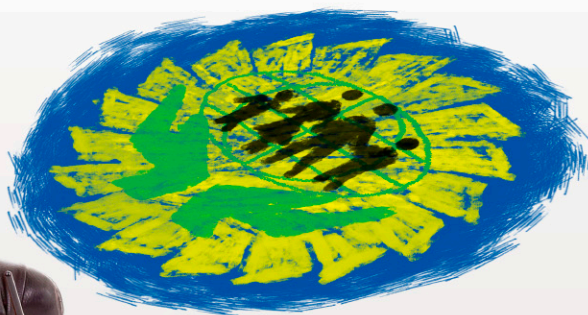


Annual Report 2014

Consolidated



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



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MISSION STATEMENT

Our mission is to render
excellence in service to our members
while providing the
means for enhancing their
financial, economic
and social well being,
in consonance with
co-operative principles.

“Co-operating for your Financial Success”

VISION STATEMENT

Our vision is to be
the premier indigenous
co-operative financial services provider
in the region,
hand in hand with our membership.

OUR COMMON BOND

We commit to these values to guide our decisions and behaviour.

VALUES

Respect for Individuals

We treat each other and our members with respect and dignity, valuing individual differences. We communicate frequently and with candor, listening to each other regardless of level or position.

Dedicated to Helping Members

We truly care for each member. We build enduring relationships by understanding and anticipating our members' needs and by serving them better each time than the time before.

Highest Standards of Integrity

We are honest and ethical in all our business dealings, starting with how we treat each other. We keep our promises and admit our mistakes. Our personal conduct ensures that the Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) name is always worthy of trust.

Service Quality, Diversity and Innovation

We believe service quality, innovation and diversity are the engines that will keep us vital and growing. Our culture embraces quality and creativity, seeks different perspectives and risks pursuing new opportunities.

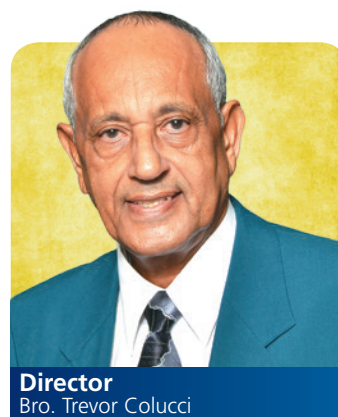
Team Work

We encourage and reward both individual and team achievements. We freely join with our vendors and business partners across organisational boundaries to advance the interest of our members.

By living these values, BPWCCUL aspires to achieve a standard of excellence that will reward our members, and all BPWCCUL people.

OUR LEADERS

BOARD OF DIRECTORS



MANAGEMENT TEAM



Group Chief Executive Officer
Sis. Clorinda Alleyne



Group Financial Controller
Bro. LeVere Catlyn



General Counsel
Sis. Natalie Holder



Group Human Resource Manager
Sis. Tania Nicholls



Manager, Management Information Systems
Bro. Irwin Gibson



CUSO Development Manager
Sis. Susan Yaw



Member Relations Manager - Loans
Bro. Philip Babb



Member Relations Manager - Savings and Deposits
Bro. Zandre Bowen



Credit Risk Manager
Sis. Rachel Belgrave

CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2010 TO MARCH 31, 2014

In Bds \$'000

	2014	2013 Restated	2012 Restated	2011	2010 Restated
Statement of financial position:					
Assets					
Cash and cash equivalents	68,458	65,137	49,215	35,509	39,093
Investments and other short term deposits	79,855	73,991	71,556	56,603	53,890
Loans to Members (net)	825,149	774,615	749,729	712,623	545,488
Property and Equipment	30,009	27,263	26,553	28,194	27,419
Other	13,578	10,279	9,512	9,378	5,866
	1,017,049	951,285	906,565	842,307	671,756
Liabilities					
Deposits	839,052	772,320	735,909	673,773	556,123
Loans Payable	63,966	74,476	80,101	85,188	48,558
Other	17,428	17,335	14,448	15,626	4,354
	920,446	864,131	830,458	774,587	609,035
Equity					
Share Capital	8,240	7,760	7,394	7,037	6,634
Reserve Fund	81,891	71,540	62,954	56,885	48,321
Other Reserves	1,907	1,078	1,633	1,579	1,563
Retained Earnings	4,565	6,776	4,126	2,219	6,203
	96,603	87,154	76,107	67,720	62,721
	1,017,049	951,285	906,565	842,307	671,756
Statement of income:					
Interest Income	77,904	73,962	71,555	63,285	53,124
Interest Expense	29,172	28,444	28,615	25,352	20,616
Net Interest Income	48,732	45,518	42,940	37,933	32,508
Other income	3,446	4,032	3,640	3,250	2,892
Net interest and other income	52,178	49,550	46,580	41,183	35,400
Loan impairment expense	4,699	4,890	3,993	5,593	3,624
Net operating income	47,479	44,660	42,587	35,590	31,776
Total expenses	36,132	31,534	33,163	29,538	22,732
Income before taxation	11,347	13,126	9,424	6,052	9,044

CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2010 TO MARCH 31, 2014

In Bds \$'000

	2014	2013 Restated	2012 Restated	2011	2010 Restated
Financial statistics in percent:					
Asset Growth	6.91	4.93	7.63	25.39	12.08
Loan Growth	6.52	3.32	5.21	30.64	12.08
Deposit Growth	8.64	4.95	9.22	21.16	10.85
Net Surplus Growth	-13.55	39.28	55.72	-33.08	21.97
Return on Assets	1.15	1.41	1.08	0.80	1.42
Return on Equity	12.35	16.08	13.10	9.28	15.48
Operating Efficiency	76.10	70.61	77.87	83.00	71.54
Net Interest Margin	4.95	4.90	4.91	5.01	5.11
	2014	2013	2012	2011	2010
Other statistics					
Delinquency ratio (%)	6.7	7.5	7.2	3.9	3.3
# of members (000'S)	68.7	64.7	61.6	58.6	55.3
# of branches	4	4	3	3	3
Income before tax per member	\$165.24	\$202.96	\$152.94	\$103.28	\$163.54

Principal Bankers

Barbados Public Workers' Co-operative Credit Union Limited - **Republic Bank (Barbados) Ltd.**

BPW Financial Holdings Inc. - **CIBC First Caribbean International Bank**

Capita Financial Services Inc. - **CIBC First Caribbean International Bank**

Auditors

KPMG – **Chartered Accountants**

PRESIDENT'S MESSAGE



President
Bro. Glendon Belle

Dear Members,

I am pleased to report that with your continued patronage and our member-focused strategy, your Credit Union and its subsidiary CAPITA Financial Services Inc. returned a commendable performance again this year in the face of what can be deemed turbulent times.

We, collectively as an institution and as individuals in our respective households and social circles, must demonstrate an unwavering level of resilience and resolve as we chart the path forward. Your Credit Union has and intends to continue demonstrating leadership in this regard.

The effects of the recession have threatened our way of life as we know it, presenting unforeseen challenges to households and more specifically to our members. Consequently, it was a fiscal year in which we had to carefully navigate our cherished institution through turbulent waters and with some uncertainty but also some opportunity ahead. We will continue to proceed with a mixture of caution and calculated ingenuity to buffer the impact of the prevailing conditions while charting this path forward.

On a personal level, my fellow Board members and I empathize with those affected by recent retrenchment measures. In response, we have conceptualized a number of support initiatives, and increased our outreach efforts, through a variety of channels such as our website, telephone hotline, Contact Centre and Financial Education Unit. In addition, we propose to increase traditional appropriations to cushion the impact of the existing recessionary economic period.

The Board is acutely aware of the many alternative financing options which are available in the marketplace but we are also confident that no other financial service provider exists for the special purpose of catering to your financial needs in the way this Credit Union does.

We give the assurance that the Credit Union will continue to provide sound and creative solutions to combat the challenges

you may experience during this difficult period. We will exercise flexibility, good governance and wise decision-making practices in the execution of our member-focused strategy. These will serve well our critical success factors for sustainability.

Moments like these caused us to engage in a measure of introspection, as we place in perspective the reality of this our expanding, indigenous financial institution. Forty-four years on, we remain deeply indebted to and acknowledge the contribution of our many pioneers, various elected committees, the representatives association, management, staff and last but by no means least, you, our members for your unwavering and committed loyalty and patronage over the years.

I take this opportunity to place on record the Board's sincerest appreciation for the invaluable service of retiring directors Bro. Cedric Murrell and Sis. Paula Byer. Their cumulative wealth of knowledge and vast experience in their respective fields of endeavour has enabled them to make inestimable contributions to this Credit Union.

As Chairman of the Board and an outgoing director, I also wish to express my profound appreciation and gratitude for being granted the privilege of serving this esteemed institution at this level.

It was indeed an inimitable pleasure.

BOARD OF DIRECTORS' REPORT

Overview

Brothers and Sisters, once again the Board of Directors is pleased to report yet another year of creditable performance particularly considering the prevailing economic environment.

The Credit Union registered commendable growth in loans while achieving reduced delinquency for this fiscal period. Membership growth continued to thrive and was recorded at 6.2 percent. A net surplus of \$11.1 million prior to appropriations was recorded by the Credit Union and its subsidiary CAPITA Financial Services Inc.

The Credit Union's performance continued to be impacted by the adversities within the economy. As members' disposable income dwindled and in some instances disappeared as a result of job loss, the Credit Union responded with strategies suited to these circumstances.

We remain committed to implementing programmes, strategies and initiatives which can be customised or tweaked to meet individual needs as appropriate. At the same time we will continue to seek out strategic, sustainable and developmental growth opportunities, so that your Credit Union remains viable in this dynamic and extremely competitive marketplace.

Serving Members' Needs

As job losses and retrenchment became a reality for our members, the Credit Union took action through outreach programmes aimed at cushioning the harsh impact linked to the situations. The initiative, though general, was customized to suit individual needs. Access to in-branch personnel was enabled via a telephone hotline service, specifically put into operation to ensure accelerated and ready-contact with credit union officers. Access was also available through online channels where requests for consultation were made and managed. Apart from financial counselling which is readily available at no cost to members, the bulk of the activity related to this initiative was linked to the restructuring of loans.

Mindful of the certainty that the incidence of job losses will not quickly leave us, the Credit Union remains committed to assisting members. It is the intention of your Board of Directors therefore to increase appropriation levels associated with the established Social Outreach programme. This is specifically focused on cushioning the impact of the prolonged economic recessionary period on members.

Recent challenges linked to the pursuit of professional development through tertiary education at our own University of the West Indies is firmly affixed to the Credit Union's radar. To address this situation and cater to the needs of this member sector, a new educational loan facility, the Student Loan, was recently rolled out.

Training and development remains a cornerstone of the co-operative model and is certainly the bedrock of this Credit Union's success. As we continue to support and place people

and their needs at the centre of all we do – our members, our employees and the community we serve – we will continue to thrive and succeed. This will be realised by providing internal and external training necessary to build on and enhance the knowledge base required for success. Putting people first continues to be a win/win strategy.

Of specific note by way of training and development during the year were the Thrift Club Easter Seminar, Thrift Club Summer Camp, general Member Information Sessions and the Representatives Association.

For the past seven years the Credit Union has hosted the Thrift Club Easter Seminar. This developmental seminar for teens 13 to 16 years has as its primary objective, equipping our young members with enduring life skills. Emphasis is placed on the development of their critical thinking and problem solving skills. There is also a consistent link to the key aspects of financial literacy for young people. We see this as an investment not only in the future of our local credit union movement but as a contribution to a more financially literate Barbadian society.

Our annual Thrift Club Summer Camp continues to be very sought after. This activity caters to our Thrifty Infants, Juniors and Teens - children 4 to 16 years old. Providing a safe, fun-filled, learning environment for children during the summer holidays is our prime objective. The Credit Union subsidizes the cost for this five week event.

The Credit Union also launched the Thrift Club School Savers Programme at the primary and secondary school levels. Approximately sixty students at the Princess Margaret Secondary School and the Westbury Primary School are now participating in this programme with more schools to join in the near future.

Member information sessions held quarterly for the Credit Union's general membership, not only provided information on the Credit Union's products and services, but also sought to ensure timely information sharing relevant to our membership.

Members of the Credit Union Representatives Association are invited to attend regular training sessions; usually quarterly. The main objective of these sessions is to ensure that representatives are familiar with the Credit Union's products and services and are therefore well equipped to assist in promoting the credit union difference within their organisations and communities.

Service Quality and Channel Expansion

The Credit Union remains committed to service excellence. Consistent with the objective articulated in our mission statement, we will therefore spare no effort in addressing and resolving matters related to service which are less than ideal. Existing service levels are under review. Focused strategy and dedicated attention will be engaged to ensure that service level issues are addressed and fully resolved with utmost priority. In

BOARD OF DIRECTORS' REPORT

(continued)

addition, we will continue to refine our training standards such that these issues are substantially reduced and an excellent and attentive service experience becomes the new norm. Our intent is to ensure now more than ever, that the Credit Union's service levels are enhanced and characterised by speed, accuracy, efficiency, effectiveness and convenience all at once.

