



BWU CO-OPERATIVE
CREDIT UNION LIMITED

ANNUAL REPORT

2015 - 2016





BWU CO-OPERATIVE CREDIT UNION LIMITED





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you're
Better
With Us



Our Member Service Charter

The Credit Union's Expectations of its Members

- To remain loyal to their Credit Union
- To maintain a professional manner when conducting business at the Credit Union.
- To be respectful to employees and other members.
- To be co-operative by way of providing all the necessary information requested by employees.
- To take the initiative on issues affecting them.
- To seek clarification on problematic issues.
- To maintain high levels of honesty and integrity.
- To be punctual for appointments and any other meetings at the Credit Union.
- To display care and consideration for Credit Union property and facilities.

What Members can expect to receive in terms of service

- Prompt, professional, efficient service with an emphasis on service excellence.
- Dedication to adding value to the members' experience.
- Keen interest in making the member feel appreciated.
- Accuracy on members' accounts.
- Remittances processed in a timely manner (two (2) working days).
- Information on the Credit Union's products and services.
- Guidance on financial planning.
- Effective communication on the Credit Union's policies and procedures.
- Timely response to queries and telephone calls.

Vision Statement

"To be the leading provider of financial solutions for all of our members".

Mission Statement

"To be the most efficient provider of Credit Union services and products which develop and sustain the socio-economic standards of all members based on Co-operative principles."

Core Values

"The Credit Union shall be managed and directed in a manner that reflects the principles of integrity, transparency, honesty, care, teamwork, operational excellence and adherence to the Credit Union's ethical values."



Notice

All members are invited to attend the Annual General Meeting of the Barbados Workers' Union Co-operative Credit Union Limited at Lloyd Erskine Sandiford Conference Centre, Two Mile Hill, St Michael, on Saturday, June 25, 2016 at 3.00 p.m.

Agenda

1. Ascertainment of Quorum
2. Call to order
3. Prayers/St. Francis of Assisi
4. Apologies for Absence
5. Welcome
6. Acknowledgement of other organisations
7. Presentation
8. Adoption of Standing Orders
9. Minutes of the Last Annual General Meeting held on June 27, 2015.
10. Matters arising from Minutes of Annual General Meeting held on June 27, 2015.
11. Reports 2015 - 2016.
 - a) Board of Directors
 - b) Credit Committee
 - c) Supervisory Committee
 - d) Auditors
 - e) Financial Statements
12. Fixing of Maximum Liability
13. Appropriation of Surplus
14. Appointment of Auditors
15. Amendments of Bylaw 58
16. Appointment of Election Chairman
17. Elections
 - a) Board of Directors
 - b) Credit Committee
 - c) Supervisory Committee
18. Resolutions
19. Any Other Business
20. Adjournment

Yours co-operatively,

.....
Vere Rock
Secretary-Board of Directors

President's Message



Bro. Dalton Medford
President

It is with great pleasure that I report to you on the performance of your Credit Union for Income Year 2015 – 2016. I am also pleased to again serve as your President for this period.

In this our 50th year of Independence, we, at the BWU Co-operative Credit Union Ltd., also have a lot to celebrate. I want to wish all Barbadians a Happy Independence and safety at all events.

We have recorded a net surplus again this year, while at the same time keeping current with all our statutory obligations and maintaining competitive interest rates on our deposits. We are pleased to report that one such obligation, the tax which was placed on Credit Union assets, has been discontinued.

Our Credit Union's membership has increased by 6%, bringing our total membership for the year 2016 to 19,503. All other areas of the Credit Union's operations have also improved.

We opened our third branch at Southern Plaza, Oistins, Christ Church. We encourage you to ensure that your friends and family in the southern part of the Island become members. This branch has been performing well to date.

We have introduced SurePay as an added convenience; it has been soft-launched and from all reports, it is being utilized by members. Our SurePay service will be rolled out to all members by the second quarter of 2016. We shall continue to look for innovative ways to satisfy all of your financial needs.

Going forward, the Board has agreed that it will not be renewing the lease for the ground floor of our main headquarters at Fairchild Street, Bridgetown, but will instead be expanding the Credit Union to incorporate that floor. This increase in space will result in our staff and you the member, having the level of comfort you need to carry out your business.

I wish to express my appreciation, and thank the members of the Board, the Supervisory and the Credit Committees. A special thanks to the General Manager, her staff and of course to you the members.

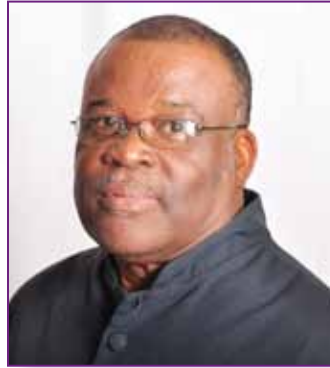
May God continue to bless our Country and our Credit Union.



Board of **Directors**



Bro. Sherwin Greenidge
Vice-President



Bro. Vere Rock
Secretary



Sis. Carolyn Barton
Treasurer



Sis. Marsha Greenidge
Assistant Secretary



Sis. Althea Bishop
Assistant Treasurer



Sis. Novaline Brewster
Director



Supervisory Committee

Bro. Robert Gibson
Chairman



Bro. Overton Franklyn
Secretary



Bro. Ashton Turney
Deputy Chairman



Sis. Safiya Wilkinson
Assistant Secretary



Bro. Damien Chase
Member



Credit Committee

Sis. Fiona Goodridge
Chairman



Sis Daceia Bailey
Secretary



Sis. Pearl Yearwood
Member



THE MANAGEMENT TEAM



Sis. Corinne Clarke
General Manager



Sis. Alana Cadogan
**Finance and
Accounting Manager**



Bro. Peter Blackman
**Business Development and
Communications Manager**



Bro. Antonio Arthur
Information Systems Manager



Sis. Shirleyne Best
Operations Manager

Our Corporate Team

Internal Audit

Bro. William Payne Internal Auditor

Accounts Department

Sis. Dana Wilson Assistant Accountant
Sis. Kristina Browne Accounts Assistant
Sis. Sheva Glasgow-Wilfred Accounts Assistant
Bro. Shomari Inniss Accounts Assistant
Sis. Shonnelle Holmes Collections Officer
Sis. Sharon Hope Collections Officer

Administration Department

Sis. Lucretia Hall Executive Secretary
Sis. Gail Cumberbatch Human Resource
Administration Officer
Bro. Michael Freeman Office Assistant
Sis. Janice Griffith Office Attendant
Sis. Mary Haynes Office Attendant
Sis. Colleen Phillips Office Attendant

Information Systems Department

Bro. Stephen Crichlow . . . Systems Administrator (fmr.)
Bro. Dario Holder Systems Administrator

Loans Department

Bro. Ryan Reece Senior Loans Officer
Sis. Keisha Goddard Loans Officer
Sis. Janice Burgess Loans Officer
Sis. Yvette Jordan Securities Officer
Sis. Lisa Collymore Loans Clerk

Marketing and Member Services Department

Sis. Grace Norville-Clarke . . . Member Exp. Supervisor
Sis. Jessica Gibson Marketing Assistant
Sis. Toni Worrell Member Relations Officer
Sis. Kathleen Smith Receptionist
Sis. Lauralyn Garrick Member Exp. Representative
Bro. Rajiv Worrell Member Exp. Representative
Sis. Sherri Taylor Business Development Agent

Operations Department

Sis. Kim Hunte Operations Supervisor
Sis. Margo Jordan Operations Supervisor
Sis. Shakira Forde Head Teller
Sis. Shana McCollin Accounts Clerk/Teller
Sis. Sacha Mondesir Accounts Clerk/Teller
Bro. Neville Nurse Accounts Clerk/Teller
Sis. Sylvia Pitt Accounts Clerk/Teller
Sis. Shamreca Turton Accounts Clerk/Teller
Bro. Derrick Hurdle Security Officer

Temporary Staff

Sis. Danielle Corbin
Sis. Melissa Craig
Bro. Dario Greaves
Bro. Damian Gilkes
Sis. Charmaine Johnson
Bro. Micah Sealy
Sis. Shanice Ward
Bro. Jamaro Yearwood

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Encouraging
our youth to
stay focused
and work
diligently

”



Board of Directors Report

Our Highlights in 2015-2016

The remarkable growth in our members' assets (\$112 million in total assets) represents the true indicator of the sound management solutions, driven and caring approach to membership recruitment and people development. The 16% increase in assets over the previous year is testament to the hard work of a team of dedicated staff drove and attracted new investments and designed new lending solutions.

We integrate solutions, advice and care to inspire and develop the best from our members.

