

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2011

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

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STATEMENT OF MANAGEMENT RESPONSIBILITIES

INDEPENDENT AUDITORS' REPORT

The Members

CLICO Credit Union Co-operative Society Limited

We have audited the accompanying financial statements of CLICO Credit Union Co-operative Society Limited, which comprise the statement of financial position as at 31 December 2011, the statements of income, appropriated funds and undivided earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 CLICO Credit Union Co-operative Society Limited as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Port-of-Spain
16 March 2012

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

STATEMENT OF FINANCIAL POSITION

<u>ASSETS</u>		31 December	
	<u>Notes</u>	<u>2011</u>	<u>2010</u>
Cash Resources:			
Cash and cash equivalent	5	\$ 7,640,449	\$ 3,919,669
Available-for-sale investments	6	<u>30,387,635</u>	<u>39,870,499</u>
Total Cash Resources		<u>38,028,084</u>	<u>43,790,168</u>
Other Assets:			
Accounts receivable and prepayments	7	1,980,536	2,694,681
Held-to-maturity investments	8	4,968,685	6,000,279
Loans to members	9	115,907,573	112,389,944
Fixed assets	10	<u>20,576,165</u>	<u>13,186,768</u>
Total Other Assets		<u>143,432,959</u>	<u>134,271,672</u>
Total Assets		<u>\$ 181,461,043</u>	<u>\$ 178,061,840</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:			
Accounts payable and accruals	11	\$ 265,080	\$ 266,632
Members' deposits		6,691,539	8,274,293
CLICO Car Loan Fund deposits	12	599,999	599,999
Members' shares	13	<u>143,704,498</u>	<u>145,852,693</u>
Total Liabilities		<u>151,261,116</u>	<u>154,993,617</u>
Members' Equity:			
Capital reserve	14	3,099,580	3,099,580
Education fund	15	2,261,218	2,592,296
Reserve fund	16	10,591,506	9,051,329
Undivided earnings		<u>14,247,623</u>	<u>8,325,018</u>
Total Members' Equity		<u>30,199,927</u>	<u>23,068,223</u>
Total Liabilities and Members' Equity		<u>\$ 181,461,043</u>	<u>\$ 178,061,840</u>

These financial statements were approved by the Board of Directors and authorised for issue on 16 March 2012 and signed on their behalf by:

Original Signed

President

Original Signed

Treasurer

Original Signed

Chairman
Supervisory Committee

(The accompanying notes form part of these financial statements)

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

STATEMENT OF COMPREHENSIVE INCOME

	<u>Schedules</u>	For the year ended 31 December	
		<u>2011</u>	<u>2010</u>
Income:			
Commission on insurance		\$ 411,825	\$ 439,716
Interest on loans		19,015,566	19,715,425
Investment income		677,203	948,203
Membership fee		1,085	1,735
Miscellaneous income		<u>559,715</u>	<u>441,114</u>
		<u>20,665,394</u>	<u>21,546,193</u>
Expenditure:			
Administrative expenses	1	772,711	749,137
Insurance	2	1,222,184	1,104,280
Operating expenses	3	5,071,806	3,221,681
Personnel costs	4	<u>2,134,012</u>	<u>1,909,282</u>
		<u>9,200,713</u>	<u>6,984,380</u>
Operating surplus		11,464,681	14,561,813
Investment income impairment adjustment		<u>3,937,092</u>	<u>(3,937,092)</u>
Net surplus for the year		<u>\$ 15,401,773</u>	<u>\$ 10,624,721</u>

(The accompanying notes form part of these financial statements)