Foremost in our drive to realise this goal will be the continued review of business processes with internal stakeholders. The elimination of redundant steps, hurdles which undermine service initiatives as well as destabilize and undercut efficiency, will be the primary focus.

Performance for the first 15 months of operations at our Carlton, Black Rock Branch has been very significant. As at March 31, 2014 the portfolio balances registered in the following areas were; loan portfolio – \$33.3 million, shares and deposits – \$15.3 million and new members in excess of 1000. The strategic decision to establish this branch has contributed substantially to enhanced service delivery convenience.

Consistent with the Credit Union's commitment to enhanced member satisfaction and member convenience, the Credit Union's quest to establish a footprint in the North of the island has borne fruit. On May 16, 2014 service in the North was enhanced with the placement of an ATM in the Jordan's Supermarket Complex, Speightstown, St. Peter. In addition, an ATM was installed at H&B Hardware, Warrens, St. Michael on October 25, 2013.

We at BPWCCUL hold firm and remain committed to co-operative principles. We will endeavour always to support our sibling credit unions, big and small, within the credit union movement to make sure that none fail, ensuring investor and member confidence alike within the co-operative movement. To this end we have established a technology service facility to support and facilitate technological services between credit unions more simply and cost effectively.

League Interaction

The Credit Union continues to assist the Barbados Co-operative and Credit Union League by way of providing funding in its initiative geared towards institutional strengthening, particularly as it relates to the development of smaller credit unions. During the year, the Credit Union united with the League on a number of key issues affecting the movement including advocating with government for credit union deposit liability insurance and providing continued funding for member education.

Entrepreneurship

In its forty-four years of existence, the Credit Union has focused on creating an environment and opportunities to enable members to acquire basics such as real estate, transportation

and the consumer durables.

The Credit Union continues to position itself to forge ahead in the fulfilment of the goal expressed in the mission statement to further enhance the financial, economic and social well-being of its membership by making them firm craftsmen of their fate.

The existing economic climate and shrinking labour market provides the timing for us to create the economic space and the mechanism to allow our members to realise that dream of becoming successful entrepreneurs.

To that end we are exploring partnerships with entities in the business community to assist the set-up of a business unit to support small and micro business. While the initiative is still in the embryonic stages, we remain confident that we have the leadership and vision to succeed in assisting in the economic empowerment and development of Barbados through transforming our members' lives.

Financial Education Unit

The Financial Education Unit's mandate is to provide remedial, preventative and productive financial education, an invaluable benefits to members. This includes basic financial knowledge, the ability to reduce and prevent financial problems while developing sustained savings habits and the establishment of achievable financial goals.

This Unit will continue to target members who are currently or have been delinquent in their loan payments, seeking to have their borrowing powers restored, members who are otherwise challenged in matters of money management, poor saving/frequent borrowing or alternatively seeking to establish financial stability.

It is anticipated that within the not too distant future the Credit Union will progress to outfit this Unit with the skills set and necessary resources to offer wealth management and other related services to members.

Corporate Social Responsibility

The Credit Union remains fully cognizant that the youth are our future and continues to interact closely with The Thrift Club Committee by providing programs and opportunities like the Easter seminar and the summer camp previously discussed.

The Credit Union continues to fulfill its mission to be a good corporate citizen. During the course of the year, the Credit Union has made numerous charitable donations to a range of deserving causes.

We continue to support our belief in corporate social responsibility to the Credit Union's youth by ensuring appropriate recognition for outstanding academic achievements. Awards are made to top performers in the Barbados Secondary Schools Examination i.e. 11+ Plus, CXC, CAPE and Barbados Community College

BOARD OF DIRECTORS' REPORT

exams, at the primary, secondary and tertiary level respectively. Two scholarships in honour of stalwart Mr. Ralph Boyce are available at the UWI, Cave Hill Campus.

In addition, a substantial number of educational grants were made available to assist with the cost of books, amenity fees and costs associated with educational pursuits. Ongoing sponsorships and donations are made to students and adult members to facilitate involvement in tours to sporting and educational events local and overseas.

Community Involvement

The Credit Union continues to invest in its members and their social well-being. Annually for the past four years, the Credit Union has fully sponsored the Christmas Concert in Independence Square. This concert provides wholesome and uplifting entertainment for all. The Credit Union continues to support its surrounding community particularly at Christmas time where the children are invited to Brunch with Santa and gift giving initiative.

CAPITA's Performance

Our subsidiary recorded a steady growth in assets and earnings during the year ended March 31, 2014. Total assets grew by \$23.5 million or 15.1 percent driven principally by a surge in demand for mortgages which recorded a 20 percent increase year over year. This performance was fuelled by the growth in deposits which moved from \$121.2 million at the end of the previous year to \$137.1 million at March 31, 2014. This represents an increase of \$15.9 million or 13.1 percent and though indicative of the excess liquidity in the financial sector, it is also a reflection of the increasing confidence in the CAPITA brand and the demand for its product offerings.

Earnings results are gradually assuming a measure of consistency as management explores various pricing options in the face of intense competition from banks and other financial institutions in the sector. As a result, there was some margin compression in the interest spread as rates trended down across the industry.

Notwithstanding these limitations, net interest income grew from \$4.3 million in 2013 to \$5.0 million in 2014, an increase of \$647 thousand or 15 percent. Net income of \$1.1 million represented a slight increase over the prior year as the top line earnings growth was offset primarily by an increase in occupancy costs associated with the relocation of the corporate offices to new expanded facilities in the Co-operators General Insurance building, Upper Collymore Rock, St. Michael.

In light of the current economic turmoil, the performance for 2014 reflects the results of a sound, measured and carefully modelled strategy to build the company's core business segments while efforts are redoubled to improve net interest

margin and also grow other income sources such as the Insurance brokerage in 2015 and beyond.

Legacy Foundation, Registered Charity No. 978

The Board is pleased to report on another year of operations of Legacy Foundation. Legacy Foundation continues to be funded by appropriations from the Credit Union.

While Legacy's funding scope is broad, with the exception of a donation to Cancer Support Services, to date donations have been centred largely on children's educational and developmental needs. These included donations to the Special Unit Annex at Ellerton Primary School, the Inclusive Play Project; a unique play park project to accommodate children with special physical needs, and most recently, the outfitting of the Learning Resource Centre at the neighbouring Charles F. Broome Memorial Primary School.

It is anticipated that as needs surface in our society due to the prevailing economic conditions and with state agencies constrained in allocating funds towards developmental and sustainability projects, so too will the demand on that fund grow.

We would therefore like to place on record our appreciation to the volunteer Board of Trustees of Legacy for the work done so far and also challenge them to remain steadfast in their commitment in the face of all that lies ahead.

Condolences

The Barbados Public Workers' Co-operative Credit Union Limited extends sincere condolences to all members who would have lost loved ones during the past year. Take time to reflect on the happy moments and memories with your loved ones.

Looking ahead to 2014 – 2015

We recognize that the ensuing year will bring significant challenges and changes which will impact not only the Credit Union as an organization but its members as well. Notwithstanding increased scrutiny and regulation, this Credit Union remains committed to ensuring that we weather the storm as a cohesive unit fully focused on protecting the interests of members and organization alike.

A renewed focus on regulatory compliance coupled with continued fiscal prudence will augur well for our future sustainability and viability.

We fully expect that as always our members will continue to demand better, more efficient and more convenient services from the Credit Union executed in a timely fashion and in this regard, we are committed to retooling and furnishing our teams with the training, competencies and exposure through professional development necessary to realize these goals.

BOARD OF DIRECTORS' REPORT

(continued)

Acknowledgement

The Board of Directors acknowledges and extends appreciation to our members for their commitment and loyal patronage during the year. Our success is your success. Special acknowledgements to our staff, elected committees, sub-committees and associated chairpersons for their consistent, dedicated and continued support.

Deep and sincere gratitude to everyone from the Board of Directors.

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Group's Annual Report provides a discussion and analysis of the financial condition and performance of the consolidated operations of the Barbados Public Workers' Co-operative Credit Union Limited, and its subsidiaries ("the Group") for the financial year ended March 31, 2014.

The Group includes the parent, Barbados Public Workers' Co-operative Credit Union Limited, its subsidiary, BPW Financial Holdings Inc. and its subsidiary, CAPITA Financial Services Inc. ("Capita").

Overview:

At March 31, 2014, the total consolidated assets of the Group reached \$1.0 billion reflecting a steady growth in operations since the acquisition of Capita Financial Services Inc. (formerly CMFC) in August 2010.

This major milestone achievement, particularly during a prolonged period of economic downturn, is testimony to the loyalty and support of the Credit Union's members, as well as the customers and staff of the other financial institutions in the Group.

Moreover, this achievement is a reflection of a process of continuous improvement, a shared strategic vision of key objectives, diligent risk management and a proactive approach to the needs of its key stakeholders.

The strong performance of the Group was also reflected in the consistent growth of net earnings, albeit at a reduced rate when compared with the last year. Group consolidated net income for the year under review was \$11.1 million compared with \$12.8 million for the previous year. Increased operating costs driven principally by increased staff costs, new office facilities and product promotions and member incentive packages have contributed to this shortfall in net earnings. The earnings momentum generated by these cost initiatives is however, expected to drive positive results to the bottom line well beyond 2014.

The Group continued to maintain tight control over the rate of loan delinquencies, resulting in a decline in the non-performing or impaired loan ratio from 7.5 percent in 2013 to 6.7 percent in 2014. However, as a prudent measure and following a diligent review of the portfolio, the loan impairment provision was increased from \$20.6 million in 2013 to \$22.6 million in 2014. As a result, the ratio of provision to impaired loans moved from 35 percent in 2013 to 40 percent in 2014.

On the whole, the Group recorded improved performances in its core business as results were largely volume-driven at the expense of downward pressure on income yields. Loan growth almost doubled from 3.32 percent in 2013 to 6.52 percent in 2014. Deposit growth climbed from 4.95 percent in 2013 to 8.64 percent in 2014. Net interest margin remained essentially flat year over the year at 4.95 percent as management employed various pricing strategies to drive loan and deposit volumes and offer value-added services to members and customers.

Outlook:

Undoubtedly, the Group is operating in a challenging economic environment that is already impacting the sustainability and future growth of key players in the financial services sector. Faced with continuing deterioration in credit quality, there is a constant need to reassess capital levels, identify stress points and manage risk exposures.

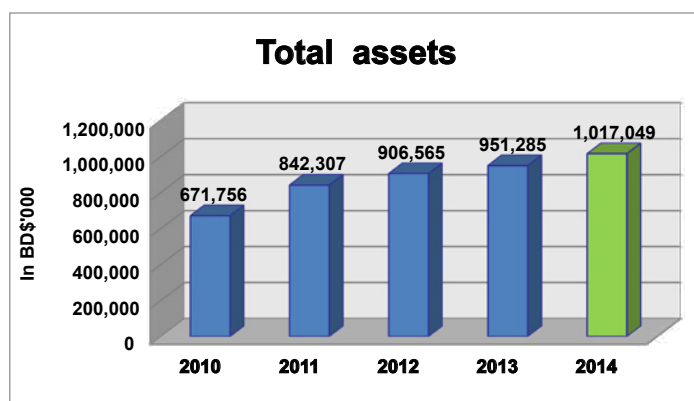
Coupled with these factors, the Group will be under mounting pressure to maintain its positive growth trends as the effects of recent fiscal adjustments are implemented. Chief among these are the large-scale retrenchment of employees in the public service and the proposed introduction of a tax on assets of non-bank financial institutions.

Notwithstanding these circumstances, the Group will meet these challenges with renewed emphasis and vigor as was done in the past.

Economic Review:

Despite improved prospects for growth in the global environment, the local economy continued to experience a steady decline in economic activity over the last twelve months. Weak macroeconomic conditions resulting from a large fiscal deficit and persistent high debt levels are major underlying factors that have stifled any meaningful attempt to raise investor confidence and build momentum in the productive sectors of the Barbados economy.

According to the most recent economic reports, the Barbados economy is estimated to have contracted by 0.4 percent in the quarter ended March 31, 2014, with declines reported in both the traded and non-traded sectors. The overall decline for 2013 was estimated to be 0.1 percent. The inflation rate declined to 1.7 percent, however, the average unemployment rate was 11.7 percent for 2013 compared with 11.6 percent for 2012.