New Solutions for our members

As the demands of our members increase, we seek to find innovative ways to provide access to our members via improved web access and island wide payment options

Doing Our Share to Make Our Nation Better

Our corporate social responsibility programmes touch the lives of thousands, especially our youth, through our support of camps, a national breakfast feeding programme and scholarships.

Passion and Care for Every Member

Commitment to the development of our members has refined the way we lend. Our 9% growth in loans has come as a result of our caring philosophy in our lending process.

Expanding Our Footprint

Touching the lives of our members means being where they are to meet their needs. Our new Oistins location provides an option to better serve our members in the South, and has attracted new membership to the Credit Union.

Understanding Our People

Our members enjoy a unique and enviable customer service. They are delighted with our dynamic service culture and are happy to share in our core values, that exemplify we care. As a result we recorded a 6% growth in new membership.

To Serve and Protect

Enhanced security on our technology infrastructure came at a considerable cost, but this was all done to ensure that our members' information and assets remained secure in light of the increased incidents of cyber security breaches around the Island.

EXPERTS IN OUTSTANDING MEMBER CARE

Relationships are bonds based on openness, honesty and trust. As people change, relationships change and these changes can impact a business. Over the last year we have aligned the business of membership recruitment more closely to our core values of efficiency, communication, and responsiveness. This has been the driving force behind our membership growth of 6%. Our new Oistins location has contributed substantially to this growth (31% of the total growth).

The success of our commitment to our core values has resulted in an enviable retention rate of some 99%, a feat of no small proportion. Through financial counselling and management our members were equipped to choose the best options to create personal wealth.

Record year for membership wealth development

Our members have entrusted us to manage their investments and as a result we have seen an exceptional 17% increase in member deposits. They also continue to recommend their peers to take a similar journey as a direct result of their trust in us and receipt of sound financial advice.

Our deposits reflect a mixed portfolio, consisting not only of individuals, but also of new corporate members. Our Smart Builder and Term Deposit accounts continue to be attractive medium- to- long term solutions for members.

OUR PEOPLE, THEY ALWAYS COME FIRST.

Meeting members' needs is at the heart of our core business. We understand the urgency with which persons expect their needs to be met. At the BWU Co-operative Credit Union, we are nimble in lending to our members while adopting a responsible approach to credit by employing prudent risk management principles. To this end, we have achieved 11% growth in our loans portfolio with an expectation of further growth during the next financial year. Our loans portfolio mix comprised of 60% in personal loans. We expect this trend to continue in the new financial year. We will step up our efforts to ensure that our members receive only the best advice in advance of any lending considerations.

Our responsible approach to lending has seen a reduction in our total delinquency during the financial year. Arrears are down with non-performing loans (NPL) at 6.36% - a 50% reduction since 2014. Non-performing loans have remained under double digits and are currently better than the industry trend.

IMPROVING BUSINESS TO SIMPLIFYING MEMBERS' LIVES

The solutions deployed by the Credit Union have a very clear objective, to simplify the lives of our members.

Our second branch office and third location at Oistins, Southern Plaza, was officially opened on September 14, 2015 by Minister of Finance and Economic Affairs, the Honourable Christopher Sinckler MP. This new branch has provided a more centralized location for members and potential members in the south and eastern end of the island to conduct their business.

It has also led to increased membership growth for the Credit Union. It positions the Credit Union for extended reach and accessibility to a section of the country only now being served by an indigenous financial institution. Performance over the 8 months of operation has been outstanding and beyond expectations. We are now poised to bring the principles of Credit Unionism to a wider target group and the response so far has been exceptional.

THE MEMBER CHOOSES HOW TO INTERACT. WE ARE READY TO HELP.

Providing Credit Union access 24 hours a day 7 days per week is our commitment to responsiveness in the way we do business. In addition to an enhanced website experience, we have refined the way members can access their accounts online, at ATM locations across the island and most recently we have partnered with SurePay to provide even more deposit and payment options. This will benefit our members as it prevents them from standing in long lines, reduces the time they are away from work and provides a means to pay their loans before the deadline – all conveniently.

We continue to provide access through mobile and landline connections and very soon we will introduce

an even greater level of digital convenience for persons seeking loans and investments.

POSITIVE INFLUENCES MAKE THE NATION A BETTER PLACE.

Our focus on people is absolute as we seek out opportunities not only to impact the lives of our members, but also to make a greater social contribution to Barbados. Through our Corporate Social Responsibility Programmes, we have provided each year in excess of \$25,000 in scholarship awards to deserving junior members. We are committed to youth development as we provide sponsorship and membership opportunities to camp attendees in order to assist with the development of sports and academic excellence.

Our contributions to the National Breakfast Programme through the YWCA aided over 1,300 children daily. Other charities continue to benefit from our assistance through sponsorships, donations and gifts.

MEMBER SECURITY ABOVE ALL

The Credit Union has increased convenience to Members by providing additional points of entry to allow members to access their information. We have remained proactive not only in providing web banking and ATM services but also in ensuring that our members' experiences are secure and unencumbered.

While the cost to constantly update security is high, the Credit Union has been quite prudent in its approach. We are pleased to report that we have had no breaches of member information even at a time where national concern has been raised.

REGULATORY COMPLIANCE: PIVOTAL TO SUSTAINABILITY

The Credit Union acknowledges the importance of compliance with regulatory and statutory guidelines as a framework to maintaining a robust well managed corporate vehicle which meets the expectations of its stake holders. The Credit Union welcomes the Financial Services Commission's which provide information on e industry benchmarks.

The Credit union has also implemented the Financial Services Commission's policy recommendations and continues to train its staff, Board of Directors and Committee members, in management of risk, compliance, anti-money laundering and terrorist financing as well as other areas

WORK ENVIRONMENT: SATISFACTION FOR ALL

At the heart of our organization is our staff. We continue to invest heavily in staff training - utilising every opportunity to raise the level of awareness and compliance, while supporting the need for self-study/training continues to redound to the benefit of the organisation. Our staff continues to avail themselves of company - sponsored training, while many are pursuing higher-level degrees and professional designations.

LOOKING TO THE FUTURE

We will be embarking on major renovations of our head office which will see us taking over the entire building, creating a comfortable and enjoyable environment in which members can transact their business safely and quickly, whilst feeling proud about the development of their institution.

A Registered Education Savings Plan is under consideration and a proposal is to be presented to government. Such a move would assist the Government in reducing its contribution to education, while motivating and rewarding families for saving towards higher education.

Financial Services Commission continues to give assurances that the implementation of deposit insurance for Credit Unions is closer-more so now than ever. As a Credit Union we have always supported the initiative as it is a way of safe guarding our members' deposits against losses and failures. However, even without this critical instrument to buttress Credit Unions, your credit union continues to safeguard the trust the members have placed in us.

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Encouraging
our youth to
be responsible
at an early
age

”



Treasurer's Report



Sis. Carolyn Barton
Treasurer

TREASURER'S REPORT

FINANCIAL PERIOD 2015-2016

The Credit Union recorded another successful year. There was improved performance from the financial year 2014-2015 in revenues, net interest income, net income, asset management and liability management.

REVENUES

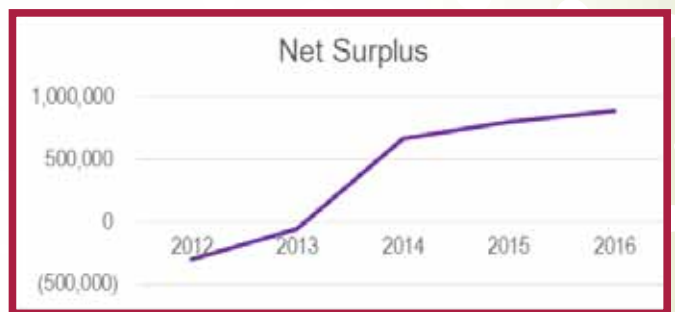
Revenues for the year increased by 10% or \$0.73 million, to \$8.38 million. The Credit Union recorded revenue growth in the three revenue categories: interest income on loans, interest on investments and other income. The highest growth was recorded in interest income on loans, this increase was attributed to growth in loans, investments and the increased usage of Credit Union services.

NET INTEREST ON LOANS

Net interest income on loans increased by \$0.18 million or 4% which totaled \$4.76 million. This was achieved notwithstanding an increase in interest on deposits of \$0.29 million to \$2.3 million. During the financial year the Credit Union reduced its interest rates on deposits however, the rates remain very competitive and we attracted a \$13.9 million increase in deposits which caused the increase in interest on deposits.

NET SURPLUS

The Credit Union recorded a net surplus before tax of \$891,791, this represented an increase of 11% or a \$0.09 million increase over the previous year. This increase was attributed mainly to the increase in revenue as operating expenses increased over last year by 7%, or \$0.33 million.



