

Independent Auditors' Report

The Members

Aero Services Credit Union Co-operative Society Limited

We have audited the accompanying financial statements of Aero Services Credit Union Co-operative Society Limited, which comprise the balance sheet as of 31 December 2006, the statements of income, appropriated funds and undivided surplus and 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 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 Aero Services Credit Union Co-operative Society Limited as of 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



Pannell Kerr Forster
Chartered Accountants

Port of Spain, 23 March 2007





Balance Sheet

<u>ASSETS</u>			
	<u>Notes</u>	<u>31 December</u>	
		<u>2006</u>	<u>2005</u>
Cash Resources:			
Cash in hand and at bank	3	\$ 32,413,830	\$ 613,332
Short-term investments	4	<u>28,166,058</u>	<u>24,777,231</u>
Total Cash Resources		<u>60,579,888</u>	<u>25,390,563</u>
Other Assets:			
Accounts receivable and prepayments	5	2,897,154	2,102,115
Other investments	6	9,175,290	9,364,860
Loans to members	7	56,622,279	48,192,467
Fixed assets	8	3,199,488	3,107,076
Inventory		<u>46,401</u>	<u>5,650</u>
Total Other Assets		<u>71,940,612</u>	<u>62,772,168</u>
Total Assets		<u>\$132,520,500</u>	<u>\$ 88,162,731</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:			
Accounts payable and accruals	9	\$ 1,497,985	\$ 1,255,415
Members' deposits		53,793,406	17,988,553
Unclaimed dividends and shares		323,136	324,385
Proposed honoraria		<u>138,666</u>	<u>122,173</u>
Total Liabilities		<u>55,753,193</u>	<u>19,690,526</u>
Members' Equity:			
Share capital	10	61,336,270	53,356,906
Reserve Fund		5,905,605	5,379,994
Education Fund		519,105	480,818
Development Fund		652,161	652,161
Investment Re-measurement Reserve	11	3,003,519	3,815,010
Special Reserve Fund		226,648	226,648
Undivided Surplus		<u>5,123,999</u>	<u>4,560,668</u>
Total Members' Equity		<u>76,767,307</u>	<u>68,472,205</u>
Total Liabilities and Members' Equity		<u>\$132,520,500</u>	<u>\$ 88,162,731</u>

Michael Kells

Treasurer

Kate Hubbards

Member
Board of Directors

Shaw

Member
Supervisory Committee

The accompanying notes form part of these financial statements

Statement of Income

for the year ending 31 December 2006

	<u>Schedules</u>	<u>2006</u>	<u>2005</u>
Income:			
Interest on loans		\$ 7,214,818	\$ 6,160,646
Investment income		2,543,202	2,214,568
Rental income		411,398	355,536
Entrance fees		7,760	5,710
Miscellaneous income		52,721	102,470
Service charge		<u>55,738</u>	<u>54,920</u>
 Total Income		 <u>10,285,637</u>	 <u>8,893,850</u>
General and Administrative Expenses:			
Personnel cost	1	728,879	625,347
Operational cost	2	752,052	662,783
Financial cost	3	1,725,796	1,472,510
Administrative cost	4	367,315	381,236
Bad and doubtful loans expense		120,000	141,360
Loss on investment (HILOC)		97,440	-
Risk management	5	448,740	409,365
Rental expenses		369,322	205,664
Depreciation		155,830	189,754
Officers' and committee expenses	6	<u>341,756</u>	<u>256,439</u>
 Total General and Administrative Expenses		 <u>5,107,130</u>	 <u>4,344,458</u>
 Net surplus for the year		 <u>\$ 5,178,507</u>	 <u>\$ 4,549,392</u>

The accompanying notes form part of these financial statements





Statements of Appropriated Funds & Undivided Surplus

for the year ending 31 December 2006

	<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 2006	\$5,379,994	\$ 480,818	\$ 3,815,010	\$ 226,648	\$ 4,560,668
Add:					
Net surplus for the year					5,178,507
(i) 10% to Reserve Fund	517,851				(517,851)
(ii) 5% of the balance to the Education Fund	-	233,033	-	-	(233,033)
	5,897,845	713,851	3,815,010	226,648	8,988,291
Entrance fees	7,760				(7,760)
Meetings and conferences		(140,094)			140,094
Education Committee Expenses		(54,652)			54,652
Unrealised loss on investments (Note 11)			(811,491)		
Honoraria					(138,666)
Interest rebate - 2005					(179,337)
Dividends - 2005	-	-	-	-	(3,733,275)
Balance at 31 December 2006	<u>\$5,905,605</u>	<u>\$ 519,105</u>	<u>\$ 3,003,519</u>	<u>\$ 226,648</u>	<u>\$ 5,123,999</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ending 31 December 2006