Foreign exchange reserves recovered to reach approximately 16 weeks of import cover as government instituted a series of fiscal consolidation measures aimed at reducing downward pressures on the foreign reserves. In particular, these measures

MANAGEMENT DISCUSSION AND ANALYSIS

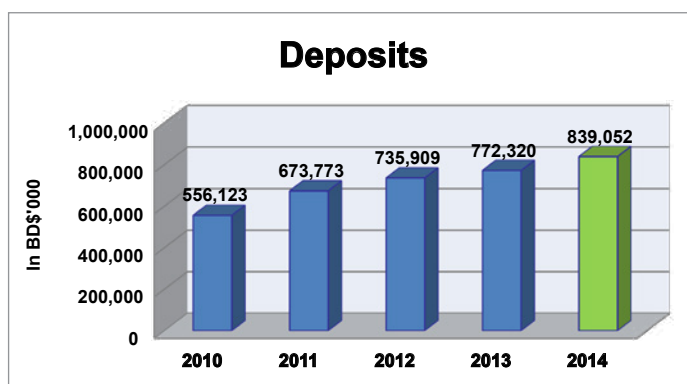
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included a planned reduction of the public sector workforce by 11 percent in order to meet fiscal budgetary targets and restore stability to the economy in the near to medium term.

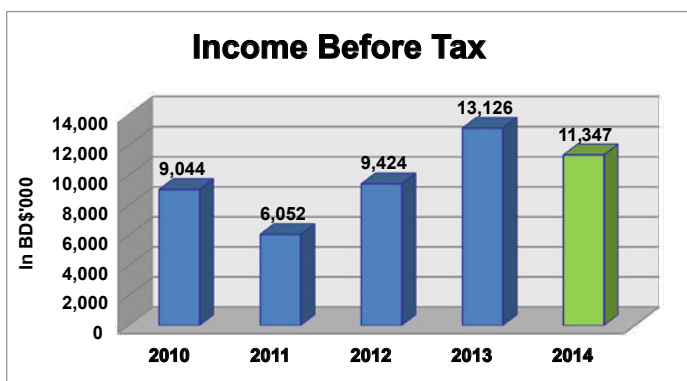
The fiscal measures announced by government also included new tax measures amounting to \$200 million of additional revenue which, together with the expenditure cuts, were projected to reduce the current fiscal deficit from 11.3 percent of GDP to a more desirable target of 6 percent of GDP.

Included in the tax measures is a proposal to extend the tax on assets of banks to non-bank financial institutions, such as credit unions and finance companies.

The financial system was reported to be generally stable. However, the banking system recorded declining financial ratios as loan growth and profitability indices trended downwards. Leading financial indicators for the non-bank financial sector remained largely unchanged with modest growth in some business segments.



Notwithstanding these developments, a recent report on the stability of the financial system of Barbados found that the sector as a whole was well capitalized above regulatory requirements and remained resilient to external shocks at the baseline level. However, vulnerabilities were identified in simulations of adverse moderate to severe macroeconomic conditions.



Outlook:

The success of the measures outlined in government's fiscal adjustment program will be a key imperative in restoring stability to the economy. In the short term, the economy is not expected to grow significantly, but a gradual, sustainable recovery is expected to commence by 2016. This will depend largely on obtaining increased levels of foreign direct investment, strengthening competitiveness in the tourism and international business sectors and a general improvement in the business climate of the country.

Consolidated Financial Statement Highlights

Revenues:

For the financial year ended March 31, 2014 the Group earned total interest revenue of \$77.9 million, up from \$73.9 million for the previous year. This represented an increase of \$4.0 million or 5.4 percent year over year and is attributable to the steady growth in both consumer and mortgage loans across the Group.

Income generated from non-interest sources, however, declined by \$0.6 million or 14.5 percent compared with the previous year, primarily as a result of a drop in rental income.

Net interest income:

Despite competitive pressures in lowering lending rates, prudent management of the interest spread resulted in consistent growth in net interest income during the year. Net interest income grew by \$3.2 million or 7.1 percent to \$48.7 million for the year, positively impacted by increased loan volumes and a reduction in funding costs.

As a consequence, with the downward pricing adjustments, the net yield on average assets or net interest margin remained essentially unchanged at 4.95 percent for the year ended March 31, 2014.

Net income:

The Group earned consolidated net income of \$11.1 million for the year ended March 31, 2014 compared with \$12.8 million for the previous year. This represented a decline of approximately \$1.7 million or 13.3 percent over the prior year. The drop in net income is due to an increase in operating expenses and a decrease in non-interest income compared with the previous year.

Total Expenses:

The increase in total expenses from \$31.5 million in the previous year to \$36.1 million for 2014 was driven principally by increases in staff costs, advertising and promotion expenses, rental expense, security services and training.

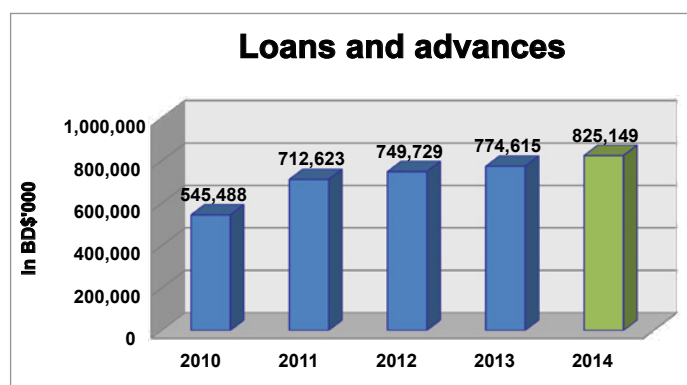
MANAGEMENT DISCUSSION AND ANALYSIS

The increase in staff costs amounted to \$1.6 million and is due to contractual salary increases and new hires in both the Credit Union and Capita during the year.

The expansion of the branch network in late 2013 and the relocation of Capita's offices in 2014 were responsible for the notable increase in rental expense. During the last quarter of 2014 Capita relocated to new offices in the Co-operators' General Insurance building in Upper Collymore Rock, St. Michael. As a consequence, total rental costs moved from \$0.6 million in 2013 to \$1.0 million for 2014.

Assets:

Total assets of the Group stood at \$1.0 billion at March 31, 2014. This represented an increase of \$65.7 million or 6.9 percent over the previous year.



The increased asset growth is as a result of a vigorous marketing campaign, innovative loan promotions, streamlining of loan approval and disbursement processes and competitive reductions in interest rates offered on mortgages. These initiatives were necessary to reverse the declining trends observed last year and have resulted in a modest growth in the loan portfolios across the Group in 2014.

At March 31, 2014, Group consolidated net loans and advances rose to \$825.1 million, as compared to \$774.6 million at the end of the previous year. This represented an overall increase of \$50.5 million or 6.5 percent growth in loans. Capita led the growth in the mortgage loan portfolio which accounted for approximately \$20.5 million of the growth in mortgages. Consumer loans were the major engine of loan growth at the Credit Union accounting for \$24.3 million of the portfolio increase.

The Group remained highly liquid with total cash resources reaching \$122.6 million. Financial investments increased by \$4.0 million or 18.4 percent due largely to additional purchases of government securities during the financial year.

Asset quality:

The delinquency ratio fell from 7.5 percent in 2013 to 6.7 percent

at March 31, 2014. This positive development is attributable to close monitoring of delinquent accounts and strict adherence to credit control and underwriting requirements. The Group also has maintained a consistent approach to the provisioning process based on thorough reviews of individual credits and analyses of collective portfolio risk characteristics.

A key focus of management in recent months has entailed working proactively with members and customers to offer them financial counseling and alternative loan workout and restructuring plans so as to help them maintain a sound credit rating and risk profile.

Liabilities:

The Group's strong liquidity position continued to be driven by the growth in deposit liabilities. At the financial year end the Group's deposits totaled \$839 million, an increase of \$67 million or 8.64 percent higher than at the previous year-end. Deposits at the Credit Union grew by \$49.4 million or 7.3 percent, while Capita continued to reflect a steady increase in customer deposits which increased by \$15.9 million or 13.1 percent.

During the year under review the Credit Union partially repaid a high interest rate loan facility so as to reduce its debt service costs and improve the overall net interest margin yield. This repayment amounted to \$8.6 million and is largely responsible for the reduction in loans payable from \$74.5 million in 2013 to \$64.0 million in 2014.

Equity:

As at March 31, 2014, total equity of the Group was \$96.6 million, an increase of \$9.4 million or 10.8 percent over the previous year. The increase is primarily due to other comprehensive income of \$10.8 million and growth in Credit Union share capital of \$0.5 million, net of dividend distributions and interest rebate of \$1.9 million paid to Credit Union members during the year.

During the forthcoming year it is anticipated that the Group will quickly surpass the \$100 million mark in total capital.

The Group's capital adequacy ratios are above minimum capital requirements and these are being closely monitored under an on-going capital planning process that is forward-looking in assessing capital needs and evaluating changes in strategic focus, risk tolerance levels, business plans and the operating environment that might materially affect capital adequacy.

OUTLOOK – 2014 and Beyond

In summary, the Group will continue to work diligently to enhance the value added component of services to members and customers, foster greater linkages with the wider community, and ensure the stability and sustainable growth of its operations.



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Barbados Public Workers' Co-operative Credit Union Limited (the "Credit Union") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2014, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated 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 consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2014, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
May 29, 2014

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Income

For the year ended March 31, 2014
With comparative figures for 2013

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> Restated*
Interest income	3	\$ 77,904,130	73,961,761
Interest expense	3	(29,172,425)	(28,444,210)
Net interest income	3	<u>48,731,705</u>	<u>45,517,551</u>
Other income	4	3,446,210	4,032,094
Net interest and other income		52,177,915	49,549,645
Loan impairment expense	11	(4,699,329)	(4,890,002)
Net operating income		<u>47,478,586</u>	<u>44,659,643</u>
Staff costs	5	13,614,712	12,036,981
Operating expenses	6	19,720,880	17,137,212
Depreciation	12	2,795,895	2,359,808
Total expenses		<u>36,131,487</u>	<u>31,534,001</u>
Income before taxation		11,347,099	13,125,642
Taxation	7	(219,686)	(321,081)
Net income for the year		<u>\$ 11,127,413</u>	<u>12,804,561</u>

* See Note 2.4 (iii)

The accompanying notes form an integral part of these consolidated financial statements.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2014
With comparative figures for 2013

(Expressed in Barbados dollars)

	<u>2014</u>	<u>2013</u> Restated*
Net income for the year	\$ 11,127,413	12,804,561
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurements of defined benefit asset	(330,608)	(513,621)
<i>Items that are or may be reclassified to profit or loss</i>		
Net unrealised gains (losses) on available-for-sale investments	<u>38,963</u>	<u>(84,760)</u>
Other comprehensive income, net of tax	<u>(291,645)</u>	<u>(598,381)</u>
Total comprehensive income for the year	\$ <u>10,835,768</u>	<u>12,206,180</u>

* See Note 2.4 (iii)

The accompanying notes form an integral part of these consolidated financial statements.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Financial Position

As at March 31, 2014

With comparative figures as at March 31, 2013

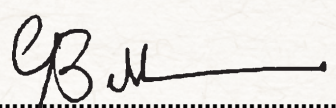
(Expressed in Barbados dollars)

	Notes	2014	2013 Restated*	April 1, 2012 Restated*
Assets				
Cash resources	9	\$ 122,627,943	117,433,453	102,900,958
Financial investments				
Held to maturity	10	20,395,633	16,377,955	11,317,370
Available-for-sale	10	2,107,517	2,044,394	2,338,066
Loans and receivables	10	3,181,576	3,272,398	4,214,891
Loans and advances	11	825,149,124	774,614,499	749,729,372
Property and equipment	12	30,009,202	27,263,027	26,552,722
Pension plan asset	13	5,716	322,043	761,610
Corporation tax recoverable		366,281	380,367	380,367
Intangible asset	15	2,910,000	2,910,000	2,910,000
Other assets	14	10,296,216	6,666,965	5,459,158
Total assets		1,017,049,208	951,285,101	906,564,514
Liabilities and Equity				
Liabilities				
Deposits	16	839,051,895	772,320,340	735,909,041
Loans payable	17	63,966,144	74,476,147	80,100,530
Reimbursable shares		5,351,432	5,726,048	4,532,147
Corporation tax payable		41,021	172,113	52,098
Deferred taxation	7	81,785	29,326	9,059
Other liabilities	18	11,954,059	11,407,220	9,855,048
Total liabilities		920,446,336	864,131,194	830,457,923
Equity				
Share capital	19	8,240,280	7,760,400	7,393,680
Statutory reserves	20	81,891,199	71,540,222	62,953,919
Other reserves	21	1,907,154	1,077,959	1,633,270
Retained earnings		4,564,239	6,775,326	4,125,722
Total equity		96,602,872	87,153,907	76,106,591
Total liabilities and equity		\$ 1,017,049,208	951,285,101	906,564,514

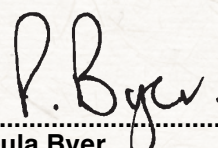
* See Note 2.4 (iii)