OPERATING EXPENSES

Operating expenses increased from March 2015 by 7% or \$0.33 million, to \$5.17 million. This was mainly due to increased expenses from the opening of the Oistins Branch and an increase in bad debt and allowance for doubtful debts. Loans and Mortgages to members increased by \$8 million from the last financial year and conversely the allowance for bad and doubtful debts increased by \$0.19 million. The provision remains adequate.



ASSET MANAGEMENT

The Credit Union’s asset base increased from \$96.5 million in 2015 to \$112.2 million at 31 March 2016- an increase of \$15.7 million or 16%.

During the year cash and investments increased by \$7 million or 87%, as a result of an increase in member deposits.

Property and Equipment also increased by \$1.15 million or 22% to \$6.3 million mainly due to the increase in the valuation of the Property at Fairchild Street and improvements to the Oistins location.

Loans and Mortgages also increased from \$76.6 million in 2015 to \$84.7 million at 31 March 2016, an increase of 11% or \$8 million. Real estate loans were the main driver of loan growth this financial year.



ASSET QUALITY

The Credit Union continued to strengthen its loans underwriting during the financial year, however due to continued recessionary periods, there was a slight increase in delinquency by 22 basis points to 6.36%. This ratio remains below the industry average. Impaired loans grew from \$4.7 million to \$5.4 million. The Allowance for doubtful debt as a percentage of total gross loans increased from 3.23% to 3.56%.

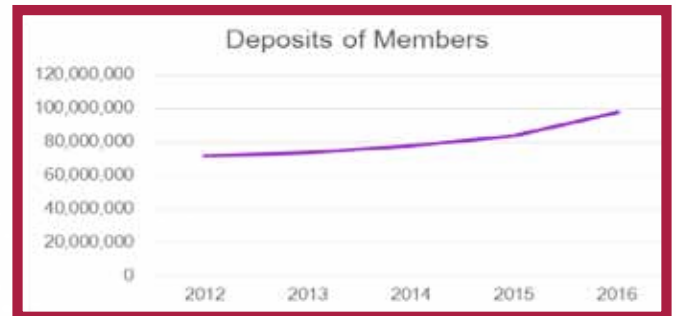
The Credit Union will continue to work with defaulters to offer them alternatives and restructuring plans in order to assist them with bringing their loans current.

LIABILITY MANAGEMENT

Deposits of members totaled \$97.49 million and were \$13.9 million, or a 17% increase over the previous year, this came as a result of our competitive interest rates. Regulatory Capital also grew by 6% or \$0.107 million, with 1,059 new members joining the Credit Union.

Loans payable totaled \$0.234 million and were reduced by \$0.53 million from March 2015, as amounts owing were repaid as scheduled.

Accounts payable and accrued expenses increased by \$0.16 million as interest accrued on deposits increased.



CONCLUSION

The Credit Union continues to achieve steady improvements in its performance. We remain committed to our membership and will continue to use prudent decision making methods in order to ensure that your assets are secure with us.

During the year the Finance and Accounting Committee worked to ensure the financial stability of the Credit Union. I wish to express my gratitude to the members of the Committee and the Accounting Department for their support.

Financial Statements

March 31, 2016

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KPMG

Hastings
Christ Church, BB 15154
Barbados West Indies
Telephone (246) 434-3900
Fax (246) 427-7123

P. O Box 690C
Bridgetown, Barbados

Independent Auditors' Report

**To the Members of The Barbados Workers' Union
Co-operative Credit Union Limited**

We have audited the accompanying financial statements of The Barbados Workers' Union Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as of March 31, 2016, statement of changes in equity, statement of comprehensive income, and the statement of cash flows for the year then ended, and notes, comprising 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 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 our 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, we 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.



Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Credit Union as of March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the Credit Union as at and for the year ended March 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on June 8, 2015.

A handwritten signature of the KPMG firm, written in black ink.

Chartered Accountants
Bridgetown, Barbados
June 8, 2016



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Statement of Financial Position

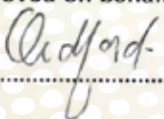
As at March 31, 2016
with comparative figures for 2015

(Expressed in Barbados dollars)

	Notes	2016	2015
Assets			
Cash resources	6	\$ 6,044,896	4,160,106
Interest receivable	7	300,650	239,475
Investments	8	17,554,162	12,390,017
Loans and mortgages to members	4 & 9	84,671,381	76,593,338
Less allowance for doubtful loans	4 & 9	(3,012,406)	(2,473,279)
		<u>105,558,683</u>	<u>90,909,657</u>
Other assets			
Accounts receivable - net	10	273,656	294,902
Prepaid expenses		62,978	90,051
Deferred expense		12,250	18,375
Property and equipment	11	<u>6,315,146</u>	<u>5,161,523</u>
Total other assets		<u>6,664,030</u>	<u>5,564,851</u>
Total Assets		\$ <u>112,222,713</u>	<u>96,474,508</u>
Liabilities and Members' Equity			
Liability to non-members			
Accounts payable and accrued expenses	12	\$ 893,554	731,834
Loan payable	14	242,918	295,679
Tax on assets payable	3(h) & 15	<u>54,874</u>	<u>91,202</u>
		<u>1,191,346</u>	<u>1,118,715</u>
Liabilities to members			
Deposits of members	13	97,486,561	83,566,152
Regulatory capital	16	<u>1,791,400</u>	<u>1,683,600</u>
		<u>99,277,961</u>	<u>85,249,752</u>
Members' equity			
Revaluation reserve	11	4,014,629	3,066,629
Statutory reserve	17(a)	6,084,592	5,523,478
Education fund	17(b)	7,532	7,324
Common good fund	17(c)	24,982	38,127
Unrealised gain on investments		364,420	321,689
Undivided earnings		<u>1,257,251</u>	<u>1,148,794</u>
Total members' equity		<u>11,753,406</u>	<u>10,106,041</u>
Total Liabilities and Members' Equity		\$ <u>112,222,713</u>	<u>96,474,508</u>

See accompanying notes to financial statements.

Approved on behalf of the Committee of Management:


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Director


.....

Director

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Statement of Changes in Equity

For the year ended March 31, 2016
with comparative figures for 2015

(Expressed in Barbados dollars)

	Notes	Revaluation Reserve	Statutory Reserves	Education Fund	Common Good Fund	Unrealised Gain (loss) on Investment	Undivided Earnings	Total
Balance at March 31, 2014		\$ 3,066,629	5,041,107	7,358	33,503	453,169	1,121,685	9,723,451
Net income for the year		-	-	-	-	-	656,263	656,263
Transfer to statutory reserves	17(b)	-	482,371	-	-	-	(482,371)	-
Transfer to education fund	17(c)	-	-	6,624	6,624	-	(6,624)	-
Transfer to common good fund		-	-	-	(2,000)	-	(6,624)	-
Disbursements from fund		-	-	(6,658)	-	-	8,658	-
Patronage refund		-	-	-	-	-	(142,193)	(142,193)
Realised gain on sale of investment		-	-	-	-	(119,378)	-	(119,378)
Unrealised loss on investments for the year	3(f)	-	-	-	-	(12,102)	-	(12,102)
Balance at March 31, 2015		3,066,629	5,523,478	7,324	38,127	321,689	1,148,794	10,106,041
Net income for the year		-	-	-	-	-	656,634	656,634
Revaluation of Building		948,000	-	-	-	-	-	948,000
Transfer to statutory reserves	17(b)	-	561,114	-	-	-	(561,114)	-
Transfer to education fund	17(c)	-	-	6,832	6,832	-	(6,832)	-
Transfer to common good fund		-	-	-	(19,977)	-	(6,832)	-
Disbursements from fund		-	-	(6,624)	-	-	26,601	-
Realised gain on sale of investment		-	-	-	-	(178,171)	-	(178,171)
Unrealised gain on investments for the year	3(f)	-	-	-	-	220,902	-	220,902
Balance at March 31, 2016		\$ 4,014,629	6,084,592	7,532	24,982	364,420	1,257,251	11,753,406

See accompanying notes to financial statements.