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED EARNINGS

For the year ended 31 December 2011

	<u>Education Fund</u>	<u>Reserve Fund</u>	<u>Undivided Earnings</u>
Balance as at 1 January 2010	\$ -	\$ 7,988,857	\$ 15,563,065
Add: Net surplus for the year	-	-	10,624,721
Less: Appropriation of net surplus			
10% to Reserve Fund	<u>-</u>	<u>1,062,472</u>	<u>(1,062,472)</u>
	-	9,051,329	25,125,314
Adjustments:			
Transfer to Education Fund	2,592,296	-	(2,592,296)
Dividends paid	<u>-</u>	<u>-</u>	<u>(14,208,000)</u>
Balance as at 1 January 2011	\$ 2,592,296	\$ 9,051,329	\$ 8,325,018
Add: Net surplus for the year	-	-	15,401,773
Less: Appropriation of net surplus			
10% to Reserve Fund	<u>-</u>	<u>1,540,177</u>	<u>(1,540,177)</u>
	2,592,296	10,591,506	22,186,614
Adjustments:			
Education Expenses (2006 – 2010)	(251,915)	-	251,915
Education Expenses (2011)	(79,163)	-	79,163
Dividends paid	<u>-</u>	<u>-</u>	<u>(8,270,069)</u>
Balance as at 31 December 2011	<u>\$ 2,261,218</u>	<u>\$10,591,506</u>	<u>\$ 14,247,623</u>

(The accompanying notes form part of these financial statements)

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

STATEMENT OF CASH FLOWS

	For the year ended 31 December	
	<u>2011</u>	<u>2010</u>
Operating Activities:		
Net surplus for the year	\$ 15,401,773	\$ 10,624,721
Add items not involving cash:		
Investment income impairment adjustment	(3,937,092)	3,937,092
Provision for loan losses	3,050,000	600,000
Depreciation expense	341,055	397,633
Loss on disposal of fixed assets	<u>-</u>	<u>32,111</u>
	14,855,736	15,591,557
Changes in Non-Cash Working Capital Items:		
Net change in accounts receivable and prepayments	714,145	(871,745)
Net change in accounts payable and accruals	<u>(1,552)</u>	<u>156</u>
Cash provided by operating activities	<u>15,568,329</u>	<u>14,719,968</u>
Investing Activities:		
(Increase)/decrease in members' loans	(6,567,629)	7,475,936
Additions to fixed assets	(7,730,452)	(5,286,599)
Sale/(purchase) of other investments	14,451,550	(10,313,304)
Sale proceeds from disposal of fixed assets	<u>-</u>	<u>9,120</u>
Cash provided by/(used in) investing activities	<u>153,469</u>	<u>(8,114,847)</u>
Financing Activities:		
Dividends paid	(8,270,069)	(14,208,000)
(Decrease)/increase in members' shares	(2,148,195)	5,285,020
(Decrease)/increase in members' deposits	(1,582,754)	1,758,112
Decrease in CLICO Car Loan Fund	<u>-</u>	<u>(2,550,001)</u>
Cash used in financing activities	<u>(12,001,018)</u>	<u>(9,714,869)</u>
Net change in cash resources	3,720,780	(3,109,748)
Cash resources, beginning of year	<u>3,919,669</u>	<u>7,029,417</u>
Cash resources, end of year	<u>\$ 7,640,449</u>	<u>\$ 3,919,669</u>
Represented by:		
Cash and cash equivalent	<u>\$ 7,640,449</u>	<u>\$ 3,919,669</u>

(The accompanying notes form part of these financial statements)

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

1. Principal Business Activities:

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

2. Significant Accounting Policies:

a) Basis of financial statements preparation -

These financial statements are prepared in accordance with International Financial Reporting Standards, and are stated in Trinidad and Tobago dollars. These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of available-for-sale investments.

b) Use of estimates -

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

c) Comparative information -

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

d) New Accounting Standards and Interpretations -

i) The Society has not applied IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine, which became effective during the current year, as it does not apply to the activities of the Society.

ii) The Society has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

**CLICO CREDIT UNION
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

d) New Accounting Standards and Interpretations (cont'd) -

IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from hyperinflation (effective for accounting periods beginning on or after 1 July 2011).
IFRS 7	Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
IAS 12	Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

d) New Accounting Standards and Interpretations (cont'd) -

IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
IAS 32	Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Society's classification and presentation of financial instruments.

e) Property, plant and equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on the straight line basis.