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors on May 29, 2014 and signed on its behalf by:



 Glerdon Belle
 President



 Paula Byer
 Treasurer

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Changes in Equity

For the year ended March 31, 2014
With comparative figures for 2013

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>Share capital</u>	<u>Statutory reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at April 1, 2012, as previously reported		\$ 7,393,680	62,953,919	1,254,701	4,125,722	75,728,022
Impact of change in accounting policy [Note 2.4 (iii)]		-	-	378,569	-	378,569
Restated balance at April 1, 2012		7,393,680	62,953,919	1,633,270	4,125,722	76,106,591
Net income (restated)		-	-	-	12,804,561	12,804,561
Other comprehensive income (restated)		-	-	(598,381)	-	(598,381)
Issue of shares		418,440	-	-	-	418,440
Redemption of shares		(51,720)	-	-	-	(51,720)
Transfer to statutory reserves	20	-	8,568,868	-	(8,568,868)	-
Entrance fees	20	-	17,435	-	-	17,435
Transfer to special reserves	21	-	-	914,280	(914,280)	-
Special reserves released to retained earnings	21	-	-	(871,210)	871,210	-
Distributions to members	8	-	-	-	(1,543,019)	(1,543,019)
Restated balance at March 31, 2013		\$ 7,760,400	71,540,222	1,077,959	6,775,326	87,153,907
Net income		-	-	-	11,127,413	11,127,413
Other comprehensive income		-	-	(291,645)	-	(291,645)
Issue of shares		521,400	-	-	-	521,400
Redemption of shares		(41,520)	-	-	-	(41,520)
Transfer to statutory reserves	20	-	10,329,252	-	(10,329,252)	-
Entrance fees	20	-	21,725	-	-	21,725
Transfer to special reserves	21	-	-	1,105,025	(1,105,025)	-
Special reserves released to retained earnings	21	-	-	(840,745)	840,745	-
Reserve for interest on non-performing loans	21	-	-	856,560	(856,560)	-
Distributions to members	8	-	-	-	(1,888,408)	(1,888,408)
At March 31, 2014		\$ 8,240,280	81,891,199	1,907,154	4,564,239	96,602,872

The accompanying notes form an integral part of these consolidated financial statements.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows

For the year ended March 31, 2014

With comparative figures for 2013

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> Restated*
Cash Flows from Operating Activities			
Income before taxation	\$	11,347,099	13,125,642
Adjustments for:			
Depreciation		2,795,895	2,359,808
Loan impairment expense		4,699,329	4,890,002
Gain on sale of investment		-	(265,290)
Loss (gain) on disposal of property and equipment		15,774	(46,911)
Interest income		(77,904,130)	(73,961,761)
Interest expense		29,172,425	28,444,210
Dividend income		(112,292)	(120,394)
		(29,985,900)	(25,574,694)
Changes in operating assets and liabilities			
Increase in mandatory reserve deposits with Central Bank		(549,999)	(250,000)
(Increase) decrease in other term deposits		(1,323,753)	1,639,787
Increase in loans and advances		(53,722,416)	(29,313,721)
Increase in pension plan asset		(14,281)	(74,054)
Increase in other assets		(3,719,718)	(1,173,761)
Increase in deposits		66,407,767	36,703,820
(Decrease) increase in reimbursable shares		(374,616)	1,193,901
Increase in other liabilities		546,839	1,552,172
Net cash used in operations		(22,736,077)	(15,296,550)
Interest received		76,231,580	73,392,957
Interest paid		(28,848,637)	(28,736,731)
Income taxes paid		(284,233)	(205,799)
Net cash provided by operating activities		24,362,632	29,153,877
Cash Flows from Investing Activities			
Net increase in financial investments		(3,699,536)	(3,545,540)
Purchase of property and equipment		(5,557,844)	(3,075,767)
Proceeds from sale of property and equipment		-	52,565
Dividend income received		112,292	120,394
Net cash used in investing activities		(9,145,088)	(6,448,348)

* See Note 2.4 (iii)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows (Continued)

For the year ended March 31, 2014
With comparative figures for 2013

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u> Restated*
Cash Flows from Financing Activities			
Net decrease in loans payable		\$ (10,510,003)	(5,624,383)
Issue of shares		521,400	418,440
Entrance fees received		21,725	17,435
Redemption of shares		(41,520)	(51,720)
Distributions to members		<u>(1,888,408)</u>	<u>(1,543,019)</u>
Net cash used in financing activities		<u>(11,896,806)</u>	<u>(6,783,247)</u>
Net increase in cash and cash equivalents		3,320,738	15,922,282
Cash and cash equivalents, beginning of year		<u>65,137,457</u>	<u>49,215,175</u>
Cash and cash equivalents, end of year	9	\$ <u>68,458,195</u>	<u>65,137,457</u>

* See Note 2.4 (iii)

The accompanying notes form an integral part of these consolidated financial statements.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

1. Corporate information

Barbados Public Workers' Co-operative Credit Union Limited and its subsidiaries ("the Group") are registered under the relevant financial, co-operative and corporate legislations within the countries in which they operate.

The parent company, Barbados Public Workers' Co-operative Credit Union Limited ("the Credit Union") is a company incorporated and domiciled in Barbados with its registered office at Olive Trotman House, Keith Bourne Complex, Belmont Road, St. Michael.

On 23 March 2010, the Credit Union incorporated a 100% owned subsidiary, BPW Financial Holdings Inc., the principal activity of which is to hold the capital investments of the Group.

On 27 August 2010, BPW Financial Holdings Inc. obtained 100% control over Clico Mortgage & Finance Corporation now renamed Capita Financial Services Inc.

The Group provides savings products, credit facilities, lease financing, brokerage services and serves as a general and life insurance agent to its customer's base. The Group's operations span across Barbados and St. Lucia.

2. Accounting Policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in Barbados dollars on a historical cost basis, except for available-for-sale investments which have been measured at fair value.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Credit Union and its subsidiaries, disclosed in Note 1. The financial statements of the subsidiaries are prepared for the same reporting year end as the Credit Union, using consistent accounting policies. All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Actual amounts may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgments that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

This includes the services of a professional valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. This team reports directly to the Credit Risk Manager. They also review market estimates where assets and liabilities are traded in active markets.

Significant valuation issues are reported to the Asset Liability Committee (ALCO) which has oversight of the Group's investment policy. This Committee meets quarterly to review any challenges as it relates to the carrying value of the Group's assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as disclosed in Note 24.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.2 Significant accounting judgments, estimates and assumptions...(continued)

Impairment of assets

The Group assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. An asset or a group of assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the asset or group of assets that can be reliably estimated.

The Group reviews its individually significant loans at each statement of financial position date to assess whether impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining individual impairment and also in the determination of collective impairment.

In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.2 Significant accounting judgments, estimates and assumptions...(continued)

Pension obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. Accounting for employee pension obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their services in the current and prior period.

The actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Variations in these assumptions could cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

Taxes

A subsidiary is subject to income taxes in both Barbados and St. Lucia. Significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

Intangible assets

The Group's financial statements include goodwill arising from acquisitions. In accordance with IAS 36, goodwill is reviewed for impairment annually. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. They have been applied consistently to all periods presented.

a) Foreign currency

The Group's consolidated financial statements are presented in Barbados dollars which is the Group's presentation currency. The functional currency of the St. Lucia branch of a subsidiary is Eastern Caribbean dollars.

Monetary assets and liabilities denominated in foreign currencies are translated into Barbados dollars at the rates of exchange ruling at the statement of financial position date. Transactions arising during the year denominated in foreign currencies are translated into Barbados dollars and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the statement of income.

Assets and liabilities of the St. Lucia branch are translated into the Group's presentation currency at the rate of exchange as at the statement of financial position date, and the statement of income is translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Translation differences on non-monetary items, such as equities classified as available-for-sale investments, are recognised in other comprehensive income.

b) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, balances with commercial banks, deposits with Central Bank (excluding mandatory reserve deposits) and term deposits with an original maturity of three months or less from the acquisition date.

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the statement of income. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the statement of income in the year of acquisition.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

c) Business combinations and goodwill...(continued)

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is included in the statement of financial position in intangible assets.

d) Intangible assets

Intangible assets are recognised only when their cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the acquirer.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

e) Financial instruments

The Group initially recognises loans and advances, deposits and loans 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 entities within the Group become a party to the contractual provisions of the instrument.

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.

Financial assets

The Group 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies its financial assets in the following categories: held to maturity, available-for-sale and loans and receivables.

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 Group has the 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 effective interest rate. The Group 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 income.

If the Group 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 Group would be prohibited from classifying any financial asset as held to maturity for the current and during the following two financial years.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

e) Financial instruments...(continued)

Available-for-sale financial investments

Available-for-sale 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 income.

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

For available-for-sale financial investments, the Group 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 income – is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through the statement of 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 income as a provision for impairment.

Financial liabilities

The Group's financial liabilities include customer deposits, loans payable, reimbursable shares and other liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans payable, net of directly attributable transaction costs.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

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2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies..(continued)

e) Financial instruments...(continued)

Financial liabilities...(continued)

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. The EIR amortisation, if any, is included in the statement of income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

f) Reimbursable shares

Reimbursable shares represent amounts due to the estates of deceased members.

g) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in the statement of income.

h) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

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2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies..(continued)

i) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are included in the statement of income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and these are included in the statement of income. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Items of property and equipment are depreciated from the date they are available for use. Depreciation is recognised in the statement of income on the straight-line basis, at rates designed to write off the cost of the assets over the periods of their estimated useful lives. Land is not depreciated.

The following group annual rates apply:

Buildings	2% - 4%
Motor vehicles	20%
Furniture and equipment	10% - 33.33%
Leasehold improvements	10% - 33.33%

j) Leases

Leased assets

For assets leased out under finance leases, the present value of the lease payments at the start of the lease is recognised as a receivable and is included in loans and advances. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

j) Leases...(continued)

Lease payments

For assets leased out under operating leases, the total payments received are included as other operating income in the statement of income on the straight-line basis over the period of the lease.

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

k) Employee benefits

The Group has both a defined benefit plan and a defined contribution plan for its employees.

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The Credit Union operates a defined benefit pension plan for its eligible employees, which requires contributions to be made to a separately administered fund.

The Credit Union's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Credit Union, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the statement of other comprehensive income. The Credit Union determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of income.

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Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

k) Employee benefits...(continued)

Defined benefit plan...(continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of income. The Credit Union recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined contribution plan

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity (a fund), with no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Capita Financial Services Inc. operates a defined contribution plan for its eligible employees.

For the defined contribution plan, the Group makes contributions to an administered pension plan. Once the contributions have been paid, the Group has no further payment obligation. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Group's contributions to the defined contribution pension plan are charged to the statement of income in the year to which they relate.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for other amounts expected to be paid if the Group has a present legal or constructive obligation to pay these amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in the statement of income in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

l) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.3 Summary of significant accounting policies...(continued)

l) Taxation...(continued)

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes using the rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the asset is realised or liability settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

m) Recognition of income and expenses

Revenue is recognised on an accrual basis to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expenses are recognised:

Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest method. The effective interest rate (EIR), is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or a shorter period, where appropriate), to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. For financial liabilities such as deposits, interest is expensed based on the outstanding balance of these deposit accounts.

Fees and commission income

Fees and commission income are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.4 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those used in the previous financial year except for the adoption of the following standards, amendments and interpretations.

IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments) (effective 1 January 2013)

IFRS 10 – Consolidated Financial Statements (effective 1 January 2013)

IFRS 11 – Joint Arrangements (effective 1 January 2013)

IFRS 12 – Disclosure of Interests in Other Entities (effective 1 January 2013)

IFRS 13 – Fair Value Measurement (effective 1 January 2013)

IAS 1 – Presentation of Items of Other Comprehensive Income (Amendments) (effective 1 July 2012)

IAS 19 – Employee Benefits (Revised) (effective 1 January 2013)

IAS 27 – Separate Financial Statements (Revised) (effective 1 January 2013)

IAS 28 – Investments in Associates and Joint Ventures (effective 1 January 2013)

The nature and effects of the relevant changes are explained below:

(I) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements to the Group's assets and liabilities.

(II) Presentation of items of Other Comprehensive Income ('OCI')

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.4 Changes in accounting policy and disclosures...(continued)

New and amended standards and interpretations...(continued)

(III) Post-employment defined benefit plans

As a result of IAS 19 (2011), the Credit Union has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plan.

Under IAS 19 (2011), the Credit Union determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises: interest cost on the defined benefit obligation, interest income on plan assets, and interest on the effect on the asset ceiling. Previously, the Credit Union determined interest income on plan assets based on their long-term rate of expected return.

As a result of IAS 19 (2011), the Credit Union has also changed its accounting policy with respect to remeasurements.