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Statement of Comprehensive Income

For the year ended March 31, 2016
with comparative figures for 2015

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating Income:			
Interest on loans	\$	4,090,405	4,104,213
Interest on mortgages		<u>2,962,993</u>	<u>2,476,907</u>
Total Loan Interest Income		7,053,398	6,581,102
Less Interest on Members' Deposits			
Interest expense		<u>(2,288,385)</u>	<u>(1,994,174)</u>
Net Interest Income		<u>4,765,013</u>	<u>4,586,946</u>
Investment Income			
Interest on savings account		16,539	15,238
Dividend income		72,596	96,860
Interest on investments		520,412	487,239
Gain on sale of investments		178,171	128,230
Loss on disposal of assets		<u>-</u>	<u>(150)</u>
Total Investment Income		787,718	727,417
Less investment fees and charges		<u>(30,931)</u>	<u>(11,987)</u>
Net Investment Income		<u>756,787</u>	<u>715,430</u>
Other Income			
Other operating income		475,201	277,524
Rental income		<u>68,400</u>	<u>68,400</u>
Total Other Income		<u>543,601</u>	<u>345,924</u>
Total operating income	\$	<u>6,065,401</u>	<u>5,648,300</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income (continued)

For the year ended March 31, 2016
with comparative figures for 2015

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Operating Expenses:			
Payroll Costs		\$ 2,402,478	2,350,776
Membership Protection and Governance	19	447,659	453,798
Occupancy Costs	19	435,110	452,527
General and Administrative Expenses	19	304,442	284,988
Allowance for Bad and Doubtful Debts		563,818	369,017
Marketing Costs		330,771	301,387
Depreciation		279,003	310,237
Information Systems Expense		391,807	322,358
Penalty and Interest/ Overages		<u>845</u>	<u>429</u>
Total operating expenses		<u>5,155,933</u>	<u>4,845,517</u>
Profit before interest and tax for the year		909,468	802,783
Interest expense	14	<u>(17,677)</u>	<u>(1,549)</u>
Profit before tax for the year		891,791	801,234
Tax on assets	15	<u>(208,556)</u>	<u>(136,313)</u>
Net profit for the year after tax and before disbursements to funds		683,235	664,921
Disbursement from funds:			
Common Good Fund	17(c)	(19,977)	(2,000)
Education Fund	17(b)	<u>(6,624)</u>	<u>(6,658)</u>
		<u>(26,601)</u>	<u>(8,658)</u>
Net income for the year		<u>656,634</u>	<u>656,263</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation Reserve Owner Occupied Property		948,000	-
<i>Items that are or maybe reclassified to profit or loss</i>			
Unrealised gain/loss on investments for the year		<u>220,902</u>	<u>(12,102)</u>
Other comprehensive income, net of tax		<u>1,168,902</u>	<u>(12,102)</u>
Total comprehensive income for the year		<u>\$ 1,825,536</u>	<u>644,161</u>

See accompanying notes to financial statements.



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Statement of Cash Flows

For the year ended March 31, 2016
with comparative figures for 2015

(Expressed in Barbados dollars)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Net income for the year	\$ 656,634	656,263
Adjustments for:		
Depreciation	279,003	310,237
Allowance for doubtful loans	539,127	369,017
Gain on sale of investments	(178,171)	(128,230)
Dividend income	(72,596)	(96,860)
Interest income	(7,590,349)	(7,083,597)
Loss on sale of assets	-	150
Interest expense	2,306,062	1,995,723
Taxes levied on assets	<u>208,556</u>	<u>136,313</u>
Operating loss before working capital changes	(3,851,734)	(3,840,984)
(Decrease) increase in accounts payable	(63,145)	161,665
Decrease in prepaid expenses	27,073	10,754
Decrease in deferred expense	6,125	6,125
Decrease in accounts receivable	22,282	12,791
Increase in loans to members	(8,078,043)	(9,592,545)
Increase in regulatory capital	<u>107,800</u>	<u>70,450</u>
Net cash used in operations	<u>(11,829,642)</u>	<u>(13,171,744)</u>
Interest received - loans	6,992,222	6,599,184
Interest paid	(2,073,377)	(1,893,418)
Taxes paid	<u>(244,884)</u>	<u>(45,111)</u>
Net cash used in operating activities	<u>(7,155,680)</u>	<u>(8,511,089)</u>
Cash Flows from Investing Activities		
Additions to property and equipment	(524,154)	(284,123)
Net proceeds from sale of assets	88,019	900
Net proceeds from sale of investments	207,322	628,230
Interest received on investments	535,915	562,458
Dividends received	72,596	96,860
(Decrease) increase in investments - net	<u>(5,206,876)</u>	<u>2,613,303</u>
Net cash (used in) from investing activities	<u>(4,827,178)</u>	<u>3,617,628</u>
Cash Flows from Financing Activities		
Increase in members' deposits	13,920,409	5,690,645
Patronage rebate	-	(142,193)
Proceeds from loan payable	-	300,000
Repayment of loan principal	<u>(52,761)</u>	<u>(4,321)</u>
Net cash from financing activities	<u>13,867,648</u>	<u>5,844,131</u>
Increase in cash resources during year	1,884,790	950,670
Cash resources, beginning of year	<u>4,160,106</u>	<u>3,209,436</u>
Cash resources, end of year	\$ <u>6,044,896</u>	<u>4,160,106</u>

See accompanying notes to financial statements.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

1. Reporting Entity

The Credit Union was registered on July 8, 1983 under the Co-operative Societies Act, Cap 378 and was continued under the Co-operative Societies Act 1990-23 as evidenced by a Certificate of Continuance dated July 14, 1994. Its principal objectives include:

- (a) the promotion of thrift among its members by providing means whereby savings can be effected and shares in the society can be acquired, and
- (b) the creation out of savings of its members of a source of credit available to its members on reasonable terms and conditions.

The Credit Union's registered office is located at the corner of Fairchild & Nelson Streets, Bridgetown, Barbados.

These financial statements were authorised for issue by the Directors on June 8, 2016.

2. Basis of Preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and available for sale investments.

(b) The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and contingent liabilities at the reporting date and income and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below in note 2(b)(i).



THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

2. Basis of Preparation, continued

(b) *The use of estimates and judgments, continued*

(i) *Key sources of estimation and uncertainty*

The establishment of the total allowances for doubtful loans is based upon management's best estimate of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the debtor and the net realisable value of any underlying collateral. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate the future cash flows for specific debtors and collective loans.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of estimates as described in accounting policy 3(f). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

3. Significant Accounting Policies

(a) *Functional and presentation currency*

The financial statements are presented in Barbados dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Barbados dollars has been rounded to the nearest dollar.

(b) *Revenue recognition*

Interest

Interest income is recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

Dividend

Dividend income is recorded by the Credit Union when the rights to receive income are established.

Rent

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(c) *Foreign currency*

Transactions in foreign currencies are translated to Barbados dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into Barbados dollars at the exchange rate ruling at that date and the resulting gain or loss is included in the statement of comprehensive income.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(d) Loans receivable

(i) Loans to members

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Credit Union does not intend to sell immediately or in the near term.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(ii) Allowance for doubtful loans

The allowance for doubtful loans is based on specific identification of doubtful loans resulting from management's internal review of the loan portfolio. An additional blanket allowance is made for accounts not specifically considered doubtful. Related accrued interest is included in the provision where appropriate.

(e) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, except for the building which is stated at valuation less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is recognised in the statement of comprehensive income on the straight-line and reducing balance bases at rates designed to write off the cost of the assets over the periods of their estimated useful lives. Land is not depreciated. No depreciation is charged on buildings in the year of valuation.

The following annual rates apply:

Computer equipment	-	10% to 20%
Other furniture and equipment	-	10%
Motor vehicle	-	20% (reducing balance method)
Building	-	2%
Leasehold improvements	-	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 proceeds with carrying amount and these are included in the statement of comprehensive income.



THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(f) Investments

The Credit Union classifies the investments held at the reporting date as held-to-maturity and available-for-sale. Management determines the classification of its investments at initial recognition.

Where the Credit Union invests in non-derivative financial assets with fixed or determinable payments and fixed maturities, which management has the positive intent and ability to hold to maturity, they are classified as held-to-maturity. These investments are initially measured at cost and subsequently at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method.

Investments-held-to-maturity are recognized or derecognized on the day they are transferred to or by the Credit Union.

Other investments held by the Credit Union are classified as being available-for-sale. These investments are initially measured at cost and subsequently at fair value, with any resultant unrealized gain or loss being recognised directly in equity, through the statement of comprehensive income. Where the equity investment available for sale does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

The fair value of investments available-for-sale is their quoted closing price at the reporting date.

When available for sale investments are sold or otherwise disposed of, or when the carrying amount of the investment is impaired, the cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income.

Available for sale investment are recognized or derecognized by the Credit Union on the date it commits to purchase or sell the investments.

(g) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

(h) Taxation

Income Tax - The Credit Union is exempt from the payment of income tax under Section 9(1)(g) of the Income Tax Act, Cap. 73.

