

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

**FINANCIAL STATEMENTS
31 MARCH 2015**

BS&T Employees' Co-Operative Credit Union Ltd.

**Financial Statements
Year ended 31 March 2015**

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Independent Auditors' Report

The Members
BS&T Employees' Co-operative Credit Union Ltd

We have audited the accompanying financial statements of BS&T Employees' Co-operative Credit Union Ltd., which comprise the Balance Sheet as of 31 March 2015 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 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
BARBADOS
June 9, 2015

BS&T Employees' Co-Operative Credit Union Ltd

Statement of Financial Position

As of 31 March 2015

(Expressed in Barbados dollars)

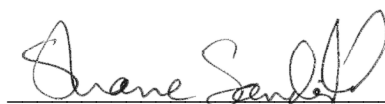
	Note	2015	2014
Assets			
Cash & cash equivalents	6	731,602	1,553,764
Accounts receivable & prepayments	7	627,866	548,371
		1,359,468	2,102,135
Net loans to members	8	33,306,233	28,972,250
Investments	9	16,102,529	18,144,534
Plant & equipment	10	199,901	96,599
Total assets		<u>50,968,131</u>	<u>49,315,517</u>
Liabilities and equity			
<i>Liabilities</i>			
Accounts payable & accruals	11	854,108	697,742
Deposits and shares payable	12	46,104,157	44,674,895
		<u>46,958,265</u>	<u>45,372,637</u>
<i>Equity</i>			
Reserves		3,389,239	3,133,548
Undivided earnings		620,627	809,332
		<u>4,009,866</u>	<u>3,942,880</u>
Total liabilities & equity		<u>50,968,131</u>	<u>49,315,517</u>

See notes to financial statements..

Approved by the Board of Directors, 9 June 2015, and signed on their behalf by:



President



Treasurer

BS&T Employees' Co-Operative Credit Union Ltd.

Statement of Changes in Equity

As of 31 March 2015

(Expressed in Barbados dollars)

	Statutory Reserve	Undivided Earnings	Total
Balance – 31 March 2013	2,886,320	838,124	3,724,444
Entrance fees	650	-	650
Net income for year	-	217,786	218,786
Statutory Reserve allocation	246,578	(246,578)	-
Balance – 31 March 2014	3,133,548	809,332	3,942,880
Entrance fees	850	-	850
Net income for year	-	66,136	66,136
Statutory Reserve allocation	254,841	(254,841)	-
Balance – 31 March 2015	<u>3,389,239</u>	<u>620,627</u>	<u>4,009,866</u>

See notes to financial statements..

BS&T Employees' Co-Operative Credit Union Ltd.

Statement of Comprehensive Income For the period ended 31 March 2015 (Expressed in Barbados dollars)

	Note	2015	2014
Interest income:			
Loans to members		2,722,082	2,456,920
Cash equivalents		9,338	42,410
Investments		922,364	896,767
<i>Total interest income</i>		<u>3,653,784</u>	<u>3,396,097</u>
Interest expense:			
Regular deposits		787,384	767,494
Term deposits		687,933	619,570
<i>Total interest expense</i>		<u>1,475,317</u>	<u>1,387,064</u>
<i>Net interest income</i>		<u>2,178,467</u>	<u>2,009,033</u>
Other income:			
Dividends		12,505	14,794
Sundry income/fees		9,137	3,475
<i>Net total - other income</i>		<u>21,642</u>	<u>18,269</u>
Operating expenditure:			
Depreciation	10	47,754	41,020
Loss on asset disposals	10	85	4,745
Unrealized investment losses	9	6,967	4,430
Staff costs		958,197	914,658
Other operating expenditure		1,045,696	844,663
<i>Total operating expenditure</i>		<u>2,058,699</u>	<u>1,809,516</u>
Income before Tax		141,410	217,786
Tax on Assets		75,274	-
Net income for the year		<u>66,136</u>	<u>217,786</u>

See notes to financial statements.

BS&T Employees' Co-Operative Credit Union Ltd.

Statement of Cash Flows For the period ended 31 March 2015 (Expressed in Barbados dollars)

	Note	2015	2014
Operating activities			
Net income for the year		66,136	217,787
<i>Adjustment for non cash items:</i>			
Depreciation	10	47,754	41,020
Loss on disposal of asset		85	4,745
		<u>113,975</u>	<u>263,551</u>
<i>Changes in non-cash operating items:</i>			
Accounts receivable & prepayments		(79,495)	3,927
Accounts payable and accruals		156,365	(94,015)
Deposits and shares payable		<u>1,429,262</u>	<u>3,156,629</u>
Net cash provided by operating activities		<u>1,620,107</u>	<u>3,330,092</u>
Investing activities:			
Net change in:			
Loans to members		(4,333,983)	(982,623)
Investments		2,042,005	(3,462,738)
Purchase of plant and equipment	10	<u>(151,141)</u>	<u>(34,009)</u>
Net cash (used by)/ provided by investing activities		<u>(2,443,119)</u>	<u>(4,479,370)</u>
Financing activities:			
Entrance Fee		<u>850</u>	<u>650</u>
Net cash provided by financing activities		<u>850</u>	<u>650</u>
Net decrease in cash and cash equivalents		(822,162)	(1,148,627)
Cash and cash equivalents brought forward		<u>1,553,764</u>	<u>2,702,391</u>
Cash and cash equivalents at period end		<u>731,602</u>	<u>1,553,764</u>

See notes to financial statements.