The following rates considered appropriate to write-off the assets over their estimated useful lives are applied:

Office equipment	-	10%
Computer equipment	-	10-20%
Furniture and fittings	-	5-20%
Security system	-	20%
Air condition units	-	8%
Building improvements	-	5%
Motor vehicle	-	25%
Rental improvements	-	33 1/3%

No depreciation is provided on freehold land or capital work-in-progress.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

e) Property, plant and equipment (cont'd) -

Increases in the carrying amount arising on revaluation of land and buildings are credited to Capital Revaluation Reserve in Shareholders' Equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the asset's original cost is transferred from Capital Revaluation Reserve to Retained Earnings. When revalued assets are sold, the amounts included in Other Reserves are transferred to Retained Earnings.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

f) Investments -

The Society has classified all investments into the following categories:

Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the investment reserve account.

For actively traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value. All "regular way" purchases and sales are recognised at settlement date.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

f) Investments (cont'd) -

Held-to-maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortised cost less provisions made for any permanent diminution in value. Amortised cost is calculated by taking into account any premium or discounts on acquisition over the period of maturity using the effective interest rate method.

g) Financial instruments -

Financial assets and financial liabilities are recognised on the Society's Statement of Financial Position when the Society becomes a party to the contractual provisions of the instrument.

Cash and cash equivalent

Cash and cash equivalent consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to members

Loans to members are stated at principal amounts outstanding net of unearned interest and allowances for loan losses.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

g) Financial instruments (cont'd) -

Bank Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the loan using the effective interest method.

Members' deposits

Members' deposits are stated at the principal amounts invested by members together with any capitalised interest. Members' deposits bear interest at rates that are not significantly different from current market rates and are assumed to have discounted cash flow values which approximate carrying values.

Members' shares

Members' shares are classified as liabilities and stated at fair value.

h) Income -

Loan Interest

Interest charged on all loans to members is calculated at 1% per month on the outstanding balance at the end of each month and is accounted for on the accrual basis.

Non-performing loans are amounts for which interest no longer continues to be accrued and taken into income on an ongoing basis because there is doubt as to the recoverability of the loans. Income from non-performing loans is taken into income on a cash basis, but only after prior specific provisions for losses have been made.

For non-performing loans, specific provisions are made for the unsecured portion of the loan. The amount of the provision is dependent upon the extent of the delinquency.

Investment Income

Income from investments is accounted for on the accruals basis except for dividends, which are accounted for on a cash basis, consistent with International Accounting Standard #18.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

2. Significant Accounting Policies (Cont'd):

i) Dividends payable to members -

Dividends are computed on the basis of the average value of shares in issue throughout the year, the average being determined on the basis of the value of shares held at the end of each day.

j) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the Statement of Financial Position date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

3. Financial Risk Management:

Financial risk factors

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Society to manage these risks are discussed below:

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

Loans

The Society generally invests in fixed rate loans for terms not exceeding five years. These are funded mainly from member deposits and shares.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. Financial Risk Management (Cont'd):

Financial risk factors (cont'd)

b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Society relies heavily on a written Loan Policy Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Society's lending philosophy, provide policy guidelines to team members involve in lending, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

The Society's loan portfolio is managed and consistently monitored by the Credit Committee and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the Society has policies to limit the amount of exposure to any financial institution.

The Society also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Society has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Society is exposed to daily calls on its available cash resources to settle financial and other liabilities.

Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Society. The Society employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Society's assets as well as generating sufficient cash from new and renewed members' deposits and shares.

To manage and reduce liquidity risk the Society's management actively meets to match cash inflows with liability requirements.