Tax on Assets – The Credit Union is subject to payment of tax on Assets as defined in the Tax on Assets Act 2015. This tax is levied under the Act for the period commencing July 1, 2014 and expiring March 31, 2016.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(i) *Impairment of non-financial assets*

At each reporting date, the Credit Union reviews the carrying amounts of its property and equipment and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) *Lease payments*

Payments made under operating leases are recognised in the profit and loss on a straight line basis over the term of the lease.

(k) *Provisions*

A provision is recognised if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows at a rate that reflects current market assessments and, where appropriate, the risks specific to the liability.

(l) *Financial instruments*

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at cost being their fair value plus transaction costs that are directly attributable to its acquisition or issue. The Company classifies non-derivative financial instruments into the following categories: held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

The Credit Union classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – Recognition & Derecognition

The Credit Union initially recognises loans and mortgages to members, deposits of member and loan payable on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Credit Union becomes a party to the contractual provisions of the instrument.

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

The Credit Union derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.



THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(l) *Financial instruments, continued*

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Credit Union has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Non-derivative financial assets – Measurement

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Credit Union has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method (EIR), less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The Credit Union has reported government securities which have all been classified under the held-to-maturity classification.

Impairment losses are reported as a deduction from the carrying value of the investment (through an allowance account) or investment balance. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

If the Credit Union were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Credit Union would be prohibited from classifying any financial asset as held-to-maturity for the current and during the following two financial years.

Available-for-sale financial investments

Available-for-sale financial investments include equity securities. Equity securities classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently re-measured at fair value based on quoted bid prices or amounts derived from approved valuation models. Unrealised gains and losses on available-for-sale securities are recognised directly in the fair value reserve in equity and reported under other comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(l) *Financial instruments, continued*

Non-derivative financial assets – Measurement, continued

Available-for-sale financial investments, continued

For available-for-sale financial investments, the Credit Union assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Impairment losses are reported as a deduction from the carrying value of the loan (through an allowance account) or balance and recognised in the statement of comprehensive income as loan impairment expense.

Fair value measurement

The determination of fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

Identification and measurement of impairment

At each reporting date the Credit Union assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Credit Union considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.



THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(l) *Financial instruments, continued*

Non-derivative financial assets – Measurement, continued

Loans and receivables, continued

Identification and measurement of impairment, continued

Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity through the statement of comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(m) *Cash resources*

Cash resources include notes, coins, stamps held on hand, balances held with banks and highly liquid financial assets with original maturities of less than three months.

(n) *Deposits*

Deposits are the Credit Union's sources of debt funding and are initially measured at fair value plus transaction costs and subsequently at their amortised cost using the effective interest method.

(o) *Comprehensive income*

Comprehensive income includes all changes in equity during the reporting period from transactions and events other than those arising from investments by and distributions to the shareholders. Other Comprehensive Income comprises revenues, expenses, gains and losses that are recognized in Comprehensive Income but excluded from Net Income. Other Comprehensive Income during 2015 - 2016 comprises net unrealized gain on available-for-sale investments and the revaluation of owner occupied property.

(p) *Standards, interpretations and amendments to existing standards effective for the current year*

The Credit Union has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

During the year, certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that these new standards, interpretations and amendments to the existing standards where relevant did not have any significant impact on the preparation of these financial statements. The application of these pronouncements has therefore not been reflected in these financial statements.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(q) *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:

- IAS 1 (Amendments) - Disclosure Initiative (effective January 1, 2016)
- IAS 16 & IAS 38 (Amendments) - Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 1, 2016)
- IAS 16 & IAS 41 (Amendments) - Agriculture: Bearer Plants (effective January 1, 2016)
- IAS 27 (Amendments) – Equity Method in Separate Financial Statements (effective January 1, 2016)
- IAS 7 (Amendments) – Disclosure Initiative (effective January 1, 2017)
- IAS 12- (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
- IFRS 10 & IAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective January 1, 2016)
- IFRS 10, IFRS 12 & IAS 28 (Amendments) – Investment Entities: Applying the Consolidation Exception (effective January 1, 2016)
- IFRS 11 (Amendments) – Accounting for Acquisitions of Interests in Joint Operations (effective January 1, 2016)
- IFRS 14 - Regulatory Deferral Accounts (effective January 1, 2016)
- Annual Improvements to IFRS 2012-2014 Cycle - various standards (effective January 1, 2016)
- IFRS 9 - Financial Instruments (effective January 1, 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective January 1, 2018)
- IFRS 16, Leases (effective January 1, 2019)

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 tentatively becomes mandatory for the Credit Union's 2019 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*

In July 2014, the IASB released the final version of IFRS 9 *Financial Instruments*. 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: amortised cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognised 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 recognised 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.



THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

3. Significant Accounting Policies, continued

(q) *Standards in issue but not yet effective, continued*
IFRS 9 — *Financial Instruments, continued*

Requirements for financial liabilities carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in the statement of other comprehensive income. . It also includes guidance on hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Credit Union is currently evaluating the impact of the standard on its financial statements.

4. Financial Risk Management

The Credit Union has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Credit Union's exposure to each of the above risks, the Union's objectives, policies and processes for measuring and managing risk, and the Union's management of capital.

Financial assets of the Credit Union include cash resources, accounts receivable, investments, loans and mortgages to members and interest receivable. Financial liabilities include deposits of members' regulatory capital and accounts payable and accrued expenses.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's cash resources, loans and advances to customers and investment securities

- (1) The Credit Union deposits its funds with registered Banks which are subject to regulations.
- (2) Credit risk on loans to members is managed using the Total Debt servicing ratio as well as detailed background checks on members in the approval process and stringent debt collection procedures. Two officers are assigned with the task of monitoring the delinquency portfolio on a daily basis. Management has documented a process to be followed for collection of outstanding debt. The Credit Committee has the responsibility of advising the Board on Policy based on market trends. The Board, along with management, revises policy periodically to reduce overall credit risk. The Credit Union's policy is to provide fully for the total balance including interest less the value of any collateral as soon as it is determined irrecoverable. These loans are shown net of provision for bad and doubtful loans.
- (3) The Credit Union limits its exposure to credit risk by investing only in entities that have high credit ratings and Government Securities. The Credit Union has a documented policy in place which guides the management of the credit risk on investment. The Credit Union exposure and the credit rating of its debtors are continuously monitored and the aggregate value of transactions concluded is spread amongst approved entities.

Classified Loans

This category of loans represents loans for which, in most cases, the collateral has been realized and the Credit Union estimates that the outstanding balances may be irrecoverable.

Allowances for impairment

Set out below is an analysis of the gross and net (of allowances for impairment) loans and advances to members.

Loans and advances to members

	<u>2016</u>	<u>2015</u>
Delinquent Loans		
90 days and over	\$ 4,056,585	3,287,898
Classified Loans fully provided	<u>1,326,156</u>	<u>1,412,263</u>
Carrying amount	5,382,741	4,700,161
Less: Allowance for doubtful loans	<u>(2,219,520)</u>	<u>(1,754,347)</u>
Carrying amount less allowance loans > 90 days	\$ <u>3,163,221</u>	<u>2,945,814</u>



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(a) *Credit risk, continued*

	<u>2016</u>	<u>2015</u>
Loans in Good Standing		
Not yet due	\$ 64,529,030	57,808,594
1-29 days	11,540,426	11,233,277
30-59 days	2,180,345	1,836,628
60-89 days	<u>1,038,839</u>	<u>1,014,678</u>
Carrying amount	79,288,640	71,893,177
Less: Allowance for doubtful loans	<u>(792,886)</u>	<u>(718,932)</u>
Carrying amount less allowance for loans in good standing	<u>78,495,754</u>	<u>71,174,245</u>
Total carrying amount	\$ <u>81,658,975</u>	<u>74,120,059</u>

Collateral

The Credit Union holds as collateral on loans, mortgages on property and land, bills of sale on vehicles, cash surrender values on life insurance policies, securities held with government or private listed companies, cash, guarantors and mutual funds. Unsecured loans are granted based on character up to \$3,000 outside of promotional loan campaigns. The value of security of loans > 90 days is approximately \$4.1 million dollars.

(b) *Liquidity risks*

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations from its financial liabilities as they become due.