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(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 Massy Store, Sargeant's Village, Christ Church, Barbados. The average number of employees during the year was twenty (prior year - eighteen).

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

(a) Basis of accounting

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.

(b) 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%.

(c) Taxation

A Bill of the Parliament of Barbados dated 15 January 2015 stated that a rate of 0.20% per annum will be levied on Credit Unions for the period 1 July 2014 to 30 April 2016. The Tax is payable quarterly to the Commissioner of the Barbados Revenue Authority in the manner specified in the Bill.

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

Significant Accounting policies...continued

(d) *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.

(e) *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.

(f) *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.

(g) *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.

(h) *Cash equivalents*

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

(i) *New and amended standards and interpretations*

The accounting policies adopted are consistent with those used in the previous financial year. New standards, amendments and interpretations are noted below.

(j) *Standards in issue but not yet effective*

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Credit Union are as follows:

IFRS 9 Financial Instruments (effective 1 January 2018)

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

Accounting policies...continued

IFRS 10	Investment Entities (Amendments) (effective 1 January 2014)
IFRS 14	Regulatory Deferral Accounts (effective 1 January 2016)
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments) (effective 1 July 2014)
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments) (effective 1 January 2014)
IAS 36	Recoverable Amount Disclosures for Non- Financial Assets (Amendments) (effective 1 January 2014)
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting Amendments) (effective 1 January 2014)

None of these is expected to have a significant effect on the financial statements of the Credit Union in the period of adoption, except for IFRS 9 Financial Instruments, which becomes mandatory for the Credit Union's 2016 financial statements, and is expected to impact the classification and measurement of financial assets and financial liabilities. A description of this standard is provided below.

IFRS 9 — FINANCIAL INSTRUMENTS

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognized either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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.

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

4. Fair Value of Financial Instruments...continued

(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.

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 \$254,808 (prior year \$248,651). Savings held by directors in the form of shares and deposits totaled \$58,584 (prior year \$89,620).
- (c) Key management personnel remuneration for the year totaled \$339,138 (prior year \$389,689). At the Balance Sheet date loans due by key management personnel totaled \$480,238 (prior year \$445,638). Savings held by key management personnel in the form of shares and deposits totaled \$325,231 (prior year \$668,026)

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

6. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Savings accounts – 2.50% p.a. (prior year 2.50%)	-	103,732
Current accounts	146,088	136,704
Cash	1,735	1,457
Barbados Co-operative Credit Union League Ltd – shares	17,300	17,300
Central Fund Facility Trust:		
- Ordinary Deposit - 2.75% p.a. (prior year 2.75%)	149,560	149,560
- Statutory Reserve Deposits – 3.00% p.a. (prior year 3.00%)	126,712	126,712
Barbados Shipping and Trading Co. Ltd.		
- Demand deposits -3.25% (prior year 3.25%)	89,730	718,299
Signia Financial Corporation		
- Demand deposits -3.00%	<u>200,477</u>	<u>300,000</u>
	<u>731,602</u>	<u>1,553,764</u>

Current accounts include deposits of \$120,054 (prior year \$101,432) 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>2015</u>	<u>2014</u>
Interest receivable	745,691	664,539
Remote location deposits	77,219	54,787
Sundry accounts	49,962	42,988
Provision for bad debts	(270,500)	(255,000)
Prepayments	<u>25,494</u>	<u>41,056</u>
	<u>627,866</u>	<u>548,370</u>

8. Loans to members

	<u>2015</u>	<u>2014</u>
Gross loans	33,947,733	29,457,250
Provision for bad debts	<u>(641,500)</u>	<u>(485,000)</u>
Net loans	<u>33,306,233</u>	<u>28,972,250</u>

(a) Bad debt provision

	<u>2015</u>	<u>2014</u>
Balance - start of year	485,000	460,000
Increase in principle provision	156,500	25,000
Balance - end of year	<u>641,500</u>	<u>485,000</u>

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

8. Loans to members....continued

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

<i>Amount due in</i>	2015	2014
Less than one year	1,337,175	5,790,206
One to five years	10,770,520	10,283,206
Over five years	21,840,038	13,383,838
Total	<u>33,947,333</u>	<u>29,457,250</u>