Under IAS 19 (2011), all remeasurements are recognised directly in other comprehensive income. Previously, actuarial gains and losses were recognised in the statement of income on a deferred basis using the corridor method. Any unrecognised amounts were adjusted against the net defined benefit pension asset or liability recognised in the statement of financial position.

The change in accounting policy with respect to IAS 19 (2011) has been applied retrospectively.

The following tables summarise the financial effects on the relevant line items as at April 1, 2012 and March 31, 2013 on implementation of the new accounting policy:

April 1, 2012

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
<i>Statement of Financial Position</i>			
Pension plan asset	\$ 383,041	378,569	761,610
<i>Statement of Changes in Equity</i>			
Other reserves	\$ 1,254,701	378,569	1,633,270

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Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

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2. Accounting Policies...(continued)

2.4 Changes in accounting policy and disclosures...(continued)

New and amended standards and interpretations...(continued)

(III) Post-employment defined benefit plans...(continued)

March 31, 2013

	<u>As previously reported</u>	<u>Adjustment</u>	<u>As restated</u>
<i>Statement of Income</i>			
Staff Costs	\$ 11,948,267	88,714	12,036,981
<i>Statement of Comprehensive Income</i>			
Remeasurements of defined benefit asset	-	(513,621)	(513,621)
<i>Statement of Financial Position</i>			
Pension plan asset	545,809	(223,766)	322,043
<i>Statement of Changes in Equity</i>			
Other reserves	1,213,011	(135,052)	1,077,959
Retained earnings	6,864,040	(88,714)	6,775,326
<i>Statement of Cash Flows</i>			
Increase in pension plan asset	(162,768)	88,714	(74,054)

(IV) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The implementation of IFRS 10 (2011) did not result in any changes to the Group's control conclusion for its investees.

There were no other changes resulting from the adoption of these standards during the current financial year.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

2. Accounting Policies...(continued)

2.5 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 Group are as follows:

IFRS 9 – Financial Instruments (tentatively effective 1 January 2018)

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Amendments) (effective 1 January 2014)

IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Amendments) (effective 1 January 2014)

None of these is expected to have a significant effect on the financial statements of the Group in the period of adoption, except for IFRS 9 Financial Instruments, which tentatively becomes mandatory for the Group'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

IFRS 9 was issued in November 2009 and contains requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement, with a new mixed measurement model having only two categories: 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.

Requirements for financial liabilities were added in October 2010, and they largely 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2014

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3. Net Interest Income

	2014	2013
Interest income		
Loans and advances	\$ 73,108,355	69,207,771
Financial investments	1,142,636	1,630,450
Cash resources	<u>3,653,139</u>	<u>3,123,540</u>
	<u>77,904,130</u>	<u>73,961,761</u>
Interest expense		
Deposits	25,616,139	24,141,316
Loans payable	<u>3,556,286</u>	<u>4,302,894</u>
	<u>29,172,425</u>	<u>28,444,210</u>
Net interest income	\$ <u>48,731,705</u>	<u>45,517,551</u>

4. Other Income

	2014	2013
Fee income	\$ 1,539,775	1,319,446
Legal income	863,695	582,752
Rental income	64,974	815,422
Bad debt recoveries	278,639	448,515
Insurance agency commissions	556,625	396,475
Dividend income	112,292	120,394
Realised gain on sale of investments	4,945	265,290
(Loss) gain on disposal of equipment	(15,774)	46,911
Lease income	13,560	13,560
Other	<u>27,479</u>	<u>23,329</u>
	\$ <u>3,446,210</u>	<u>4,032,094</u>

5. Staff Costs

	2014	2013 Restated*
Salaries	\$ 10,902,235	9,716,929
National Insurance scheme contributions	880,808	770,567
Pension plan – defined contribution plan	89,681	92,083
Pension plan – defined benefit plan (Note 13)	506,725	378,267
Other costs	<u>1,235,263</u>	<u>1,079,135</u>
	\$ <u>13,614,712</u>	<u>12,036,981</u>

* See Note 2.4 (iii)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

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6. Operating Expenses

	2014	2013
Anniversary expenses	\$ 290,317	267,423
Advertising	1,339,959	954,914
Affiliation	75,000	75,000
Amortization and write-off of deferred expenses	272,947	179,822
Audit fees	521,342	383,097
Bank charges	106,272	105,850
Committee travelling allowances	121,075	143,908
Development expenses	242,857	335,189
Direct cost of services	445,183	409,883
Educational grant & scholarship expenses	294,776	274,290
Elected Officials & Committee Training	202,723	207,630
Entertaining	56,353	43,872
Insurance	514,760	448,207
Janitorial services	352,267	243,572
Legacy Foundation donation	100,000	100,000
Legal and professional fees	1,375,722	1,194,007
Meetings and conferences	687,160	479,638
Membership security	2,168,718	2,112,787
Sundry expenses	125,225	129,721
National development expenses	72,673	60,000
Office stationery and supplies	1,116,148	1,051,982
Postage	103,118	113,909
Property taxes	175,700	165,779
Publicity and promotion	2,015,748	1,924,739
Regulatory licences	213,439	130,500
Rent	1,018,686	589,067
Repairs and maintenance	2,624,265	2,374,360
Security services	709,989	488,066
Social outreach expenses	130,439	120,949
Staff and members' training	815,868	556,473
Utilities	1,432,151	1,472,578
	<u>\$ 19,720,880</u>	<u>17,137,212</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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7. Taxation

The corporation tax charge for the year is as follows:

	<u>2014</u>	<u>2013</u>
Current tax expense	\$ 167,227	295,983
Under accrual of prior year taxes	-	4,831
Deferred tax charge	<u>52,459</u>	<u>20,267</u>
Tax expense	\$ <u>219,686</u>	<u>321,081</u>

The tax on the Group's income before taxation differs from the theoretical amount that would arise using the statutory rate of corporation tax as follows:

	<u>2014</u>	<u>2013</u> Restated*
Income before taxation	\$ <u>11,347,099</u>	<u>13,125,642</u>
Tax calculated at a rate of 25% (2013 - 25%)	2,836,775	3,281,410
Income not subject to tax	(2,708,984)	(2,986,867)
Effect of different tax rates	(8,208)	(12,094)
Expenses not deductible for tax	37,728	29,335
Movement on deferred tax asset not recognised	28,698	14,328
Prior year's under (over) provision of taxes	-	4,831
Losses utilized	-	(46,563)
Other	<u>33,677</u>	<u>36,701</u>
Tax expense	\$ <u>219,686</u>	<u>321,081</u>

* See Note 2.4 (iii)

Deferred taxation

	<u>2014</u>	<u>2013</u>
Beginning of the year	\$ 29,326	9,059
Deferred tax charge	<u>52,459</u>	<u>20,267</u>
End of year	\$ <u>81,785</u>	<u>29,326</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

7. Taxation...(continued)

Deferred taxation...(continued)

The deferred tax liability consists of accelerated tax depreciation. The deferred tax asset not recognised comprises losses and accelerated tax depreciation of the St. Lucia Branch of a subsidiary.

The accumulated losses for tax purposes which may be carried forward and set off against future taxable income as follows:

Year of Loss	Losses B/fwd	Incurred	Utilised	Expired	Losses C/Fwd	Expiry Date
2008	\$ 234,314	-	52,437	181,877	-	2014
2009	97,383	-	-	-	97,383	2015
2010	44,017	-	-	-	44,017	2016
2011	57,777	-	-	-	57,777	2017
2012	205,852	-	-	-	205,852	2018
2013	45,474	-	-	-	45,474	2019
2014	-	102,616	-	-	102,616	2020
	\$ <u>684,817</u>	<u>102,616</u>	<u>52,437</u>	<u>181,877</u>	<u>553,119</u>	

These losses are as computed by the subsidiary in its corporation tax returns and have as yet neither been confirmed nor disputed by the Commissioner of Inland Revenue.

8. Distributions to Members

Distributions to members include a dividend of \$0.233 (2013 - \$0.244) per share amounting to \$372,400 (2013 - \$355,499) and interest rebate amounting to \$1,516,008 (2013 - \$1,187,520).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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9. Cash Resources

	<u>2014</u>	<u>2013</u>
Cash	\$ 24,475,164	19,853,505
Short-term deposits	<u>43,983,031</u>	<u>45,283,952</u>
Cash and cash equivalents	68,458,195	65,137,457
Other term deposits	50,243,920	48,920,167
Mandatory reserve deposits with Central Bank of Barbados	<u>3,925,828</u>	<u>3,375,829</u>
Total cash resources	\$ <u>122,627,943</u>	<u>117,433,453</u>

Term deposits amounting to \$5,000,000 (2013 - \$5,000,000) were pledged as security for a line of credit facility with a commercial bank.

Mandatory reserve deposits with the Central Bank are non-interest bearing and represent a subsidiary's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These non-interest bearing funds are not available to finance day-to-day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents for the purpose of the statement of cash flows.

At March 31, 2014, cash resources with the exception of mandatory reserve deposits with Central Bank carry interest rates varying from 0.50% to 1% per annum (2013 - 0.50% to 1%).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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10. Financial Investments

Financial investments comprises:

	<u>2014</u>	<u>2013</u>
Held to maturity		
Government securities	\$ 20,109,000	16,109,000
Interest receivable	<u>286,633</u>	<u>268,955</u>
	<u>\$ 20,395,633</u>	<u>16,377,955</u>

During the year ended March 31, 2014, interest rates varied from 1.75% to 8.00% per annum (2013 - 1.75% to 8.00%).

	<u>2014</u>	<u>2013</u>
Available-for-sale		
Equities - quoted	\$ 1,443,169	1,439,684
Equities - unquoted	<u>664,348</u>	<u>604,710</u>
	<u>\$ 2,107,517</u>	<u>2,044,394</u>

	<u>2014</u>	<u>2013</u>
Loans and receivables		
Government securities	\$ 2,870,118	3,194,742
Interest receivable	<u>311,458</u>	<u>77,656</u>
	<u>\$ 3,181,576</u>	<u>3,272,398</u>

During the year ended March 31, 2014, interest rates varied from 4.25% to 7.40% per annum (2013 – 4.25% to 7.40%).

Investments include treasury bills of \$2,150,000 (2013 – \$2,150,000) held as a result of a subsidiary's regulatory requirement to maintain 1.5% of total domestic deposits as a statutory reserve.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2014

(Expressed in Barbados dollars)

11. Loans and Advances

(i) Loans and advances are comprised of the following:

	2014			
	Consumer	Business	Mortgages	Total
Performing loans	\$ 467,840,785	2,570,533	316,321,985	786,733,303
Impaired loans	<u>31,108,593</u>	<u>721,534</u>	<u>24,586,589</u>	<u>56,416,716</u>
Gross loans	498,949,378	3,292,067	340,908,574	843,150,019
Less: provision for impairment	<u>(16,754,197)</u>	<u>(462,395)</u>	<u>(5,395,013)</u>	<u>(22,611,605)</u>
	<u>\$ 482,195,181</u>	<u>2,829,672</u>	<u>335,513,561</u>	820,538,414
Add: interest receivable				<u>4,610,710</u>
				<u>\$ 825,149,124</u>

	2013			
	Consumer	Business	Mortgages	Total
Performing loans	\$ 444,594,494	8,623,594	279,369,698	732,587,786
Impaired loans	<u>33,642,427</u>	<u>717,336</u>	<u>25,171,083</u>	<u>59,530,846</u>
Gross loans	478,236,921	9,340,930	304,540,781	792,118,632
Less: provision for impairment	<u>(17,068,869)</u>	<u>(240,879)</u>	<u>(3,293,557)</u>	<u>(20,603,305)</u>
	<u>\$ 461,168,052</u>	<u>9,100,051</u>	<u>301,247,224</u>	771,515,327
Add: interest receivable				<u>3,099,172</u>
				<u>\$ 774,614,499</u>

Finance leases at March 31, 2014 amounted to \$28,770 (2013 - \$28,770).

