



## AUDITORS' REPORT

### The Members

Aero Services Credit Union Co-operative Society Limited

We have audited the accompanying balance sheet of Aero Services Credit Union Co-operative Society Limited as at 31 December 2005 and the related statements of income, appropriated funds and undivided surplus and cash flows for the year then ended. These financial statements are the responsibility of the management of Aero Services Credit Union Co-operative Society Limited. 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. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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, these financial statements present fairly, in all material respects, the financial position of Aero Services Credit Union Co-operative Society Limited as at 31 December 2005 and the results of its operations for the year then ended in accordance with International Financial Reporting Standards.

Port of Spain,  
24 February 2006

**Pannell Kerr Forster**  
Chartered Accountants



## BALANCE SHEET

<b><u>ASSETS</u></b>			
<b>31 December</b>			
	<b><u>Notes</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Cash Resources:</b>			
Cash in hand and at bank	3	\$ 613,332	\$ 926,640
Short-term investments	4	<u>24,777,231</u>	<u>27,392,003</u>
Total Cash Resources		<u>25,390,563</u>	<u>28,318,643</u>
<b>Other Assets:</b>			
Accounts receivable and prepayments	5	2,102,115	1,609,562
Other investments	6	6,238,389	6,050,960
Loans to members	7	48,192,467	38,593,702
Fixed assets	8	6,233,547	2,992,171
Inventory		<u>5,650</u>	<u>-</u>
Total Other Assets		<u>62,772,168</u>	<u>49,246,395</u>
<b>Total Assets</b>		<b><u>\$ 88,162,731</u></b>	<b><u>\$ 77,565,038</u></b>

### **LIABILITIES AND MEMBERS' EQUITY**

<b>Liabilities:</b>			
Accounts payable and accruals	9	\$ 1,255,415	\$ 874,187
Members' deposits		17,988,553	17,361,695
Unclaimed dividends and shares		324,385	309,677
Proposed honoraria		122,173	104,649
Gratuity payable		<u>-</u>	<u>6,784</u>
Total Liabilities		<u>19,690,526</u>	<u>18,656,992</u>
<b>Members' Equity:</b>			
Share capital	10	53,356,906	44,899,396
Reserve Fund		5,379,994	4,919,345
Education Fund		480,818	458,705
Development Fund		652,161	652,161
Investment Re-measurement Reserve	11	3,815,010	3,817,581
Special Reserve Fund		226,648	226,648
Undivided Surplus		<u>4,560,668</u>	<u>3,934,210</u>
Total Members' Equity		<u>68,472,205</u>	<u>58,908,046</u>
<b>Total Liabilities and Members' Equity</b>		<b><u>\$ 88,162,731</u></b>	<b><u>\$ 77,565,038</u></b>

*Michael Kalls*

Treasurer

*Arb Husbands*

Member  
Board of Directors

*Kyngton*

Member  
Supervisory Committee

(The accompanying notes form part of these financial statements)



## INCOME STATEMENTS

	<b>For the year ended 31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Income:</b>		
Interest on loans	\$ 6,160,646	\$ 5,385,540
Investment income	2,235,165	2,232,207
Rental income	355,536	253,307
Entrance fees	5,710	6,520
Miscellaneous income	81,873	12,037
Service charge	<u>54,920</u>	<u>52,494</u>
	<u>8,893,850</u>	<u>7,942,105</u>
<b>General and Administrative Expenses:</b>		
Advertising and promotions	12,018	35,556
Annual general meeting	88,370	94,312
Audit fees	27,963	27,237
Bank charges, loan interest and overdraft interest	28,162	45,264
Board and committees' expenses	316,738	271,707
Computer supplies	34,946	39,470
Credit Union League dues	33,062	30,305
CUNA insurance	346,404	312,523
Depreciation and amortisation	185,048	144,739
Gifts and donations	7,850	16,480
Group Life insurance	18,788	17,485
Insurances	31,407	34,915
Interest on members' deposits	1,444,349	1,412,042
Janitorial services	56,165	35,998
Legal and professional fees	81,040	103,064
Loan loss expense	141,360	120,000
Meetings and conferences	112,232	83,204
Miscellaneous expenses	5,463	10,916
Office supplies and expenses	70,850	79,120
Other supplies	15,810	9,965
Rates and taxes	12,037	10,971
Repairs and maintenance	129,761	83,534
Salaries and staff benefits	550,435	548,742
Security	139,552	133,052
Stabilization fund	34,308	55,439
Staff training	8,430	1,045
Strategic plan expenses	69,343	37,990
Tobago property expenses	75,076	-
Transport and subsistence	76,560	83,133
Utilities	<u>190,929</u>	<u>165,657</u>
	<u>4,344,458</u>	<u>4,043,865</u>
<b>Net surplus for the year</b>	<b><u>\$ 4,549,392</u></b>	<b><u>\$ 3,898,240</u></b>