	For the year ended 31 December	
	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Net surplus for the year	\$ 5,178,507	\$ 4,549,392
Adjustment to reconcile net surplus to net cash provided by operating activities:		
Net change in inventory	(40,751)	(5,650)
Gain on disposal of fixed assets	-	(781)
Bad and doubtful loans	120,000	141,360
Loss on investment - HILOC	97,440	-
Depreciation and amortisation	155,830	185,048
Net change in accounts receivables and prepayments	(795,039)	(492,553)
Net change in loans to members	(8,549,812)	(9,740,125)
Net change in accounts payable, accruals and honoraria	259,063	398,752
Net change in members' deposits	35,804,853	626,858
Net change in unclaimed dividends and shares	(1,249)	14,708
Net change in gratuity payable	<u>-</u>	<u>(6,784)</u>
Cash provided by/(used in) Operating Activities	<u>32,228,842</u>	<u>(4,329,775)</u>
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	-	9,563
Purchase of fixed assets	(248,242)	(308,735)
Net change in other investments	<u>(719,361)</u>	<u>(3,316,471)</u>
Cash used in Investing Activities	<u>(967,603)</u>	<u>(3,615,643)</u>
Cash Flows from Financing Activities:		
Dividends and interest rebates paid	(4,051,278)	(3,440,172)
Increase in share capital	<u>7,979,364</u>	<u>8,457,510</u>
Cash provided by Financing Activities	<u>3,928,086</u>	<u>5,017,338</u>
Net change in cash resources	35,189,325	(2,928,080)
Net cash resources, beginning of year	<u>25,390,563</u>	<u>28,318,643</u>
Net cash resources, end of year	<u>\$60,579,888</u>	<u>\$25,390,563</u>
Represented by:		
Cash in hand and at bank	\$32,413,830	\$ 613,332
Short-term investments	<u>28,166,058</u>	<u>24,777,231</u>
	<u>\$60,579,888</u>	<u>\$25,390,563</u>

The accompanying notes form part of these financial statements





Notes to the Financial Statements

for the year ending 31 December 2006

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 *cont'd* for the year ending 31 December 2006

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 Statement of Income 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.

(g) **Comparatives -**

Where necessary, comparative figures have been adjusted to conform with certain changes in presentation in the current year.





Notes to the Financial Statements *cont'd*

for the year ending 31 December 2006

3. Cash in Hand and at Bank:

	31 December	
	<u>2006</u>	<u>2005</u>
Cash in hand	\$ -	\$ 343
Petty cash	7,512	9,638
RBTT Bank Limited - Current account	32,360,411	556,837
- US\$ Savings account	<u>45,907</u>	<u>46,514</u>
	<u>\$ 32,413,830</u>	<u>\$ 613,332</u>

4. Short-term Investments:

	31 December	
	<u>2006</u>	<u>2005</u>
Fixed deposits	\$ 20,980,716	\$ 16,765,877
Money Market Funds	<u>7,185,342</u>	<u>8,011,354</u>
	<u>\$ 28,166,058</u>	<u>\$ 24,777,231</u>

5. Accounts Receivable and Prepayments:

	31 December	
	<u>2006</u>	<u>2005</u>
Interest receivable	\$ 937,346	\$ 589,961
Payroll deductions receivable	956,718	1,311,207
Other receivables	946,441	156,481
Insurances prepaid	<u>56,649</u>	<u>44,466</u>
	<u>\$ 2,897,154</u>	<u>\$ 2,102,115</u>

Notes to the Financial Statements *cont'd*

for the year ending 31 December 2006

6. Other Investments:

	31 December	
	<u>2006</u>	<u>2005</u>
Coral Ridge Property	\$ 3,241,393	\$ 3,126,471
<u>Available-for-sale</u>		
Quoted investments	5,154,432	5,311,384
Unquoted investments	<u>779,465</u>	<u>927,005</u>
	<u>\$ 9,175,290</u>	<u>\$ 9,364,860</u>

The cost of available-for-sale investments as at 31 December 2006 is \$ **2,646,095**.

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.

	31 December	
	<u>2006</u>	<u>2005</u>
Outstanding principal balances	\$ 57,778,900	\$ 49,229,088
Less: Provision for loan losses	<u>(1,156,621)</u>	<u>(1,036,621)</u>
	<u>\$ 56,622,279</u>	<u>\$ 48,192,467</u>



Notes to the Financial Statements *cont'd*

for the year ending 31 December 2006

8. <u>Fixed Assets:</u>		Freehold land	Building - Trincity	Computer equipment and software	Office furniture and equipment	Telephone system	Security equipment	Building improvements	Total
Cost									
Balance as at 1 January 2006	\$ 522,345	\$ 2,250,316	\$ 426,964	\$ 549,245	\$ 50,601	\$ 38,661	\$ 553,408	\$ 4,391,540	
Additions	-	-	11,300	51,816	15,335	-	169,791	248,242	
Balance as at 31 December 2006	<u>522,345</u>	<u>2,250,316</u>	<u>438,264</u>	<u>601,061</u>	<u>65,936</u>	<u>38,661</u>	<u>723,199</u>	<u>4,639,782</u>	
Accumulated Depreciation									
Balance as at 1 January 2006	-	530,976	292,674	369,660	39,222	4,710	47,222	1,284,464	
Charge	-	45,006	45,666	42,490	7,273	3,866	11,529	155,830	
Balance as at 31 December 2006	-	<u>575,982</u>	<u>338,340</u>	<u>412,150</u>	<u>46,495</u>	<u>8,576</u>	<u>58,751</u>	<u>1,440,294</u>	
Net Book Value									
Balance as at 31 December 2006	<u>\$ 522,345</u>	<u>\$ 1,674,334</u>	<u>\$ 99,924</u>	<u>\$ 188,911</u>	<u>\$ 19,441</u>	<u>\$ 30,085</u>	<u>\$ 664,448</u>	<u>\$ 3,199,488</u>	
Balance as at 31 December 2005	<u>\$ 522,345</u>	<u>\$ 1,719,340</u>	<u>\$ 134,290</u>	<u>\$ 179,585</u>	<u>\$ 11,379</u>	<u>\$ 33,951</u>	<u>\$ 506,186</u>	<u>\$ 3,107,076</u>	