A portfolio of mortgage loans of a subsidiary has been pledged as security for certain customer deposits totalling \$18,800,000 (2013: \$18,800,000). At March 31, 2014 a floating charge of \$15,000,000 (2013: \$15,000,000) over these deposits had been formalised.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

11. Loans and Advances...(continued)

(ii) The movement in provision for impaired loans is as follows:

		2014			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	\$	17,068,869	240,879	3,293,557	20,603,305
Amounts charged off		(2,626,995)	(64,034)	-	(2,691,029)
Loan impairment expense		<u>2,312,323</u>	<u>285,550</u>	<u>2,101,456</u>	<u>4,699,329</u>
Balance, end of year		<u>16,754,197</u>	<u>462,395</u>	<u>5,395,013</u>	<u>22,611,605</u>
Individual impairment	\$	12,894,657	347,027	4,101,232	17,342,916
Collective impairment		<u>3,859,540</u>	<u>115,368</u>	<u>1,293,781</u>	<u>5,268,689</u>
	\$	<u>16,754,197</u>	<u>462,395</u>	<u>5,395,013</u>	<u>22,611,605</u>
		2013			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	\$	14,345,425	235,977	2,945,593	17,526,995
Amounts charged off		(1,797,104)	(16,588)	-	(1,813,692)
Loan impairment expense		<u>4,520,548</u>	<u>21,490</u>	<u>347,964</u>	<u>4,890,002</u>
Balance, end of year		<u>17,068,869</u>	<u>240,879</u>	<u>3,293,557</u>	<u>20,603,305</u>
Individual impairment		13,252,446	215,408	2,553,198	16,021,052
Collective impairment		<u>3,816,423</u>	<u>25,471</u>	<u>740,359</u>	<u>4,582,253</u>
	\$	<u>17,068,869</u>	<u>240,879</u>	<u>3,293,557</u>	<u>20,603,305</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

12. Property and Equipment

Property and equipment is comprised of the following:

	2014					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	\$ 28,037,936	2,047,493	16,733,726	1,393,753	1,215,629	49,428,537
Additions/transfer	763,096	-	2,910,221	1,710,620	173,907	5,557,844
Disposals	-	(250,000)	(37,380)	(2,085)	-	(289,465)
Balance, end of year	<u>28,801,032</u>	<u>1,797,493</u>	<u>19,606,567</u>	<u>3,102,288</u>	<u>1,389,536</u>	<u>54,696,916</u>
Accumulated depreciation						
Balance, beginning of year	6,835,958	1,387,505	13,235,323	706,724	-	22,165,510
Depreciation	530,222	232,610	1,613,766	419,297	-	2,795,895
Disposals	-	(237,500)	(36,191)	-	-	(273,691)
Balance, end of year	<u>7,366,180</u>	<u>1,382,615</u>	<u>14,812,898</u>	<u>1,126,021</u>	<u>-</u>	<u>24,687,714</u>
Net book value, end of year	<u>\$ 21,434,852</u>	<u>414,878</u>	<u>4,793,669</u>	<u>1,976,267</u>	<u>1,389,536</u>	<u>30,009,202</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

12. Property and Equipment...(continued)

Property and equipment is comprised of the following:

	2013					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	\$ 28,037,936	2,027,367	15,353,743	735,582	596,230	46,750,858
Additions/transfer	-	388,985	1,409,212	658,171	619,399	3,075,767
Disposals	-	(368,859)	(29,229)	-	-	(398,088)
Balance, end of year	<u>28,037,936</u>	<u>2,047,493</u>	<u>16,733,726</u>	<u>1,393,753</u>	<u>1,215,629</u>	<u>49,428,537</u>
Accumulated depreciation						
Balance, beginning of year	6,330,150	1,518,956	11,741,817	607,213	-	20,198,136
Depreciation	505,808	237,408	1,517,081	99,511	-	2,359,808
Disposals	-	(368,859)	(23,575)	-	-	(392,434)
Balance, end of year	<u>6,835,958</u>	<u>1,387,505</u>	<u>13,235,323</u>	<u>706,724</u>	<u>-</u>	<u>22,165,510</u>
Net book value, end of year	<u>\$ 21,201,978</u>	<u>659,988</u>	<u>3,498,403</u>	<u>687,029</u>	<u>1,215,629</u>	<u>27,263,027</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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(Expressed in Barbados dollars)

13. Pension Plan Asset

The Credit Union participates in a defined benefit pension plan operated by a reputable insurance provider. The pension plan is jointly funded by payments from the Credit Union and certain employees, taking into account the recommendations of independent qualified actuaries.

The Actuary periodically (at least every three years) evaluates the financial position of the Plan and recommends the future contribution rate for the Credit Union.

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 2014.

In a Defined Benefit Pension Plan the employees' entitlement is determined by a formula based on their years of pensionable service and pensionable salary. It is typical for the employees' benefit to be integrated with the retirement benefits provided by the National Insurance.

The contribution rate paid by the employee is fixed and the Credit Union pays the balance of the ultimate cost of the benefits and hence the Credit Union's contribution is unknown. The Credit Union expects to pay \$561,376 in contributions to its defined benefit plan in 2015.

Currently at retirement employees are entitled to receive a pension benefit equal to:

1. 1.75% of their pensionable salary as at April 1, 2013 reduced by 1.32% of the National Insurance Insurable Earnings as at April 1, 2003 for each year of Ranking Service prior to April 1, 2003.

Plus

2. 1.75% of their total pensionable salary from April 1, 2003 reduced by 1.32% of the National Insurance Insurable Earnings as at April 1, 2003 for each year of Ranking Service prior to April 1, 2003.

Employees' pension benefits are further increased by the amount of pension that can be purchased with any voluntary contributions accumulated with credited interest to their retirement date.

There are three Trustees of the Plan, one is an employee representative while the other two are external to the Credit Union. The Trustees are required to understand the risks taken, make reasonable investment decisions, provide members with information and act in the best interests of the plan participants.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

13. Pension Plan Asset...(continued)

The Plan is invested in a segregated pensions fund consisting of two Funds which cover a broad spectrum of available assets. The strategic investment policy of the Funds can be summarised as follows:

Bonds Fund:

A unit trust with a strategy of acquiring regional and non-regional long-dated securities, where possible, but the majority of its financial investments are still predominantly in Barbados currency. The Fund's objective is to generate income and preserve capital through investment in competitive yielding fixed income securities including mortgages, bonds and other debt instruments.

Equity Fund:

This is a unit trust that invests mainly in Barbadian equities, Barbadian real estate, commercial mortgages, foreign equities and bonds. This Fund's objective is to provide long-term capital growth through investment in a diversified portfolio of equity securities and real estate.

The current instruction is to invest all new cash flows 50% in the Bonds Fund and 50% in the Equity Fund. At present, approximately 45% of the Plan's assets are invested in the Equity Fund and 55% are invested in the Bonds Fund.

a) The amounts recognised in the statement of financial position are determined as follows:

	<u>2014</u>	<u>2013</u> Restated*
Present value of obligation to plan members	\$ (7,847,099)	(6,648,580)
Pension plan assets at fair value	<u>7,852,815</u>	<u>6,970,623</u>
Asset recognised in the statement of financial position	\$ <u>5,716</u>	<u>322,043</u>

* See Note 2.4 (iii)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

13. Pension Plan Asset...(continued)

b) Movement in the amounts recognised in the statement of financial position are as follows:

	<u>2014</u>	<u>2013</u> Restated*
Asset, beginning of year	\$ 322,043	761,610
Contributions paid	521,006	452,321
Pension expense recognised in statement of income	(506,725)	(378,267)
Re-measurement recognised in other comprehensive income	<u>(330,608)</u>	<u>(513,621)</u>
Asset, end of year	\$ <u>5,716</u>	<u>322,043</u>

c) Changes in the present value of the obligation for defined benefit pension plans were as follows:

	<u>2014</u>	<u>2013</u> Restated*
Opening obligation	\$ 6,648,580	5,440,540
Interest cost	557,241	450,859
Current service cost	493,453	408,416
Employees' contributions	70,891	52,461
Benefits paid	(38,671)	(160,489)
Actuarial losses arising from:		
Experience adjustments	115,605	97,866
Changes in financial assumptions	<u>-</u>	<u>358,927</u>
Closing obligation	\$ <u>7,847,099</u>	<u>6,648,580</u>

* See Note 2.4 (iii)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

13. Pension Plan Asset...(continued)

d) (i) Changes in the fair value of the defined benefit pension plan assets were as follows:

	<u>2014</u>	<u>2013</u> Restated*
Opening fair value of plan assets	\$ 6,970,623	6,202,150
Actual return	345,998	436,695
Employer's contributions	521,006	452,322
Employees' contributions	70,891	52,461
Benefits paid	(38,671)	(160,489)
Administrative expenses	<u>(17,032)</u>	<u>(12,516)</u>
Closing fair value of plan assets	\$ <u>7,852,815</u>	<u>6,970,623</u>

(ii) Plan assets consist of the following:

	<u>2014</u>	<u>2013</u>
Equities	\$ 3,710,241	3,258,527
Bonds	<u>4,142,574</u>	<u>3,712,096</u>
	\$ <u>7,852,815</u>	<u>6,970,623</u>

The assets of the plan are invested in segregated funds. The major asset categories underlying the plan assets are as follows:

	<u>2014</u>	<u>2013</u>
Mortgages	13.98%	13.74%
Bonds	39.51%	40.18%
Equities	31.95%	30.29%
Property	6.58%	6.81%
Other	7.98%	8.98%

e) The amounts recognised in the statement of income are as follows:

	<u>2014</u>	<u>2013</u> Restated*
Current service cost	\$ 493,453	408,416
Interest cost on obligation	557,241	450,859
Expected return on plan assets	(561,001)	(493,524)
Administrative expenses	<u>17,032</u>	<u>12,516</u>
Net pension expense included in staff costs (Note 5)	\$ <u>506,725</u>	<u>378,267</u>

* See Note 2.4 (iii)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

13. Pension Plan Asset...(continued)

f) The amounts recognised in the statement of other comprehensive income are as follows:

	<u>2014</u>	<u>2013</u> Restated*
Remeasurement loss on obligation	\$ 115,605	456,793
Remeasurement loss on plan assets	<u>215,003</u>	<u>56,828</u>
	<u>\$ 330,608</u>	<u>513,621</u>

* See Note 2.4 (iii)

g) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2014</u>	<u>2013</u>
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	n/a	7.75%
Future salary increases	6.75%	6.75%
Future pension increases	1.75%	1.75%
Future changes in NIS ceiling	4.25%	4.25%
Proportion of employees opting for early retirement	0.00%	0.00%
Termination of active members	0.00%	0.00%
Future expenses	0.00%	0.00%

At March 31, 2014, the weighed-average duration of the defined benefit obligation was 25.46 years.

h) Sensitivity analysis on projected benefit obligation:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	\$ (1,680,596)	2,298,850
Future salary growth (0.5% movement)	1,003,954	(905,147)

As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately \$11,048.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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14. Other Assets

Other assets are comprised of the following:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 4,264,716	4,059,362
Prepaid employee benefit (Note 18)	2,581,584	-
Prepaid expenses	1,996,394	1,649,210
Premiums receivable	1,364,848	779,252
Interest receivable on cash resources	33,674	124,141
Dividend receivable	<u>55,000</u>	<u>55,000</u>
	<u>\$ 10,296,216</u>	<u>6,666,965</u>

15. Intangible Asset

	<u>2014</u>	<u>2013</u>
Goodwill	\$ <u>2,910,000</u>	<u>2,910,000</u>

Impairment tests for goodwill

Goodwill is allocated to one cash-generating unit (CGU).

The recoverable amount for the CGU has been determined using value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rate stated below. The growth rate does not exceed the long-term average growth rates for the country in which the CGU operates.

Key assumptions used for value-in-use calculations

Key assumptions are those to which the CGU's recoverable amount is most sensitive. The value-in-use calculation was based on a discount rate of 7% and a growth rate of 5%.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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16. Deposits

(i) This amount comprises:

	<u>2014</u>	<u>2013</u>
Saving deposits	\$ 372,532,382	368,581,768
Deposits payable on fixed date	430,018,532	371,799,610
Registered retirement savings plan deposits (a)	<u>32,182,431</u>	<u>27,944,200</u>
	834,733,345	768,325,578
Interest payable	<u>4,318,550</u>	<u>3,994,762</u>
	<u>\$ 839,051,895</u>	<u>772,320,340</u>

(a) The Group operates a registered retirement savings plan for the benefit of its members and guarantees a minimum return on plan deposits of the higher of 5.0% and 1.0% above the minimum deposit rate. At March 31, 2014 the minimum deposit rate was 2.5% (2013 - 2.5%).

(ii) Concentration of deposits

Deposits (excluding interest payable) comprised the following:

	<u>2014</u>	<u>2013</u>
Personal	\$ 697,965,897	643,296,073
Commercial	<u>136,767,448</u>	<u>125,029,505</u>
	<u>\$ 834,733,345</u>	<u>768,325,578</u>

At March 31, 2014, deposits pledged as security for loans to members and not available for withdrawal totalled \$253,686,287 (2013 - \$252,058,172). The average yield of deposits during the year was 3.02% (2013 - 3.04%).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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17. Loans Payable

Loans payable is comprised of the following:

		<u>2014</u>	<u>2013</u>
National Insurance Board (i)	\$	32,429,384	40,785,133
Housing Credit Fund (ii)		<u>31,536,760</u>	<u>33,691,014</u>
	\$	<u>63,966,144</u>	<u>74,476,147</u>

- (i) During the year ended March 31, 2011, the Group borrowed \$15,000,000 from the National Insurance Board at a fixed interest rate of 8.25% payable over ten years to finance the purchase of Clico Mortgage and Finance Corporation (renamed Capita Financial Services Inc.) by its subsidiary BPW Financial Holdings Inc. This loan has been secured by a mortgage assignment over the property at Broad Street stamped to cover \$10,000,000 and an assignment of a treasury note for \$5,000,000 due to mature October 31, 2015. As at March 31, 2014, the remaining balance on this loan is \$3,657,080 (2013: \$12,217,257).