**CLICO CREDIT UNION
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

3. Financial Risk Management (Cont'd):

d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational risk -

Operational risk is the risk that derives from the deficiencies relating to the Society's information technology and control systems as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously.

f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Inspector of Financial Institutions at the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Society.

g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society applies procedures to minimise this risk.

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Society. The Society applies procedures to minimise this risk.

Fair value estimation

The fair values of the Society's financial assets and liabilities approximates to their carrying amounts at the Statement of Financial Position date set out in the significant policies.

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4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Society's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Society makes estimates and assumptions concerning the future and actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as available for sale or loans and receivables.
- ii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from capitalised expenditures and the useful lives and residual values of these assets.

**CLICO CREDIT UNION
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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

5. Cash and Cash Equivalent:

	31 December	
	<u>2011</u>	<u>2010</u>
Petty cash	\$ 500	\$ 500
Cash and cheques in transit	969,552	484,484
Republic Bank Limited	<u>6,670,397</u>	<u>3,434,685</u>
	<u>\$ 7,640,449</u>	<u>\$ 3,919,669</u>

6. Available-for-Sale Investments:

	31 December	
	<u>2011</u>	<u>2010</u>
Trinidad and Tobago Unit Trust Corporation	\$ 30,385,520	\$ 39,868,384
Alstons Limited 7% preference shares	<u>2,115</u>	<u>2,115</u>
	<u>\$ 30,387,635</u>	<u>\$ 39,870,499</u>

7. Accounts Receivable and Prepayments:

	31 December	
	<u>2011</u>	<u>2010</u>
Sundry debtors	\$ 1,911,514	\$ 2,625,659
Interest receivable	<u>69,022</u>	<u>1,044,224</u>
	1,980,536	3,669,883
Less: Impairment of accrued income on investment	<u>-</u>	<u>(975,202)</u>
	<u>\$ 1,980,536</u>	<u>\$ 2,694,681</u>

On January 30, 2009 the Ministry of Finance (MOF) and the Central Bank of Trinidad and Tobago announced that the Government of the Republic of Trinidad and Tobago (GORTT) had reached an agreement with the CL Financial Limited Group for the provision of a package of financial support for the Group's financial services companies. These companies included Colonial Life Insurance Company Limited (CLICO), Caribbean Money Market Brokers Limited (CMMB) and British American Insurance Company (Trinidad) Limited (BAT).

Subsequent to this, the Minister of Finance stated that GORTT would repay local investors of Short Term Investment Products (STIPS) in CLICO and BAT, their principal balances, that is, the capital sum as at the issue date or last renewal date, minus any capital withdrawals or loans made prior to 8 September 2010. A similar guarantee was not made for interest accrued on the principal balances.

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7. Accounts Receivable and Prepayments (Cont'd):

As at 31 December 2010, CLICO Credit Union Cooperative Society Limited impaired all accrued interest on its CLICO investments in accordance with International Accounting Standard #39 Financial Instruments: Recognition and Measurement.

Based on an agreement made in October 2011, the Credit Union would be refunded the amount of **\$9,937,370**. The first tranche in the amount of **\$4,968,685** was received on 6 December 2011.

8. Held-to-Maturity Investments

This balance represents a Colonial Life Core Fund Series 6 investment held in Colonial Life Insurance Company (Trinidad) Limited (CLICO). As discussed under **Note 7** to the financial statements, interest previously capitalised on this investment has been impaired in accordance with International Accounting Standard #39 Financial Instruments: Recognition and Measurement. Due to the independent audit conducted on the Company's Short Term Investment Products (STIPS) and the agreement made during October 2011, the interest has been subsequently recognised as recoverable.