Notes to the Financial Statements *cont'd*

for the year ending 31 December 2006

9. Accounts Payable and Accruals:

	31 December	
	<u>2006</u>	<u>2005</u>
Audit fees	\$ 28,000	\$ 27,600
Value Added Tax payable	2,994	3,176
CUNA claims	622,885	311,932
CUNA insurance	34,896	31,637
Interest payable	561,998	553,591
Other payables	15,428	8,517
Government tax on fixed deposit interest	112,881	112,881
Accruals	67,791	167,936
Stale-dated cheques	<u>51,112</u>	<u>38,145</u>
	<u>\$ 1,497,985</u>	<u>\$ 1,255,415</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 2006, the Society's available-for-sale investments had been re-measured to their fair values and the resulting unrealized loss of **\$811,491** 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 2006. This is not recorded as a liability in accordance with IAS #10.





Schedule to the Financial Statements

for the year ending 31 December, 2006

1. Personnel Cost:

	31 December	
	<u>2006</u>	<u>2005</u>
Ex-gratia and incentives	\$ 33,728	\$ 27,525
Salaries and allowances	489,335	448,397
Staff overtime	5,715	2,178
Staff NIS, pension and medical plan	63,753	57,679
Staff training and development	21,161	8,430
Staff uniforms	17,304	1,083
Responsibility allowance	12,072	13,572
Travelling and subsistence	<u>85,811</u>	<u>66,483</u>
	<u>\$ 728,879</u>	<u>\$ 625,347</u>

2. Operational Cost:

	31 December	
	<u>2006</u>	<u>2005</u>
Accounting services	\$ 78,000	\$ 79,500
Advertising and promotion	37,239	8,627
Audit fees	28,000	27,963
Caribbean Airlines Tie-line	9,329	7,176
Computer expenses	18,798	30,461
Courier	6,368	6,103
Electricity	63,065	54,089
Equipment repairs and maintenance	24,712	67,629
First Aid supplies	107	9
Internet rental charges	9,508	4,485
Janitorial services	78,135	56,165
Legal and professional fees	17,127	1,540
Membership cards	2,840	1,472
Miscellaneous	9,898	5,465
Office refreshments	20,973	12,439
Postage expense	20,150	15,007
Printing, stationery and office supplies	59,615	49,739
Property maintenance cost	53,328	46,457
Security services	130,605	114,352
Telephones	<u>84,255</u>	<u>74,105</u>
	<u>\$ 752,052</u>	<u>\$ 662,783</u>

Schedule to the Financial Statements *cont'd*

for the year ending 31 December, 2006

3. Financial Cost:

	31 December	
	<u>2006</u>	<u>2005</u>
Bank charges	\$ 7,336	\$ 14,944
Linx charges	550	4,325
Interest on members' fixed deposits	1,685,630	1,424,408
Interest on members' savings deposits	32,280	19,940
Overdraft interest	-	8,463
Foreign exchange difference	-	430
	<u>\$ 1,725,796</u>	<u>\$ 1,472,510</u>

4. Administrative Cost:

	31 December	
	<u>2006</u>	<u>2005</u>
Annual General Meeting	\$ 116,667	\$ 87,393
Credit Union League dues	33,092	33,062
Donations	16,255	7,850
Education Fund expense	54,652	70,378
Meetings and conferences	140,094	112,232
Special General Meeting	-	978
Strategic planning session	6,555	69,343
	<u>\$ 367,315</u>	<u>\$ 381,236</u>

5. Risk Management:

	31 December	
	<u>2006</u>	<u>2005</u>
CUNA LP and LS coverage	\$ 393,922	\$ 346,404
Fidelity guarantee	4,240	3,458
Fire insurance	6,982	6,407
Group life insurance	20,311	18,788
Stabilization Fund	23,286	34,308
	<u>\$ 448,741</u>	<u>\$ 409,365</u>





Schedule to the Financial Statements *cont'd*

for the year ending 31 December, 2006

6. **Officers' and Committee Expenses:**

	31 December	
	<u>2006</u>	<u>2005</u>
Board and committee allowances	\$ 132,236	\$ 111,677
Board of Directors Christmas party	24,887	17,161
Ex-gratia	14,000	14,000
Refreshments	10,897	10,078
Social and cultural committee	<u>159,736</u>	<u>103,523</u>
	<u>\$ 341,756</u>	<u>\$ 256,439</u>

Notes