The other National Insurance Board loans amounting to \$26,272,304 (2013 - \$28,567,876), which were acquired prior to March 31, 2011, are repayable over an average period of twenty years and are secured by an equivalent value of first legal mortgages over residential properties funded by the loan proceeds. The interest rates on these loans ranged from 5.50% - 6.00% (2013 - 5.50% - 6.00%) at year end.

- (ii) The Housing Credit Fund loans are repayable over twenty-five years and are secured by an equivalent value of first legal mortgages over residential properties. The interest rate on all loans at year end was 4.25% (2013 - 4.25%).

The Group has not had any defaults of principal, interest or other breaches with respect to its loans payable during the years ended March 31, 2014 and 2013.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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18. Other Liabilities

Other liabilities is comprised of the following:

	<u>2014</u>	<u>2013</u>
Retention payable (i)	\$ 815,328	5,015,798
Accounts payable and accrued expenses	4,719,103	3,246,903
Fair value adjustment - staff loans (ii)	2,543,327	-
Premiums payable	1,989,158	1,307,338
Deferred loan commitment loan fees	482,203	517,562
Unallocated receipts to members	1,199,188	1,154,328
Interest rebate payable	203,026	203,026
Withholding tax payable (recoverable)	<u>2,726</u>	<u>(37,735)</u>
	\$ <u>11,954,059</u>	<u>11,407,220</u>

- (i) At March 31, 2014, a retention payable amounting to \$815,328 (2013: 5,015,798) remained due under the terms of the sale and purchase agreement originating from the acquisition of a subsidiary.
- (ii) The fair value adjustment - staff loans represents the deferred interest income on staff loans associated with the difference between the market value and the carrying value of the loans as a result of the interest rates on the staff loans being lower than the market interest rate. This balance is partially offset by the prepaid employee benefit recorded and included in other assets (Note 14). The deferred interest income will be recognised over the term of the staff loans.

19. Share Capital

Section 10 of the Co-operative Societies (Amendment) Act, 2007-39, requires that each member hold a minimum value of membership qualifying shares as determined by the Credit Union.

The qualifying amount for membership amounts to \$120 which comprises 24 shares at a nominal value of \$5 per share. All shares are non-withdrawable except on the termination of membership. There is no limit to the number of shares the Credit Union is authorised to issue.

At March 31, 2014 the total number of membership qualifying shares was 1,648,056 (2013 - 1,552,080).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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20. Statutory Reserves

	2014	2013
Statutory reserve (i)	\$ 81,891,199	71,494,178
General reserve (ii)	<u>-</u>	<u>46,044</u>
	\$ <u>81,891,199</u>	<u>71,540,222</u>

(i) Statutory reserve

The movement in this reserve during the year is as follows:

	2014	2013
Balance, beginning of year	\$ <u>71,494,178</u>	<u>62,907,875</u>
Transfers to reserve – statutory *	4,382,960	4,135,300
Transfer to reserve – statutory **	167,746	-
Transfers to reserve - voluntary	<u>5,824,590</u>	<u>4,433,568</u>
	<u>81,869,474</u>	<u>8,568,868</u>
Entrance fees	<u>21,725</u>	<u>17,435</u>
Balance, end of year	\$ <u>81,891,199</u>	<u>71,494,178</u>

* Section 197(2) of the Co-operative Societies (Amendment) Act 2007-39 requires for the Credit Union that an appropriation equivalent to the greater of one half of one per cent (0.5%) of total assets or twenty-five per cent (25%) of net surplus shall be credited to the reserve fund annually until capital equals ten per cent (10%) of total assets. The Registrar of Co-operatives may increase the appropriation amount to forty per cent (40%) of net surplus or one per cent (1%) of total assets in certain circumstances.

** Under the provisions of the Financial Institutions Act, a subsidiary is required to transfer a minimum of 15% of its after tax profits to a reserve fund until such fund equals the share capital. A transfer of \$167,746 was required during 2014 (2013 - Nil).

(ii) General reserve

The general banking reserve of a subsidiary represents an appropriation of retained earnings equivalent to the excess of loan loss reserve requirement in accordance with statutory requirements compared to the loan loss provision calculated in accordance with IFRS. However, where the IFRS loan loss reserve exceeds the statutory requirements, the amount previously appropriated is released to retained earnings.

During the year, an amount of \$46,044 (2013 - \$nil) was transferred from the general reserve to retained earnings.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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(Expressed in Barbados dollars)

21. Other Reserves

	<u>2014</u>	<u>2013</u> Restated*
Fair value reserve	\$ 632,668	593,705
Special funds	856,677	592,397
Donated equity	26,909	26,909
Defined benefit plan	(465,660)	(135,052)
Reserve for interest on non-performing loans	<u>856,560</u>	<u>-</u>
	\$ <u>1,907,154</u>	<u>1,077,959</u>

* See Note 2.4 (iii)

Fair value reserve

The fair value reserve represents the net effect of fair value gains or losses on available-for-sale investment securities held.

The movement on the fair value reserve for the year is as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 593,705	678,465
Unrealised fair value gains (losses)	<u>38,963</u>	<u>(84,760)</u>
Balance, end of year	\$ <u>632,668</u>	<u>593,705</u>

Special funds

The special reserve funds comprise the following:

- (i) **Social Outreach Fund**
The Social Outreach Fund was created to provide charitable donations to members in need of financial assistance.
- (ii) **Education Fund**
The Education Fund was established to provide grants and scholarships to members pursuing educational programmes.
- (iii) **Development Fund**
In June 2004, the general membership approved the establishment of the Development Fund to assist with the exploratory cost relating to projects of a developmental nature.
- (iv) **BCCUL Training/Education Fund**
The BCCUL Training/Education Fund was instituted in June 2002 to finance the education of credit union members and the general public in credit union philosophy and operations.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2014

(Expressed in Barbados dollars)

21. Other Reserves...(continued)

Special funds...(continued)

- (v) **BPWCCUL Foundation**
This fund was established in June 2009 to fund major philanthropic initiatives undertaken by the Credit Union.
- (vi) **National Development Fund**
This fund was established in June 2009 to assist the Barbados Co-operative Credit Union League Limited in funding developmental initiatives for the credit union movement in Barbados.
- (vii) **Credit Union Liability Insurance Fund**
This fund was established in June 2010 to facilitate the establishment of deposit liability insurance for credit unions.

The movement in special funds during the year is as follows:

March 31, 2014

	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	\$ 159,916	129,340	(130,439)	158,817
Education Fund	33,402	355,685	(294,776)	94,311
Development Fund	64,811	350,000	(192,857)	221,954
BCCUL Training/Education Fund	-	50,000	(50,000)	-
BPWCCUL Foundation	-	100,000	(100,000)	-
National Development Fund	74,268	120,000	(72,673)	121,595
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	<u>\$ 592,397</u>	<u>1,105,025</u>	<u>(840,745)</u>	<u>856,677</u>

March 31, 2013

	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	\$ 138,419	123,228	(101,731)	159,916
Education Fund	76,640	231,052	(274,290)	33,402
Development Fund	-	350,000	(285,189)	64,811
BCCUL Training/Education Fund	-	50,000	(50,000)	-
BPWCCUL Foundation	-	100,000	(100,000)	-
National Development Fund	74,268	60,000	(60,000)	74,268
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	<u>\$ 549,327</u>	<u>914,280</u>	<u>(871,210)</u>	<u>592,397</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2014

(Expressed in Barbados dollars)

21. Other Reserves...(continued)

Donated equity

This amount totalling \$26,909 (2013 - \$26,909) represents the value of donations bestowed upon the Credit Union on incorporation.

Defined benefit plan

This amount totalling \$(465,660) (2013 - \$(135,052)) represents the net amount of actuarial gains and losses and other items recognised directly in other comprehensive income on the Group's defined benefit plan. (Note 13)

Reserve for interest on non-performing loans

This amount totalling \$856,560 is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with International Accounting Standard (IAS) 39. The guidelines of Section 202 (2) of the Co-operative Societies Act Cap. 378A, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to members.

22. Related Party Disclosures

Related parties include those entities and individuals that have the ability to control or exercise significant influence over the Group in making financial or operating decisions, and entities that are controlled, jointly controlled or significantly influenced by them.

The financial statements include the financial statements of the Group and the subsidiaries listed below:

Name of Entity	Country of Incorporation	Equity Interest %
BPW Financial Holdings Inc.	Barbados	100
Capita Financial Services Inc.	Barbados	100

Terms and conditions of transactions with related companies

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. For the years ended March 31, 2014 and March 31, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related companies.

(i) Compensation of key management personnel of the Group

	2014	2013
Short term employee benefits	\$ 1,919,466	1,774,047
Post-employment benefits	<u>106,294</u>	<u>94,051</u>
Total compensation paid to key management personnel	\$ <u>2,025,760</u>	<u>1,868,098</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

22. Related Party Disclosures...(continued)

(ii) Transactions with key management personnel of the Group

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of balances, which have been entered into with key management personnel for the relevant financial year:

	<u>2014</u>	<u>2013</u>
Loans and advances	\$ 2,935,316	2,050,634
Deposits	1,012,792	724,024

The secured loans and advances are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their related concerns at the period end.

23. Commitments and Contingencies

(i) Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 867,127	598,167
Between one and five years	<u>1,184,784</u>	<u>1,040,145</u>
	<u>\$ 2,051,911</u>	<u>1,638,312</u>

(ii) Loan commitments

	<u>2014</u>	<u>2013</u>
Consumer loans approved and pending disbursement	\$ 14,435,214	14,688,864
Mortgage loans approved and pending disbursement	31,761,556	27,882,596
Available balances on line of credit accounts	<u>14,876,099</u>	<u>15,265,307</u>
	<u>\$ 61,072,869</u>	<u>57,836,767</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

23. Commitments and Contingencies...(continued)

(iii) Loan facilities

Loan facilities committed but not recognised in the financial statements as at March 31, 2014 are as follows:

- (a) an approved line of credit facility of \$10,000,000 (2013 - \$10,000,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2014 this facility was undisbursed.
- (b) an approved line of credit facility of \$125,000 (2013 - \$125,000) with a bank for the purpose of securing the corporate credits used by the Credit Union during the normal course of business. This facility is secured by an equivalent value of held-to-maturity investments. The commitment due on this facility at year end was \$3,402 (2013 - \$13,740).

(iv) Legal proceedings

At March 31, 2014, there were certain legal proceedings against the Group. In view of the inherent difficulty of predicting the outcome of such matters, the Group cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Group 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.

24. Financial Risk Management

24.1 Introduction

Risk is inherent in the Group's activities but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, market risk and operational risk.

The Group's aim therefore is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through its strategic planning process.

Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Supervisory and Audit Committees have the responsibility to monitor the overall risk process within the Group.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

24. Financial Risk Management...(continued)

24.1 Introduction...(continued)

The Group's policy is that risk management processes are audited annually by the Internal Audit function, which examines both the adequacy of the processes and the Group's compliance with the processes. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory and Finance Committees.

Risk mitigation

As part of its overall risk management, the Group invests a portion of its available funds in lending, financial investments and non-earning assets. The Group's main source of income is derived from lending and it seeks to actively use collateral to reduce its credit risk. The Group also has sought long term funding requirements to match their long term loan position.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

24.2 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit risk exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as commitments.

Loans and advances

The Group employs a range of policies and practices to mitigate credit risk relating to loans and advances. The most traditional of these is the taking of security for funds advanced. The principal collateral types for loans and advances within the Group are:

- Mortgages over residential properties
- Charges over financial instruments such as debt securities and equities
- Charges over business assets such as premises
- Hypothecation of deposit balances

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims. The Group does not occupy repossessed properties for business use.

Financial investments

The Group limits its exposure to credit risk by investing only in entities that have high credit ratings and Government of Barbados securities. Government securities are invested over a longer period than term deposits with other financial institutions which typically mature within one year. The Group has invested in available-for-sale equity instruments as well which gives it an opportunity to monitor the performance of these companies over time and make economic decisions where warranted. The Group has documented investment policies in place, which guide the management of credit risk on investments.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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24. Financial Risk Management...(continued)

24.2 Credit risk... (continued)

Exposure to credit risk before collateral held or other credit enhancements

Maximum exposure

	<u>2014</u>	<u>2013</u>
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to customers:		
Consumer	\$ 482,195,181	461,168,052
Mortgages	335,513,561	301,247,224
Business	2,829,672	9,100,051
Financial investments:		
Held to maturity	20,395,633	16,377,955
Loans and receivables	3,181,576	3,272,398
Cash resources	122,627,943	117,433,453
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments	<u>61,072,869</u>	<u>57,836,767</u>
Total maximum exposure	\$ <u>1,027,816,435</u>	<u>966,435,900</u>

The above table represents the maximum credit risk exposure of the Group as of March 31, 2014 and March 31, 2013, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Credit quality by class of financial assets

Loans and advances

The credit quality of the loans and advances is managed through the prudent underwriting principles established by the Group.