Liquidity risks arise from the mismatch in cash flows. The Board manages its liquidity risk by matching its cash inflows to its cash outflows. Short to medium term loans have been introduced to ensure that timing of cash inflows are matched to loan disbursements. The cash balances are monitored on a daily basis. The Board continues to focus on its lending strategies, thereby utilizing the excess liquidity.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(b) Liquidity risks, continued

Deposits from Members

The maturity schedule of the deposits and loans is detailed below:

2016 Deposits by Type	Interest Rate	More than					
		Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years
Term Deposits	2.25%-5%	\$ 18,349,134	301	14,166,357	3,589,479	470,946	122,051
Other Savings	1%-3.15%	2,109,602	1,622,515	26,959	127,923	173,399	158,806
Special Savings	1.75%	4,815,497	4,448,650	46,800	177,551	63,420	79,076
Junior Savings	2.5%	2,636,800	2,618,655	-	5,145	13,000	-
Membership Prime Deposit	1.75%	53,316,811	42,577,252	722,873	4,562,091	1,545,197	3,909,398
Smart Builder	3.00%	16,258,717	14,584,199	58,493	706,456	257,621	651,948
Total		\$ 97,486,561	65,851,572	15,021,482	9,168,645	2,523,583	4,921,279
Loan by Type							
Personal Loans	6.5%-18%	\$ 24,026,595	442,107	939,414	11,449,134	5,896,421	5,299,519
Business Loans	7-17%	2,118,879	40,897	13,125	150,661	902,801	1,011,395
Other Loans	8-18%	1,364,319	65,848	64,767	885,260	279,565	68,879
Real Estate Loans	5.5%-9%	41,334,434	616,347	-	560,264	3,161,603	36,996,220
Revolving Loans	17%	7,542,449	2,592,135	1,306,040	502,071	-	3,142,203
Bridging Loans	6.5%-12%	7,984,705	54,800	-	72,813	492,342	7,364,750
Total		\$ 84,371,381	3,812,134	2,323,346	13,620,203	10,732,732	53,882,966
Liquidity Gap		\$ 13,115,180	62,039,438	12,698,136	(4,451,558)	(8,209,149)	(48,961,687)



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(b) Liquidity risks (continued)

2015 Deposits by Type	Interest Rate	More than					
		Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years
Term Deposits	3%-5%	\$ 11,771,216	1,444,257	5,858,040	3,708,497	265,089	495,333
Other Savings	2%-3%	1,576,579	1,204,013	7,864	109,338	54,003	201,361
Special Savings	2.75%	4,955,291	4,680,570	32,968	139,377	52,226	50,150
Junior Savings	3%	2,483,979	2,463,837	-	10,142	-	10,000
Membership Prime Deposit	2.25%	52,609,458	41,808,660	643,613	4,287,225	1,825,672	4,044,288
Smart Builder	3.25%	10,169,629	8,979,619	39,685	476,758	262,714	410,853
Total		\$ 83,566,152	60,580,956	6,582,170	8,731,337	2,459,704	5,211,985
Loan by Type							
Personal Loans	10.5%-12%	\$ 23,418,894	1,099,540	658,299	9,767,996	6,537,911	5,355,148
Business Loans	12%	1,498,444	166,891	46,278	69,758	957,395	258,122
Other Loans	9%-15%	2,138,944	246,810	68,141	934,878	778,141	110,974
Real Estate Loans	5.5%-9%	33,081,716	806,435	17,585	627,606	2,663,410	28,966,680
Revolving Loans	17%	8,172,534	1,510,077	1,636,700	1,532,187	4,003	3,489,564
Bridging Loans	6.5%-12%	8,282,806	-	34,998	49,859	500,897	7,697,052
Total		\$ 76,593,338	3,829,753	2,462,004	12,982,284	11,441,757	45,877,540
Liquidity Gap		\$ 6,972,817	56,751,202	4,120,166	(4,250,947)	(8,982,053)	(40,665,555)

Accounts payable balances are all current.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(c) *Market risk*

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange notes and credit spreads will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Credit Union may be exposed to market risk as changes in market interest rates affect its income. Periodically, the Board and management review and approve the rates set to ensure they are well priced to control these risks.

(d) *Operational risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Credit Union's operations.

The Credit Union's objective is to manage operational risk by developing and implementing controls within the operation that would mitigate this risk. That responsibility is assigned to the Board and Management. There is a policy manual for the staff and volunteers of the Credit Union. The policy manual addressed in detail every functional area of the Credit Union and provided for some of the more critical function; primarily Loans and Operations, procedures to carry out such functions.

Compliance with the Credit Union's policies is supported by a programme of periodic reviews undertaken by the Internal Auditor. The results of Internal Audit reviews are discussed with management, the Supervisory Committee and the Board of Directors.

(e) *Capital management*

The Co-operative Societies (Amendment) Act 2008-39, stipulates that an amount equaling or greater than 10% of total assets must be held as capital. The Board of Directors continues to review the capital structure. The capital to assets ratio is now 8.14% (2015 – 8.71%).

The Financial Services Commission (FSC) defines "capital" of a Credit Union as Qualifying Shares, Statutory and Other Reserves only.

The Credit Union objective, when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business. (See note 17(a))

(f) *Fair value*

Fair value represents the amounts at which a financial instrument could be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted marked price, if one exists.

Financial assets and liabilities are carried at amounts, which approximate to their fair value at the reporting date. Fair values estimates are made at a specific point in time based on market conditions and information about the financial instrument.



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

4. Financial Risk Management, continued

(f) *Fair value, continued*

These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions can significantly affect the estimates.

The fair values of cash resources, accounts receivable, interest receivable, accounts payable, accrued expenses, deposits and regulatory capital are not materially different from their carrying amounts.

The estimated fair values of the financial assets and liabilities, together with their carrying amounts shown in the statement of financial position are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash resources	6,044,896	6,044,896	4,160,106	4,160,106
Accounts receivable	273,656	273,656	294,902	294,902
Interest receivable	300,650	300,650	239,475	239,475
Investments (note 8)	17,554,162	N/A	12,390,017	N/A
Deposits of members	97,486,581	97,486,581	83,566,152	83,566,152
Regulatory capital	1,791,400	1,791,400	1,683,600	1,683,600
Accounts payable	893,544	893,544	731,834	731,834
Loans and mortgages (net)	81,658,975	81,658,975	74,120,059	74,120,059

(g) *Loans and mortgages receivable*

The nature of the Credit Union is such that loans can only be made to members of the Credit Union or similar societies. As a result of this, a market rate for these loans is not readily determinable and hence it is impracticable to estimate the fair value of these loans.

Investments

The Investment Portfolio comprises of assets stated at cost and fair value.

(h) *Real Property Management*

The Co-operative Societies (Amendment) Act 2007-39, sec. 196A states that a Credit Union may not acquire or hold real property where the market value of the property to be acquired would cause the aggregate value of the property to exceed 6% of the stated assets of the Credit Union. At March 31, 2016, the Credit Union held 4.48% (2015 - 4.2%) in real property.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

5. Determination of Fair Values

A number of the accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) *Investments in equity and debt securities*

The fair value of available-for-sale financial assets is determined by reference to their quoted closing price at the reporting date. It is not practicable to establish the fair value of held to maturity investments.

(b) *Trade and other receivables*

The fair value of trade and other receivables is estimated as the amount recoverable at the reporting date.

6. Cash Resources

This balance consists of:

	<u>2016</u>	<u>2015</u>
Cash equivalents	555,507	956,889
Cash on hand	\$ 420,089	504,424
Cash at bank	<u>5,069,300</u>	<u>2,698,793</u>
	<u>\$ 6,044,896</u>	<u>4,160,106</u>

7. Interest Receivable

	<u>2016</u>	<u>2015</u>
Loan interest receivable	\$ <u>300,650</u>	<u>239,475</u>

This interest relates to interest accrued on loans and mortgages in good standing at March 31, for the respective years.



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

8. Investments

(a) *Investments comprise:*

	<u>2016</u>	<u>2015</u>
<i>Equity securities, mutual funds and fixed income, at fair value:</i>		
Shares in Banks Holdings Ltd.	\$ -	83,220
Shares in Insurance Corporation of Barbados	592,284	461,520
CIBCFCIB "Blue Eagle" portfolio fixed income	3,304,955	3,555,561
CIBCFCIB "Blue Eagle" portfolio mutual funds/ equities	<u>342,608</u>	<u>339,380</u>
	<u>4,239,847</u>	<u>4,439,681</u>
<i>Equity securities, at cost:</i>		
Shares in the Barbados Co-operative Credit Union League Ltd.	21,020	21,020
Shares in Bridgetown Cruise Terminals Inc.	1,553	1,553
Shares in Co-operators General Insurance Co. Ltd.	<u>1,141,560</u>	<u>1,084,020</u>
	<u>1,164,133</u>	<u>1,106,593</u>
<i>Other investments, held to maturity:</i>		
CIBCFCIB "Blue Eagle" portfolio	-	951,051
First Citizens Investment Services Ltd.	1,347,900	1,327,166
Barbados Agriculture Management Company		
- Commercial Paper	-	600,000
CAPITA Financial Services Inc	828,945	610,840
Barbados Co-operative Credit Union League Ltd		
- Central Fund Facility Trust	937,819	331,030
Barbados Transport Board	225,477	262,062
Barbados Port Inc	713,246	662,169
Barbados Treasury Bills	7,474,785	1,000,000
Barbados Tourism Investment	-	500,000
Barbados Public Workers Co-operative Credit Union Ltd.	<u>622,010</u>	<u>599,425</u>
	<u>12,150,182</u>	<u>6,843,743</u>
Total Investments	\$ <u>17,554,162</u>	<u>12,390,017</u>

The Credit Union outsources the management of its investment portfolio referred to as the "Blue Eagle" to CIBC First Caribbean International Bank's (The Bank) wealth management department. The Bank was given an investment policy and parameters to guide the investment decisions. The Investment policy was prepared by a group of members with an investment career background. Reports are submitted monthly to the management where the performance of the fund is reviewed. The total fund under management is \$3,647,563 (2015 - \$3,216,181). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

8. Investments, continued

(b) Investment of funds

Section 34(A) (1) of the Co-Operatives Society Act Cap 378A set out in detail the profile of institutions and securities in which the Credit Union can invest the funds of the Society including its reserves.