9. Investments

	2015	2014
(a) Fair value investments – see part (b)	630,455	637,422
<i>Held to maturity</i>		
Barbados Shipping and Trading Co. Ltd.		
- PEARL deposits - 3.25%	1,050,000	3,125,000
Treasury Notes - 5.85% to 8.5%	7,895,447	7,904,672
Barbados Port Authority Bonds	168,127	218,940
Signia Financial Corporation - deposits 4% to 5.25%	4,450,000	4,450,000
CAPITA term-deposits 4.5% to 5%	1,800,000	1,700,000
<i>Available-for-sale</i>		
Co-op. Gen. Insurance shares – 1,042 ordinary shares (prior year – 1,014)	108,300	108,300
Barbados Co-operative & Credit Union League - shares	200	200
	<u>16,102,529</u>	<u>18,144,534</u>

(b)

Fair value investments	Number of shares	Cost	Market -start of year	Value –end of year	Unrealized loss
Sagicor Financial	28,500	49,875	59,850	49,020	(10,830)
Fortress Growth Funds	45,114	140,000	214,513	219,575	5,062
Royal Fidelity Select Balanced Fund	13,192	50,000	61,095	62,336	1,241
Fortress High Income	297,589	300,000	301,964	299,524	(2,440)
		<u>539,875</u>	<u>637,422</u>	<u>630,455</u>	<u>(6,967)</u>

(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

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

circumstances, the fair values of these equity investments cannot be reliably measured and the investments are carried at cost.

9. Investments...continued

- (d) The value of the ordinary shares held in Co-operators General Insurance Co. Ltd was \$210 per share as at May 31, 2014, 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 ordinary shares at \$210 per share.

10. Plant and equipment

	Total	Equipment & Furniture	Vehicle
Year ended Mar 31, 2014			
Net book value - start of year	108,355	81,853	26,502
Purchases	34,009	34,009	-
Opening net book value of disposals	(4,745)	(4,745)	-
Depreciation charges	(41,020)	(35,720)	(5,300)
Net book value - end of year	<u>96,599</u>	<u>75,397</u>	<u>21,202</u>
As of March 31, 2014			
Cost	586,339	517,013	69,326
Accumulated depreciation	(489,740)	(441,616)	(48,124)
Net book value	<u>96,599</u>	<u>75,397</u>	<u>21,202</u>
Period to March 31, 2015			
Net book value - start of year	96,599	75,397	21,202
Purchases	151,141	151,141	-
Disposals	(85)	(5)	-
Depreciation charges	(47,754)	(43,513)	(4,241)
Net book value - end of year	<u>199,901</u>	<u>182,940</u>	<u>16,961</u>
As of March 31, 2015			
Cost	735,083	665,757	69,326
Accumulated depreciation	(535,182)	(482,817)	(52,365)
Net book value	<u>199,901</u>	<u>182,940</u>	<u>16,961</u>

BS&T Employees' Co-Operative Credit Union Ltd.

Notes to Financial Statements

31 March 2015

(Expressed in Barbados dollars)

11. Accounts payable and accruals

	2015	2014
Remote location withdrawals	182,892	97,203
Dividends on shares	472,500	473,985
Other accounts	198,716	126,554
	<u>854,108</u>	<u>697,742</u>

12. Deposits and shares payable

	2015	2014
Demand deposits and shares	30,778,822	30,699,268
Term deposits	15,325,335	13,975,627
	<u>46,104,157</u>	<u>44,674,895</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****31 March 2015****(Expressed in Barbados dollars)**

	2015	2014
Advertising	84,488	81,699
Bad debts – change in provision	172,006	59,244
Bank charges	9,511	9,039
Cleaning	15,427	14,758
Co-operative celebrations	4,586	1,308
Courier services	6,282	4,680
Credit checks	6,874	3,819
Donations	3,900	-
Education Fund provision	2,178	2,267
General	21,744	15,801
Insurance	8,833	8,644
League dues	42,260	40,373
Loan Protection & Life Savings Insurance	158,093	159,592
Meetings	36,708	36,384
Member statements	22,846	22,351
Moving expenses	1,351	3,208
National Development Fund	4,682	8,784
Professional fees	104,138	45,482
Rent	78,255	78,255
Repairs & maintenance	7,995	4,889
Security	12,551	19,736
Software costs	7,590	8,100
Stationery, printing and postage	67,782	41,288
Subscriptions	6,850	6,971
Supplies and maintenance - equipment	6,791	14,251
Training and seminars	16,713	24,573
Utilities - electricity	53,592	51,659
Utilities - telephone	17,214	15,150
Vehicle expense and parking	28,574	26,835
WAN & website charges	35,882	35,523
	<u>1,045,696</u>	<u>844,663</u>