	31 December	
	<u>2011</u>	<u>2010</u>
CLICO Core Fund Series 6 investment	\$ 4,968,685	\$ 8,962,169
Less: Impairment of capitalised interest	<u>-</u>	<u>(2,961,890)</u>
	<u>\$ 4,968,685</u>	<u>\$ 6,000,279</u>

9. Loans to Members:

(a) Loans granted -

	31 December	
	<u>2011</u>	<u>2010</u>
Loans to members	\$ 121,343,841	\$ 114,776,212
Less: Provision for loan losses	<u>(5,436,268)</u>	<u>(2,386,268)</u>
	<u>\$ 115,907,573</u>	<u>\$ 112,389,944</u>

(b) Provision for loan losses -

Balance brought forward	\$ 2,386,268	\$ 1,786,268
Additional provision for loan losses	<u>3,050,000</u>	<u>600,000</u>
Balance carried forward	<u>\$ 5,436,268</u>	<u>\$ 2,386,268</u>

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

10. Fixed Assets:

Cost	Freehold Property	Building	Office Equipment	Computer Equipment	Furniture and Fittings	Security System	Building Improvements	Motor Vehicle	Rental Improvements	Work in Progress	Total
Balance as at 1 January 2011	\$ 3,575,526	\$ -	\$ 259,545	\$ 602,925	\$ 1,252,601	\$ 21,360	\$ 500,000	\$ 275,030	\$ 301,118	\$ 7,852,760	\$ 14,640,865
Additions	-	-	3,450	4,407	120,972	-	-	-	-	7,601,623	7,730,452
Disposals	-	-	-	(29,438)	-	-	-	-	(301,118)	-	(330,556)
Transfer	-	15,454,383	-	-	-	-	-	-	-	(15,454,383)	-
Balance as at 31 December 2011	<u>3,575,526</u>	<u>15,454,383</u>	<u>262,995</u>	<u>577,894</u>	<u>1,373,573</u>	<u>21,360</u>	<u>500,000</u>	<u>275,030</u>	<u>-</u>	<u>-</u>	<u>22,040,761</u>
Accumulated Depreciation											
Balance as at 1 January 2011	-	-	91,233	434,169	284,515	11,038	179,621	220,024	233,497	-	1,454,097
Charge	-	-	24,682	64,715	99,882	4,269	24,880	55,006	67,621	-	341,055
Disposal	-	-	-	(29,438)	-	-	-	-	(301,118)	-	(330,556)
Balance as at 31 December 2011	<u>-</u>	<u>-</u>	<u>115,915</u>	<u>469,446</u>	<u>384,397</u>	<u>15,307</u>	<u>204,501</u>	<u>275,030</u>	<u>-</u>	<u>-</u>	<u>1,464,596</u>
Net Book Value											
Balance as at 31 December 2011	<u>\$ 3,575,526</u>	<u>\$ 15,454,383</u>	<u>\$ 147,080</u>	<u>\$ 108,448</u>	<u>\$ 989,176</u>	<u>\$ 6,053</u>	<u>\$ 295,499</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,576,165</u>
Balance as at 31 December 2010	<u>\$ 3,575,526</u>	<u>\$ -</u>	<u>\$ 168,312</u>	<u>\$ 168,756</u>	<u>\$ 968,086</u>	<u>\$ 10,322</u>	<u>\$ 320,379</u>	<u>\$ 55,006</u>	<u>\$ 67,621</u>	<u>\$ 7,852,760</u>	<u>\$ 13,186,768</u>