Section 34(A) (2) limits investments in equities of companies incorporated in Barbados or in a member state of the Caribbean community and listed on a stock exchange of these states. These companies must have paid dividends on its shares in the preceding five consecutive years. Alternatively they can invest in securities issued by a credit union that is registered in a member state of the Caribbean community. Such investments shall not exceed 10% of the statutory reserve of the Credit Union.

The Financial Services Commission can also exercise discretion in allowing other investments except as defined in section 34(A) (2)

As at March 31, 2016, the Credit Union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	<u>2016</u>	<u>2015</u>
Loans	\$ 35,858,501	35,975,960
Mortgages	<u>48,812,880</u>	<u>40,617,378</u>
	84,671,381	76,593,338
Less Allowance for doubtful loans	<u>(3,012,406)</u>	<u>(2,473,279)</u>
	\$ <u>81,658,975</u>	<u>74,120,059</u>

Loans are classified as personal, business, line of credit and other loans. Personal and business loans bear interest at a rate of 6.5% to 18% per annum, unsecured loans and revolving line of credit at 17% and other loans at 8% to 18% per annum on the reducing balance. All loans are repayable to the Credit Union in monthly blended principal and interest installments over a maximum period of thirty years.

Mortgages usually bear a floating interest rate of 6.5% per annum on the reducing balance. As of March 2016 mortgages are being offered at a variable rate of 5.5% to 7.5% (2014 - 5.5% to 7.5%) per annum on the reducing balance. Mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum period of thirty years.



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

9. Loans and Mortgages to Members, continued

Allowance for doubtful loans

	<u>2016</u>	<u>2015</u>
Opening balance	\$ (2,473,279)	(6,019,727)
Charge for the year	(563,818)	(376,397)
Write offs	-	3,915,465
Recoveries	<u>24,691</u>	<u>7,380</u>
Ending balance	\$ <u>(3,012,406)</u>	<u>(2,473,279)</u>

Loans greater than 90 days past due are considered impaired and as such provision is made in the accounts for the uncollectable loan principal amounts and interest receivable on all such loans.

10. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 258,995	281,277
Interest receivable - Investments	<u>14,661</u>	<u>13,625</u>
	\$ <u>273,656</u>	<u>294,902</u>

Accounts receivable mainly represents amounts receivable from the Government of Barbados for taxes withheld on the Blue Eagle Portfolio.

Interest receivable from investments represents interest receivable on fixed income instruments held in the Blue Eagle account and interest receivable from deposit accounts held at other financial institutions.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

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11. Property and Equipment

2016

	Equipment & Computer Software	Motor Vehicles	Land & Buildings	Leasehold Improvements	Total
Cost/Valuation					
At beginning of year	\$ 2,839,095	199,377	4,200,000	608,737	7,847,209
Additions	200,749	92,652	-	230,753	524,154
Revaluation	-	-	825,000	-	825,000
Disposals	(997)	(133,587)	-	-	(134,584)
At end of year	\$ <u>3,038,847</u>	<u>158,442</u>	<u>5,025,000</u>	<u>839,490</u>	<u>9,061,779</u>
Accumulated Depreciation					
At beginning of year	\$ 1,933,675	107,928	123,000	521,083	2,685,686
Charge for year	211,554	29,269	-	38,180	279,003
Disposals	799	(95,855)	(123,000)	-	(218,056)
At end of year	\$ <u>2,146,028</u>	<u>41,342</u>	<u>-</u>	<u>559,263</u>	<u>2,746,633</u>
Net Book Value	\$ <u>892,819</u>	<u>117,100</u>	<u>5,025,000</u>	<u>280,227</u>	<u>6,315,146</u>

2015

	Equipment & Computer Software	Motor Vehicles	Land & Buildings	Leasehold Improvements	Total
Cost/Valuation					
At beginning of year	\$ 2,557,760	199,377	4,200,000	608,737	7,565,874
Additions	284,123	-	-	-	284,123
Disposals	(2,788)	-	-	-	(2,788)
At end of year	\$ <u>2,839,095</u>	<u>199,377</u>	<u>4,200,000</u>	<u>608,737</u>	<u>7,847,209</u>
Accumulated Depreciation					
At beginning of year	\$ 1,730,803	85,066	61,500	499,818	2,377,187
Charge for year	204,610	22,862	61,500	21,265	310,237
Disposals	(1,738)	-	-	-	(1,738)
At end of year	\$ <u>1,933,675</u>	<u>107,928</u>	<u>123,000</u>	<u>521,083</u>	<u>2,685,686</u>
Net Book Value	\$ <u>905,420</u>	<u>91,449</u>	<u>4,077,000</u>	<u>87,654</u>	<u>5,161,523</u>

The Credit Union's building is valued on a tri-annual basis as dictated by the Board of Directors.

The next valuation is scheduled to take place in the 2018 - 2019 financial year. During the 2015 - 2016 financial year the Board of Directors determined the value of the Credit Union's building was \$5,410,540 based on a valuation prepared by an independent, professional valuer. The resulting increase of \$984,000 was credited to revaluation reserve in equity. The accumulated depreciation of \$184,500 on the property at the date of the valuation was eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount of the property.



**THE BARBADOS WORKERS' UNION
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Notes to the Financial Statements

For the year ended March 31, 2016

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12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	<u>2016</u>	<u>2015</u>
Interest payable on deposits	\$ 483,825	268,817
Non-member deposits	141,395	137,138
Professional fees	79,625	74,025
Other payables	<u>188,709</u>	<u>251,854</u>
	<u>\$ 893,554</u>	<u>731,834</u>

Interest payables on deposits represent the accrued amounts that are outstanding but unpaid to members for their deposits and saving accounts.

Other payables represent staff payables (P.A.Y.E, N.I.S) and miscellaneous trade payables.

13. Deposits of Members

Members' deposits comprise the following:

	<u>2016</u>	<u>2015</u>
Term deposits	\$ 18,349,133	11,771,216
Other deposits	25,820,616	19,185,478
Prime deposits	<u>53,316,812</u>	<u>52,609,458</u>
	<u>\$ 97,486,561</u>	<u>83,566,152</u>

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 2.25% to 5.00% (2015 - 3.00% to 4.5%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 1.00% - 3.15% (2015 - 2.00% to 3.25%).

Prime Deposits, previously known as Members' Shares, is an interest bearing deposit account which has attracted an average rate of 2.00% (2015 - 2.25%) during the financial year.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

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14. Loan Payable

	<u>2016</u>	<u>2015</u>
Current portion	\$ 52,830	52,768
Long term portion	<u>190,088</u>	<u>242,911</u>
	<u>\$ 242,918</u>	<u>295,679</u>

During 2015 the Credit Union secured a loan from The Central Fund Facility Trust in the amount of \$300,000. The loan is repayable in equal instalments of \$5,870 monthly over a 5 year period. The loan is secured by investments in the CFFT valued at \$320,300 as at year end.

15. Tax on Assets

The Tax on Assets included in the Statement of Comprehensive Income is calculated at 0.20% per annum (0.05% per period) of Average Domestic Assets. Average Domestic Assets is defined as Total Assets less Provision for Bad Debts and Reserve for Depreciation.