Financial investments

The Group has principally invested in government bonds issued by the Government of Barbados which in the 2013 financial year was downgraded to a BB+ rating by Standard & Poors. During the year ended March 31, 2014, this rating was further downgraded to BB-.

Cash and balances with Central Bank

The credit quality of financial institutions holding the Group's cash resources is assessed according to the level of their credit worthiness and by comparison to other financial institutions. The Group places its cash resources with reputable financial institutions.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

24. Financial Risk Management...(continued)

24.2 Credit risk... (continued)

The tables below show the credit quality and aging analysis by class of financial assets.

	2014			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 122,627,943	-	-	122,627,943
Financial investments:				
Held to maturity	20,395,633	-	-	20,395,633
Loans and receivables	3,181,576	-	-	3,181,576
Loans and advances:				
Consumer	399,703,759	68,137,026	31,108,593	498,949,378
Mortgages	283,952,865	32,369,120	24,586,589	340,908,574
Business	1,035,304	1,535,229	721,534	3,292,067
Total	\$ 830,897,080	102,041,375	56,416,716	989,355,171

	2013			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 117,433,453	-	-	117,433,453
Financial investments:				
Held to maturity	16,377,955	-	-	16,377,955
Loans and receivables	3,272,398	-	-	3,272,398
Loans and advances:				
Consumer	382,784,145	61,810,349	33,642,427	478,236,921
Mortgages	245,912,283	33,457,415	25,171,083	304,540,781
Business	7,450,989	1,172,605	717,336	9,340,930
Total	\$ 773,231,223	96,440,369	59,530,846	929,202,438

Within the Group, past due but not impaired loans represents loans which are in arrears between 1 to 90 days where the specific details on those loans indicate recovery is not at issue.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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24. Financial Risk Management...(continued)

24.2 Credit risk... (continued)

Aging analysis of past due but not impaired loans and advances:

		2014			
		1-30 days	31-60 days	61-90 days	Total
Loans and advances:					
Consumer	\$	46,809,759	17,681,129	3,646,138	68,137,026
Mortgages		23,767,045	6,063,700	2,538,375	32,369,120
Business		809,638	599,402	126,189	1,535,229
Total	\$	71,386,442	24,344,231	6,310,702	102,041,375

		2013			
		1-30 days	31-60 days	61-90 days	Total
Loans and advances:					
Consumer	\$	46,331,063	11,238,111	4,241,175	61,810,349
Mortgage		22,911,341	6,982,495	3,563,579	33,457,415
Business		243,939	334,209	594,457	1,172,605
Total	\$	69,486,343	18,554,815	8,399,211	96,440,369

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- Where the Group grants the customer a concession due to the customer experiencing financial difficulty.
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2014

(Expressed in Barbados dollars)

24. Financial Risk Management...(continued)

24.2 Credit risk... (continued)

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interest or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Impairment allowances are assessed collectively for losses on loans and advances, held-to-maturity debt investments and loans and receivable investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Group generally bases its analyses on historical experience. However, when there are significant market developments, the Group would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans' assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration.

Loans with renegotiated terms and the Group's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a high risk of default, there is evidence that the debtor made all the reasonable efforts to pay under the original contractual terms and it is expected to be able to meet the revised terms.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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24. Financial Risk Management...(continued)

24.2 Credit risk...(continued)

Loans with renegotiated terms and the Group's forbearance policy...(continued)

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. All loans are subject to the forbearance policy.

Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The Group's Credit Committee regularly reviews reports on forbearance activities.

Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when it is determined that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Commitments and guarantees

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

24.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains a statutory deposit with the Central Bank of Barbados.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities as of March 31, 2014 and March 31, 2013 on the basis of their earliest possible contractual maturity.

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24. Financial Risk Management...(continued)

24.3 Liquidity risk and funding management... (continued)

Liquidity Risk – Financial Liabilities

		2014				
		Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	\$	458,614,833	63,357,191	301,817,985	96,264,373	920,054,382
Loans payable		5,063,111	4,024,416	26,606,947	55,539,651	91,234,125
Reimbursable shares		-	-	5,351,432	-	5,351,432
Other liabilities		2,014,516	7,396,216	-	2,543,327	11,954,059
	\$	<u>465,692,460</u>	<u>74,777,823</u>	<u>333,776,364</u>	<u>154,347,351</u>	<u>1,028,593,998</u>
		2013				
		Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	\$	484,641,716	83,533,054	220,471,268	50,616,346	839,262,384
Loans payable		1,929,909	5,705,827	30,172,129	67,940,810	105,748,675
Reimbursable shares		-	-	5,726,048	-	5,726,048
Other liabilities		6,712,026	4,695,194	-	-	11,407,220
	\$	<u>493,283,651</u>	<u>93,934,075</u>	<u>256,369,445</u>	<u>118,557,156</u>	<u>962,144,327</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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24. Financial risk management...(continued)

24.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group is mainly exposed to interest rate risk. The Group's exposure to currency risk is minimal as a result of the fixed rate of exchange between the Barbados and Eastern Caribbean dollar.

Interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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(Expressed in Barbados dollars)

24. Financial risk management...(continued)

24.4 Market risk...(continued)

Interest rate risk

A summary of the Group's interest rate gap position is as follows:

			2014			
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash resources	\$ 69,302,813	47,283,740	2,115,562	-	3,925,828	122,627,943
Financial investments	-	7,348,091	6,429,118	7,650,000	2,150,000	23,577,209
Loans and advances	17,998,638	26,486,549	217,272,682	563,391,255	-	825,149,124
Other assets	-	-	-	-	5,718,238	5,718,238
Total assets	87,301,451	81,118,380	225,817,362	571,041,255	11,794,066	977,072,514
Liabilities						
Deposits	446,337,560	105,556,359	261,032,948	26,125,028	-	839,051,895
Loans payable	4,495,688	2,489,103	16,844,938	40,136,415	-	63,966,144
Reimbursable shares	-	-	-	-	5,351,432	5,351,432
Other liabilities	5,740,183	-	-	-	6,213,876	11,954,059
Total liabilities	456,573,431	108,045,462	277,877,886	66,261,443	11,565,308	920,323,530
Interest rate gap	\$ (369,271,980)	(26,927,082)	(52,060,524)	504,779,812	228,758	56,748,984

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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24. Financial risk management...(continued)

24.4 Market risk...(continued)

Interest rate risk

A summary of the Group's interest rate gap position is as follows:

			2013			
	Up to	Within	Within	Over	Non-interest	Total
	3 months	3-12 months	1-5 years	5 years	bearing	
Assets						
Cash resources	\$ 64,136,924	49,920,700	-	-	3,375,829	117,433,453
Financial investments	327,656	2,268,955	10,459,000	6,594,742	-	19,650,353
Loans and advances	14,075,514	21,067,420	209,831,569	529,639,996	-	774,614,499
Other assets	-	-	-	-	5,017,755	5,017,755
Total assets	<u>78,540,094</u>	<u>73,257,075</u>	<u>220,290,569</u>	<u>536,234,738</u>	<u>8,393,584</u>	<u>916,716,060</u>
Liabilities						
Deposits	475,441,737	80,393,748	193,559,391	22,925,464	-	772,320,340
Loans payable	1,103,485	3,337,039	20,240,673	49,794,950	-	74,476,147
Reimbursable shares	-	-	-	-	5,726,048	5,726,048
Other liabilities	5,152,543	-	-	-	6,254,677	11,407,220
Total liabilities	<u>481,697,765</u>	<u>83,730,787</u>	<u>213,800,064</u>	<u>72,720,414</u>	<u>11,980,725</u>	<u>863,929,755</u>
Interest rate gap	\$ <u>(403,157,671)</u>	<u>(10,473,712)</u>	<u>6,490,505</u>	<u>463,514,324</u>	<u>(3,587,141)</u>	<u>52,786,305</u>

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For the year ended March 31, 2014

(Expressed in Barbados dollars)

24. Financial risk management...(continued)

24.4 Market risk...(continued)

Interest rate risk...(continued)

An interest rate sensitivity analysis was performed to determine the impact on profit of reasonable possible changes in the interest rates prevailing as at March 31, 2014, with all other variables held constant.

The impact is illustrated and shown in the table below:

	2014	2013
Increase / decrease of 100 bps		
Impact on profit + 100 bps	\$ 3,343,618	3,022,227
Impact on profit – 100 bps	(3,343,618)	(3,022,227)

24.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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.

While operational risk is inherent to each of the Group's business activities, the exposure is minimised by ensuring that the appropriate infrastructure, controls, systems and human resources are in place. Key policies and procedures used in managing operating risk involve a strong internal audit function, segregation of duties, delegation of authority, and financial and managerial reporting.

Within the Group, mitigation of operating risk is assigned to senior management supported by a well-defined organisational structure that segregates operational and administrative functions. Back-up capabilities are also maintained to ensure on-going service delivery in adverse circumstances.

In addition, periodic reviews are undertaken by the Internal Audit department. The results of the reviews are discussed with the management of the business unit to which they relate, senior management and the Board of Directors.

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25. Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is best evidenced by a quoted market price, if one exists.

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

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

For financial assets and financial liabilities that are liquid or have short term maturity, it is assumed that the carrying amounts approximate their fair value. These include cash resources, other assets and other liabilities. The fair value of debt securities is based on quoted prices where available, or otherwise based on an appropriate yield curve with the same remaining term to maturity. The fair value of loans and advances largely approximates carrying value as the Group's portfolio comprises mainly variable rate loans. The fair value of deposits takes account of certain fixed rate deposits which have been discounted at current interest rates.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are shown in the table below:

		2014		2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash resources	\$	122,627,943	122,627,943	117,433,453	117,433,453
Financial investments		25,684,726	25,812,063	21,694,747	21,726,048
Loans and advances		825,149,124	825,149,124	774,614,499	774,614,499
Other assets		5,718,238	5,718,238	5,017,755	5,017,755
	\$	<u>979,180,031</u>	<u>979,307,368</u>	<u>918,760,454</u>	<u>918,791,755</u>

		2014		2013	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Deposits	\$	839,051,895	910,928,839	772,320,340	833,023,789
Loans payable		63,966,144	66,123,522	74,476,147	78,593,976
Reimbursable shares		5,351,432	5,351,432	5,726,048	5,726,048
Other liabilities		11,954,059	11,954,059	11,407,220	11,407,220
	\$	<u>920,323,530</u>	<u>994,357,852</u>	<u>863,929,755</u>	<u>928,751,033</u>

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For the year ended March 31, 2014

(Expressed in Barbados dollars)

25. Fair value....(continued)

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Group's financial instruments that are measured at fair value.

March 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
Investment securities				
Available-for-sale				
- Equity securities	\$ <u>1,443,169</u>	<u>-</u>	<u>664,348</u>	<u>2,107,517</u>

March 31, 2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
Investment securities				
Available-for-sale				
- Equity securities	\$ <u>1,439,684</u>	<u>-</u>	<u>604,710</u>	<u>2,044,394</u>

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25. Fair value....(continued)

The following table below shows a reconciliation of all movements in the fair value of financial investments categorized within Level 3 between the beginning and end of the reporting period.

		<u>2014</u>	<u>2013</u>
Balance - beginning of year	\$	604,710	594,000
Purchases		<u>59,638</u>	<u>10,710</u>
Balance – end of year	\$	<u>664,348</u>	<u>604,710</u>

There were no transfers in or out of Level 3 during the year ended March 31, 2014 (2013: nil).

The financial investments classified as Level 3 securities are carried at cost as fair value cannot be reliably estimated. Therefore no significant unobservable inputs have been considered in determining its value. The application of sensitivity analysis is therefore not relevant.

26. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of financial institutions where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on policies and guidelines regulated by both the Co-operative Societies Act and the Financial Institutions Act.

The Group's approach to managing capital did not change during the period.

Regulatory capital requirement

Under governing legislation which became effective March 31, 2008, the Credit Union is required to transfer from net surplus for the year an amount equivalent to the greater of 25% of net surplus or 0.5% of total assets until the capital to total assets ratio equals 10%. (Note 20)

For Capita Financial Services Inc., the Central Bank of Barbados requires that the entity (a) hold the minimum level of the regulatory capital and (b) maintain a certain ratio of total regulatory capital to the risk-weighted asset at or above the internationally agreed minimum of 8%.

The Group has complied with all externally imposed capital requirements.



**BARBADOS PUBLIC WORKERS'
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