(The accompanying notes form part of these financial statements)



## STATEMENTS OF APPROPRIATED FUNDS & UNDIVIDED SURPLUS

for the year ended 31 December 2005

	<u>Reserve Fund</u>	<u>Education Fund</u>	<u>Investment Re-measurement Reserve</u>	<u>Special Reserve Fund</u>	<u>Undivided Surplus</u>
Balance as at 1 January 2005	\$4,919,345	\$ 458,705	\$ 3,817,581	\$ 226,648	\$ 3,934,210
Add:					
Net surplus for the year					4,549,392
(i) 10% to Reserve Fund	454,939				(454,939)
(ii) 5% of the balance to the Education Fund	<u>-</u>	<u>204,723</u>	<u>-</u>	<u>-</u>	<u>(204,723)</u>
	5,374,284	663,428	3,817,581	226,648	7,823,940
Entrance fees	5,710				(5,710)
Meetings and conferences		(112,232)			112,232
Education Committee Expenses		(70,378)			70,378
Unrealised loss on investments ( <b>Note 11</b> )			(2,571)		
Honoraria					(122,173)
Interest rebate - 2004					(155,689)
Dividends - 2004	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,162,310)</u>
Balance at 31 December 2005	<u>\$5,379,994</u>	<u>\$ 480,818</u>	<u>\$ 3,815,010</u>	<u>\$ 226,648</u>	<u>\$ 4,560,668</u>

(The accompanying notes form part of these financial statements)



## STATEMENT OF CASH FLOWS

	<b>For the year ended 31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<b>Cash Flows from Operating Activities:</b>		
Net surplus for the year	\$ 4,549,392	\$ 3,898,240
Adjustment to reconcile net surplus to net cash provided by operating activities:		
Net change in inventory	(5,650)	-
Gain on disposal of fixed assets	(781)	-
Loan loss expense	141,360	120,000
Depreciation and amortisation	185,048	144,739
Prior year adjustment	-	(30,832)
Investment remeasurement (deficit)/surplus	(2,571)	1,930,885
Net change in accounts receivables and prepayments	(492,553)	(276,505)
Net change in loans to members	(9,740,125)	(3,321,915)
Net change in accounts payable, accruals and honoraria	398,752	(515,772)
Net change in members' deposits	626,858	2,085,585
Net change in unclaimed dividends and shares	14,708	(26,049)
Net change in gratuity payable	<u>(6,784)</u>	<u>6,784</u>
<b>Cash (used in)/provided by Operating Activities</b>	<u>(4,332,346)</u>	<u>4,015,160</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of fixed asset	9,563	-
Purchase of fixed assets	(3,435,206)	(206,714)
Net change in other investments	<u>(187,429)</u>	<u>(1,246,470)</u>
<b>Cash used in Investing Activities</b>	<u>(3,613,072)</u>	<u>(1,453,184)</u>
<b>Cash Flows from Financing Activities:</b>		
Dividends and interest rebates paid	(3,440,172)	(3,092,791)
Increase in share capital	<u>8,457,510</u>	<u>4,776,154</u>
<b>Cash provided by Financing Activities</b>	<u>5,017,338</u>	<u>1,683,363</u>
Net change in cash resources	(2,928,080)	4,245,339
Net cash resources, beginning of year	<u>28,318,643</u>	<u>24,073,304</u>
Net cash resources, end of year	<b><u>\$25,390,563</u></b>	<b><u>\$28,318,643</u></b>
<b>Represented by:</b>		
Cash in hand and at bank	\$ 613,332	\$ 926,640
Short-term investments	<u>24,777,231</u>	<u>27,392,003</u>
	<b><u>\$25,390,563</u></b>	<b><u>\$28,318,643</u></b>

(The accompanying notes form part of these financial statements)



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

**1. Registration and Objectives:**

The Society is registered under the Co-operative Society Act Ch: 81:03. Its objectives are to promote the economic welfare of its members, encouraging the spirit and practice of thrift, self-help and co-operation and to promote the development of co-operative ideas.