Below details the taxation for the current year:

	<u>Average Domestic Assets</u>	<u>Tax for Period</u>
Period 1 – April 1 – June 30, 2015	\$ 97,318,488	48,659
Period 2 – July 1 – September 30, 2015	99,823,356	49,912
Period 3 – October 1 – December 31, 2015	106,078,508	53,039
Period 4 – January 1 – March 31, 2016	110,023,973	<u>55,012</u>
Charge for the year		206,622
Over accrual for the year		<u>1,934</u>
Taxation expense for the year	\$	<u>208,556</u>

Below details the taxation for 2015:

	<u>Average Domestic Assets</u>	<u>Tax for Period</u>
Period 1 – July 1 – September 30, 2014	\$ 90,225,611	45,113
Period 2 – October 1 – December 31, 2014	91,974,738	45,987
Period 3 – January 1 – March 31, 2015	94,572,059	<u>47,286</u>
Charge for the year		138,386
Under accrual for the year		<u>(2,073)</u>
Taxation expense for the year	\$	<u>136,313</u>



**THE BARBADOS WORKERS' UNION
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For the year ended March 31, 2016

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16. Regulatory Capital

	<u>2016</u>	<u>2015</u>
Balance at April 1	\$ 1,683,600	1,613,150
Contributions for the year	<u>107,800</u>	<u>70,450</u>
Balance at March 31	<u>\$ 1,791,400</u>	<u>1,683,600</u>

In accordance with the requirements of IAS 32 and IFRIC 2, share capital is classified in the financial statements as a liability as their terms provide for withdrawal at the option of the members. Shares are classified as a liability and the appropriate payments classified as an expense and presented as a charge in arriving at net income for the year. The change in classification does not affect the rights and obligations of the members as set out in the Act or the Credit Union's by-laws.

Regulatory Capital represents the amount that has been paid up by members in respect of shares. Each regular member has twenty shares at a value of \$5.00 per share. Each junior member has ten shares at \$5.00 per share. There is no limit to the number of shares the Credit Union is authorized to issue.

These shares in the co-operative entitle each member to one vote in the conduct of the affairs of the co-operative at general meetings. Shares may only be withdrawn when the member wishes to end their membership with the Credit Union. No dividend or patronage refund has been declared for the year.

17. Reserves

(a) *Statutory Reserve*

The statutory reserve is established pursuant to Section 197 (2) of the Co-operative Societies Act, Cap 378A.

The statutory reserve accumulated transfer from net income

The Credit Union is required under governing legislation to transfer an amount equivalent to the greater of one half of one percent (0.5%) of total assets or twenty-five percent (25%) of Net Income (before dividends) to the statutory reserve annually until the capital ratio equals ten percent (10%). At March 31, 2016, capital ratio was 8.14% (2015 - 8.71%). The allocation for the year was \$561,114 (2015 - \$482,371).

(b) *Education Fund*

The Registrar of Co-operatives has advised that the greater of 1% of the net income or \$100 be transferred to an education reserve. This reserve is periodically paid to the Barbados Co-Operative Credit Union League. The amount transferred for the year was \$6,832 (2015 - \$6,624).

(c) *Common Good Fund*

The common good fund was established by the Credit Union and represents amounts allocated to facilitate donations to benevolent causes. The amount transferred is 1% of net income. The amount transferred for the year was \$6,832 (2015 - \$6,624).

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

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18. Mutual Benefits Plan

This amount represents contributions to the Mutual Benefits Plan, which is administered by Co-operators General Insurance Company Limited. The plan provides loan protection to the Credit Union.

19. Major Operating Expenses

These comprise:

	<u>2016</u>	<u>2015</u>
General and Administrative Expenses		
Audit Fees	\$ 80,042	78,002
Stationery Office supplies	59,344	72,384
Professional Fees	37,993	43,385
Equipment Maintenance	25,569	28,187
Motor Vehicle Expense	24,385	24,570
Supplies	17,272	16,426
Postage	51,573	14,293
Motor Vehicle Insurance	8,264	7,741
	<u>\$ 304,442</u>	<u>284,988</u>
Occupancy Costs		
Utilities	\$ 83,635	103,520
Rental Expense	122,753	101,575
Security	101,397	80,031
Property Insurance	56,904	50,935
Telephone	-	42,610
Maintenance	24,933	35,527
Other Office Expenses	27,050	25,000
Land Tax	13,860	9,900
Television Charges	2,256	2,068
Other Property Expense	691	1,311
Miscellaneous	1,631	50
	<u>\$ 435,110</u>	<u>452,527</u>
Membership Protection and Governance Expenses		
MBP Premiums	\$ 182,735	158,028
League Dues	80,549	86,424
Convention	52,901	79,766
Reimbursable Expenses	69,648	60,850
Annual Meeting	26,897	32,660
Committee Meetings	21,174	27,375
Other Meetings	680	8,695
Committee Expenses	7,930	-
Fidelity Insurance - Directors	5,145	-
	<u>\$ 447,659</u>	<u>453,798</u>



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

20. Financial Instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	<u>2016</u>	<u>2015</u>
Interest receivable	300,650	239,475
Investments	\$ 17,554,162	12,390,017
Loans and receivables	81,658,975	74,120,059
Cash resources	<u>6,044,896</u>	<u>4,160,106</u>
Total	\$ <u>105,558,683</u>	<u>90,909,657</u>

**Interest rate risk
Profile**

At the reporting date the interest rate profile of the interest-bearing financial instruments was:

	Carrying amount	
	<u>2016</u>	<u>2015</u>
Fixed Rate Instruments		
Fixed Financial Assets	\$ 30,477,427	37,360,916
Fixed Financial Liabilities	<u>(19,465,406)</u>	<u>(13,454,816)</u>
Net Fixed Rate Instruments	\$ <u>11,012,021</u>	<u>23,906,100</u>
Variable Rate Instruments		
Financial Assets	\$ 77,793,012	55,782,545
Financial Liabilities	<u>(79,137,428)</u>	<u>(71,794,936)</u>
Net Variable Rate Instruments	\$ <u>(1,334,416)</u>	<u>(16,012,391)</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

21. Interest and Dividend Income

Recognised in profit or loss

	<u>2016</u>	<u>2015</u>
Interest on loans	\$ 4,090,405	4,104,213
Interest on mortgages	2,962,993	2,476,907
Interest income on held-to-maturity investments	520,412	487,239
Interest income on bank deposits	16,539	15,238
Dividend income held to maturity financial assets	<u>72,596</u>	<u>96,860</u>
Interest and dividend income - gross	7,662,945	7,180,457
Interest expense on financial liabilities measured at amortised cost	(2,288,385)	(1,994,174)
Gain realized on sale of investments	178,171	128,230
Loss on assets	<u>-</u>	<u>(150)</u>
Net interest, realised gain and dividend income recognised in profit or loss	<u>\$ 5,552,731</u>	<u>5,314,363</u>

Recognised directly in equity

Net unrealized gain (loss) on investments for the year	\$ <u>220,902</u>	<u>(12,102)</u>
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22. Related Parties

(a) *Identity of related parties*

The Credit Union has a related party relationship with its directors, committee members and key management personnel.

(b) *Related party balances*

These represent loans outstanding, shares and deposits held by related parties as identified in (a) above.

	<u>Loans Balance</u>	<u>Deposits</u>	<u>Qualifying Shares</u>
As at March 31, 2016	\$ <u>987,076</u>	<u>983,580</u>	<u>1,500</u>
As at March 31, 2015	\$ <u>1,335,409</u>	<u>1,125,796</u>	<u>1,500</u>

(c) *Key Management personnel compensation:*

	<u>2016</u>	<u>2015</u>
Wages and salaries	\$ <u>770,542</u>	<u>619,620</u>
Reimbursable expenses for directors and Committee members	\$ <u>69,648</u>	<u>60,850</u>



**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

Notes to the Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

23. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31, 2016 amounted to \$5,096,445 (2015 - \$11,223,984).

24. Operating Lease

Leases as Lessor

The Credit Union leases part of the property at Fairchild Street. The future minimum lease payments under terms of the leases are as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 57,000	68,400
Between two and four years	-	57,000

During the year ended March 31, 2016, \$68,400 (2015 - \$68,400) was recognised as rental income in the statement of comprehensive income.

Leases as Lessee

The Credit Union leases the property which houses the Speightstown Branch from Queen Street Development Inc. and has opened Branch in Oistins at the Southern Plaza Complex. The future minimum lease payments under terms of the leases are as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 103,098	103,098
Between two and five years	415,933	415,933

During the year ended March 31, 2016, \$122,753 (2015 - \$101,575) was recognised as rental expense in the statement of comprehensive income.


25. Contingencies

At March 31, 2016, there were certain legal proceedings against the Credit Union. In view of the inherent difficulty of predicting the outcome of such matters, the Credit Union cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Credit Union does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on its financial position or results of operations.

You're Better With Us



you're
Better
With Us



**Start children of on the way
they should go, and even
when they are old they will not
turn from it.**

- King Solomon



BWU CO-OPERATIVE
CREDIT UNION LIMITED

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