes to be made to the By-Laws to create a new class of shares called 'Qualifying Shares', in accordance with the requirements of the Co-operative Societies Amendment Act 2007-39. Each member will be required to maintain a specified number of Qualifying Shares in order to maintain membership. Qualifying Shares are intended to be classified as Equity on the Balance Sheet.

13. Contingencies

There are some legal matters that were referred to a Lawyer and which have not been completed. There is no certainty as to what cost may be incurred in order to settle these matters.

BS&T EMPLOYEES' CO-OPERATIVE CREDIT UNION LTD.**Schedule of Other Operating Expenses
Year ended March 31, 2012
Expressed in Barbados dollars**

	<u>2012</u>	<u>2011</u>
Advertising	82,209	49,456
Bad debts	87,571	133,979
Bank charges	8,654	7,410
Cleaning	15,841	16,251
Convention fees	29,533	0
Co-operative celebrations	1,175	8,632
Courier services	5,488	4,076
Credit checks	6,632	1,725
Donations	60	125
Entertainment	784	0
General	8,041	8,451
Institutional Strengthening Project	0	17,225
Insurance	7,783	6,743
League dues	35,400	35,292
Loan Protection and Life Savings insurance	167,659	103,010
Meetings	39,122	34,680
Member statements	29,794	22,590
National Development Fund	3,828	3,595
Professional fees	38,671	39,501
Rent	75,788	74,018
Repairs and maintenance	8,946	6,841
Security	34,433	33,844
Software costs	6,974	6,414
Stationery, printing and postage	32,106	41,625
Subscriptions	5,051	6,988
Supplies and maintenance - equipment	18,598	14,979
Training and seminars	20,644	17,932
Utilities – electricity	53,599	46,174
Utilities – telephone	21,091	20,165
Vehicle expenses and parking	21,178	17,141
WAN charges and web site maintenance	37,337	34,532
	<u>903,990</u>	<u>813,394</u>