**2. Accounting Policies:**

The accounting policies of the Credit Union are based on generally accepted accounting principles. The most significant of these are summarised below:

**(a) Basis of Accounting -**

These financial statements have been prepared in accordance with International Financial Reporting Standards on the historical cost basis and no account has been taken of the effects of inflation.

**(b) Income Recognition -**

Interest on loans is recognised on a cash basis consistent with previous years. Except as stated above, the accruals basis of accounting has been used for the recording of income and expenses.

**(c) Depreciation -**

Depreciation is provided for on a straight-line basis at rates designed to write-off the respective costs of fixed assets over their estimated useful economic lives as follows:-

Building and building improvements	-	2%
Computer equipment and software	-	20%
Office furniture and equipment	-	14%
Telephone system	-	20%
Security equipment	-	20%
Other assets	-	10%

**(d) Foreign Currency -**

Assets denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

### 2. Accounting Policies (Cont'd):

#### (e) **Investments -**

The Society's investments are classified as available-for-sale and held-to-maturity.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as "available-for-sale" in accordance with International Accounting Standard (IAS) #39.

These investments are carried at their fair values. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the Investment Re-measurement Reserve and would be transferred to the Income Statement on the disposal of these investments. All short-term investments of the Society are considered available-for-sale.

Investments with fixed or determinable payments and fixed maturity, that the Society has the positive intent and ability to hold to maturity are classified as "held-to-maturity" in accordance with IAS 39 and are stated at cost.

#### (f) **Use of estimates -**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the income and expenses during the reporting period. Actual results could differ from those estimates.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

3. **Cash in Hand and at Bank:**

	<b>31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Cash in hand	\$ 343	\$ 80
Petty cash	9,638	6,694
RBTT Bank Limited - Current account	556,837	787,280
- US\$ Savings account	46,514	132,586
	<b><u>\$ 613,332</u></b>	<b><u>\$ 926,640</u></b>

4. **Short-term Investments:**

	<b>31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Fixed deposits	\$ 16,765,877	\$ 18,698,861
Money Market Funds	8,011,354	8,693,142
	<b><u>\$ 24,777,231</u></b>	<b><u>\$ 27,392,003</u></b>

5. **Accounts Receivable and Prepayments:**

	<b>31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Interest receivable	\$ 589,961	\$ 287,673
Payroll deductions receivable	1,311,207	1,205,567
Other receivables	156,481	84,823
Insurances prepaid	44,466	31,499
	<b><u>\$ 2,102,115</u></b>	<b><u>\$ 1,609,562</u></b>

The accompanying notes form part of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2005

### 6. Other Investments:

	<b>31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
<u>Available-for-sale</u>		
Quoted investments	\$ 5,311,384	\$ 5,109,405
Unquoted investments	927,005	901,555
<u>Held-to-maturity</u>		
Bonds – Government of Trinidad and Tobago	-	40,000
	<b><u>\$ 6,238,389</u></b>	<b><u>\$ 6,050,960</u></b>

The cost of available-for-sale investments as at 31 December 2005 is \$ 4,075,096.

### 7. Loans to Members:

Loans to members are stated at principal outstanding net of a provision for loan losses. The provision for loan losses is based on management's evaluation of the performance of the loan portfolio under current economic conditions and past loan loss experience.

	<b>31 December</b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
Outstanding principal balances	\$ 49,229,088	\$ 39,516,902
Less: Provision for loan losses	<u>(1,036,621)</u>	<u>(923,200)</u>
	<b><u>\$ 48,192,467</u></b>	<b><u>\$ 38,593,702</u></b>

## NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 December 2005

### 8. Fixed Assets:

	<u>Freehold land</u>	<u>Building - Trincity</u>	<u>Building - Tobago</u>	<u>Computer equipment and software</u>	<u>Office furniture and equipment</u>	<u>Telephone system</u>	<u>Security equipment</u>	<u>Building improvements</u>	<u>Other assets - Tobago</u>	<u>Total</u>
<b>Cost</b>										
Balance as at 1 January 2005	\$ 522,345	\$ 2,250,316	\$ -	\$ 391,949	\$ 502,722	\$ 48,741	\$ 32,152	\$ 412,313	\$ -	\$4,160,538
Additions	1,000,000	-	2,011,574	35,015	85,285	1,860	6,509	141,095	153,868	3,435,206
Disposals	-	-	-	-	(38,762)	-	-	-	-	(38,762)
Balance as at 31 December 2005	<u>1,522,345</u>	<u>2,250,316</u>	<u>2,011,574</u>	<u>426,964</u>	<u>549,245</u>	<u>50,601</u>	<u>38,661</u>	<u>553,408</u>	<u>153,868</u>	<u>7,556,982</u>
<b>Accumulated Depreciation</b>										
Balance as at 1 January 2005	-	489,669	-	241,607	369,259	26,659	1,253	39,920	-	1,168,367
Charge	-	41,307	27,010	51,067	35,724	12,563	3,457	7,302	11,961	190,391
Disposals	-	-	-	-	(35,323)	-	-	-	-	(35,323)
Balance as at 31 December 2005	-	<u>530,976</u>	<u>27,010</u>	<u>292,674</u>	<u>369,660</u>	<u>39,222</u>	<u>4,710</u>	<u>47,222</u>	<u>11,961</u>	<u>1,323,435</u>
<b>Net Book Value</b>										
Balance as at 31 December 2005	<u>\$1,522,345</u>	<u>\$ 1,719,340</u>	<u>\$1,984,564</u>	<u>\$ 134,290</u>	<u>\$ 179,585</u>	<u>\$ 11,379</u>	<u>\$ 33,951</u>	<u>\$ 506,186</u>	<u>\$ 141,907</u>	<u>\$6,233,547</u>
Balance as at 31 December 2004	<u>\$ 522,345</u>	<u>\$ 1,760,647</u>	<u>\$ -</u>	<u>\$ 150,342</u>	<u>\$ 133,463</u>	<u>\$ 22,082</u>	<u>\$ 30,899</u>	<u>\$ 372,393</u>	<u>\$ -</u>	<u>\$2,992,171</u>





## NOTES TO THE FINANCIAL STATEMENTS *cont'd*

31 December 2005

### 9. Accounts Payable and Accruals:

	31 December	
	<u>2005</u>	<u>2004</u>
Audit fees	\$ 27,600	\$ 27,237
Value Added Tax payable	3,176	2,718
CUNA claims	311,932	126,310
CUNA insurance	31,637	26,960
Interest payable	553,591	347,948
Other payables	8,517	14,493
Government tax on fixed deposit interest	112,881	111,089
Accruals	167,936	79,482
Stale-dated cheques	<u>38,145</u>	<u>137,950</u>
	<u>\$ 1,255,415</u>	<u>\$ 874,187</u>

### 10. Share Capital:

According to the Bye-Laws of Aero Services Credit Union Co-operative Society Limited, the share capital of the Society may be composed of an unlimited number of shares of \$1.00 each.

### 11. Investment Re-Measurement Reserve:

As at 31 December 2005, the Society's available-for-sale investments had been re-measured to their fair values and the resulting unrealized loss of **\$2,571** has been transferred to the Investment Re-measurement Reserve in accordance with IAS 39.

### 12. Dividends:

The Board of Directors has proposed a dividend of 8% for the year ended 31 December 2005. This is not recorded as a liability in accordance with IAS 10.



## RESOLUTION & RECOMMENDATIONS

### AUDITORS

- 1) Be it resolved that the firm Pannell Kerr Forster (formerly Mark Castillo Tony and Company be retained as Auditors for the 2006 term
- 2) Be it resolved the Board of Directors of Aero Services Credit Union Co-operative Society can so appoint Auditors from time to time, should such appointment become more prudent.

### DISTRIBUTION OF SURPLUS

#### 1) **DIVIDEND**

Be it resolved that the Annual General Meeting approves the following

- 1.1 A dividend of eight percent (8%) on each member's shareholding to be credited as follows:
  - 1.1.1 The disbursement of six percent (6%) according to member's request and
  - 1.1.2 The additional two percent (2%) to be credited to each member's share account.

#### 2) **LOAN INTEREST**

Be it resolved that a rebate of three percent (3%) on loan interest for the year 2005 be applied first towards any arrears in interest payment, then towards reducing the loan principal if at the time the member has not repaid his/her loan in full.

The residue to be carried forward to the succeeding year.

### EXGRATIA

Be it resolved that the sum of seven thousand dollars (\$7,000) be allocated to the Education Committee and another sum of seven thousand dollars (\$7,000) be allocated to the Social & Cultural Committee.



## NOTES





# NOTES