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

10. Fixed Assets (Cont'd):

Cost	Freehold Property	Office Equipment	Computer Equipment	Furniture and Fittings	Security System	Air- Condition Unit	Building Improvements	Motor Vehicle	Rental Improvements	Work in Progress	Total
Balance as at 1 January 2010	\$ 3,575,526	\$ 346,335	\$ 812,272	\$ 1,236,528	\$ 45,685	\$ 78,349	\$ 500,000	\$ 275,030	\$ 301,118	\$ 2,632,804	\$ 9,803,647
Additions	-	375	60,978	5,290	-	-	-	-	-	5,219,956	5,286,599
Disposals	-	(62,195)	(270,325)	(14,187)	(24,325)	(78,349)	-	-	-	-	(449,381)
Re-classification	-	(24,970)	-	24,970	-	-	-	-	-	-	-
Balance as at 31 December 2010	<u>3,575,526</u>	<u>259,545</u>	<u>602,925</u>	<u>1,252,601</u>	<u>21,360</u>	<u>-</u>	<u>500,000</u>	<u>275,030</u>	<u>301,118</u>	<u>7,852,760</u>	<u>14,640,865</u>
Accumulated Depreciation											
Balance as at 1 January 2010	-	126,437	627,678	189,446	31,089	50,953	154,621	151,266	133,124	-	1,464,614
Charge	-	24,626	76,816	96,927	4,272	861	25,000	68,758	100,373	-	397,633
Disposal	-	(59,830)	(270,325)	(1,858)	(24,323)	(51,814)	-	-	-	-	(408,150)
Balance as at 31 December 2010	<u>-</u>	<u>91,233</u>	<u>434,169</u>	<u>284,515</u>	<u>11,038</u>	<u>-</u>	<u>179,621</u>	<u>220,024</u>	<u>233,497</u>	<u>-</u>	<u>1,454,097</u>
Net Book Value											
Balance as at 31 December 2010	<u>\$ 3,575,526</u>	<u>\$ 168,312</u>	<u>\$ 168,756</u>	<u>\$ 968,086</u>	<u>\$ 10,322</u>	<u>\$ -</u>	<u>\$ 320,379</u>	<u>\$ 55,006</u>	<u>\$ 67,621</u>	<u>\$ 7,852,760</u>	<u>\$ 13,186,768</u>
Balance as at 31 December 2009	<u>\$ 3,575,526</u>	<u>\$ 219,898</u>	<u>\$ 184,594</u>	<u>\$ 1,047,082</u>	<u>\$ 14,596</u>	<u>\$ 27,396</u>	<u>\$ 345,379</u>	<u>\$ 123,764</u>	<u>\$ 167,994</u>	<u>\$ 2,632,804</u>	<u>\$ 8,339,033</u>

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

11. Accounts Payable and Accruals:

	31 December	
	<u>2011</u>	<u>2010</u>
Accounts payable	\$ 24,041	\$ 42,041
Audit accruals	51,750	40,250
Miscellaneous	<u>189,289</u>	<u>184,341</u>
	<u>\$ 265,080</u>	<u>\$ 266,632</u>

12. CLICO Car Loan Fund Deposits:

This represents deposits made by Colonial Life Insurance Company (Trinidad) Limited to facilitate the establishment of a motor vehicle loan facility. Interest is at a rate of 3% per annum.

13. Members' Shares:

According to the Bye-Laws of CLICO Credit Union Co-operative Society Limited, the capital of the Society may be composed of an unlimited number of shares of \$5 each. In accordance with International Financial Reporting Interpretation (IFRIC) Interpretation #2, redeemable shares have been treated as liabilities.

14. Capital Reserve:

This reserve includes revaluation surpluses from revaluation of the Society's property by independent valutors. Revaluations are conducted once every three years in accordance with the Credit Union's Fixed Asset Policy.

15. Education Fund:

At a Special General Meeting held in 2009, the membership agreed that further transfers from Retained Earnings to the Education Fund would be discontinued. Subsequent to this decision, the Commissioner of Co-operatives repealed such action. As a result, the amount has been reinstated.

16. Reserve Fund:

In accordance with the Co-operative Societies Act, 1971, Section 47 (2) and Bye-Law 19 (5) of the Credit Union, at least 10% of the total comprehensive income for the year of the Society is to be charged to the Reserve Fund.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

17. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	31 December	
	<u>2011</u>	<u>2010</u>
<u>Assets, Liabilities and Members' Equity</u>		
Loans and other receivables		
Directors, committee members, key management Personnel and close family members	<u>\$2,455,728</u>	<u>\$1,882,083</u>
Shares, deposits and other liabilities		
Directors, committee members, key management personnel and close family members	<u>\$2,568,717</u>	<u>\$3,447,730</u>
Interest and other income		
Directors, committee members, key management personnel and close family members	<u>\$ 370,296</u>	<u>\$ 284,456</u>
Interest and other expenses		
Directors, committee members, key management personnel and close family members	<u>\$ 82,500</u>	<u>\$ 80,500</u>
Key management compensation		
Short-term benefits	\$ 911,799	\$ 748,781
Post employment benefits	<u>44,056</u>	<u>32,931</u>
	<u>\$ 955,855</u>	<u>\$ 781,712</u>

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

18. Dividends:

The Board of Directors has proposed a dividend of 10% for the year ended 31 December 2011. The dividend, amounting to **\$13,724,563** is not recorded as a liability in the Statement of Financial Position in accordance with IAS #10.

19. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

a) Current assets and liabilities -

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

b) Members' Loans -

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

c) Investments -

The fair values of investments are determined on the basis of quoted market prices available at 31 December 2011.

d) Members' deposits -

Members' deposits bear interest at rates that are not significantly different from current rates and are assumed to have discounted cash flow values which approximate carrying values.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2011

20. Capital Risk Management:

The Society manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Society's overall strategy remains unchanged from previous years.

The capital structure of the Society consists of equity attributable to members, which comprises issued members shares, reserves and retained earnings.

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

SUPPLEMENTARY SCHEDULES OF EXPENDITURE

31 DECEMBER 2011

1. Administrative Expenses:

	31 December	
	<u>2011</u>	<u>2010</u>
Anniversary Celebration	\$ 19,100	\$ 14,049
Audit fees	60,375	48,875
Co-operative activities	17,568	23,769
Depreciation	341,055	397,633
General meeting	79,798	80,769
Interest and bank charges	21,851	29,101
League dues	-	9,561
Loss on disposal of fixed assets	-	32,111
Professional fees	96,298	59,489
Refreshment for meetings	24,282	19,450
Travelling and parking	<u>112,384</u>	<u>34,330</u>
	<u>\$ 772,711</u>	<u>\$ 749,137</u>

2. Insurance:

	31 December	
	<u>2011</u>	<u>2010</u>
Group health	\$ 12,089	\$ 13,903
Group life savings	1,092,561	967,855
Other insurances	<u>117,534</u>	<u>122,522</u>
	<u>\$1,222,184</u>	<u>\$1,104,280</u>

**CLICO CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

SUPPLEMENTARY SCHEDULES OF EXPENDITURE - CONTINUED

31 DECEMBER 2011

3. Operating Expenses:

	31 December	
	<u>2011</u>	<u>2010</u>
Cleaning	\$ 33,888	\$ 28,890
Computer	13,137	20,342
Electricity	105,384	38,395
Honoraria	82,500	80,000
Interest on CLICO Car Loan Fund deposits	18,000	100,500
Interest on Christmas Fund and members' deposits	168,749	195,834
Loan loss expense	3,050,000	600,000
Marketing Committee expenses	4,326	5,700
Miscellaneous	331,215	106,774
Motor vehicle expenses	32,617	24,674
Pantry	14,565	18,605
Printing and Stationery	184,403	218,527
Promotional	4,635	794
Rental expense	747,722	1,559,957
Repairs and maintenance	22,431	15,196
Security	148,992	88,872
Telephone	105,210	117,042
Water rates and taxes	<u>4,032</u>	<u>1,579</u>
	<u>\$5,071,806</u>	<u>\$3,221,681</u>

4. Personnel Costs:

	31 December	
	<u>2011</u>	<u>2010</u>
National Insurance	\$ 76,772	\$ 83,122
Other employee benefits	64,415	61,176
Pension plan	61,932	58,861
Salaries	1,840,644	1,647,912
Severance	-	4,746
Subsistence	11,086	12,180
Training	<u>79,163</u>	<u>41,285</u>
	<u>\$2,134,012</u>	<u>\$1,909,282</u>