

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

(Expressed in Barbados dollars)

12. Loans and Advances, continued

In October 2015, the subsidiary entered into a Deed of Sale and Administration agreement with the Eastern Caribbean Home Mortgage Bank (ECHMB), wherein the subsidiary sold its rights to 100% of the cash flows arising on a portfolio of loans amounting to \$2,424,473. The agreement provides that the subsidiary could repurchase and replace any loan included in the loan portfolio subject to the mutual agreement of the parties. The subsidiary has determined that substantially all the risks and rewards of the said loan portfolio have been retained by the subsidiary and consequently, the loans were not derecognized. The subsidiary accounted for the transaction as collateralized borrowing and recorded the cash received from such agreement as loans payable reported in the consolidated statement of financial position (see Note 18).

Finance leases at March 31, 2016 amounted to \$28,770 (2015 - \$28,770).

A portfolio of mortgage loans of a subsidiary has been pledged as security for certain customer deposits totalling \$13,836,206 (2015 - \$18,800,000). At March 31, 2016 a floating charge of \$15,000,000 (2015 - \$15,000,000) over these deposits had been formalised.

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

	2016			
	Consumer	Business	Mortgages	Total
Balance, beginning of year	\$ 17,036,003	294,476	5,858,141	23,188,620
Amounts charged off	(5,202,888)	(35,988)	-	(5,238,876)
Loan impairment expense	<u>4,521,870</u>	<u>(106,916)</u>	<u>(168,561)</u>	<u>4,246,393</u>
Balance, end of year	\$ <u>16,354,985</u>	<u>151,572</u>	<u>5,689,580</u>	<u>22,196,137</u>
Individual impairment	\$ 12,123,333	112,888	4,592,104	16,828,325
Collective impairment	<u>4,231,652</u>	<u>38,684</u>	<u>1,097,476</u>	<u>5,367,812</u>
	\$ <u>16,354,985</u>	<u>151,572</u>	<u>5,689,580</u>	<u>22,196,137</u>