

Annual Report 2016

Consolidated



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

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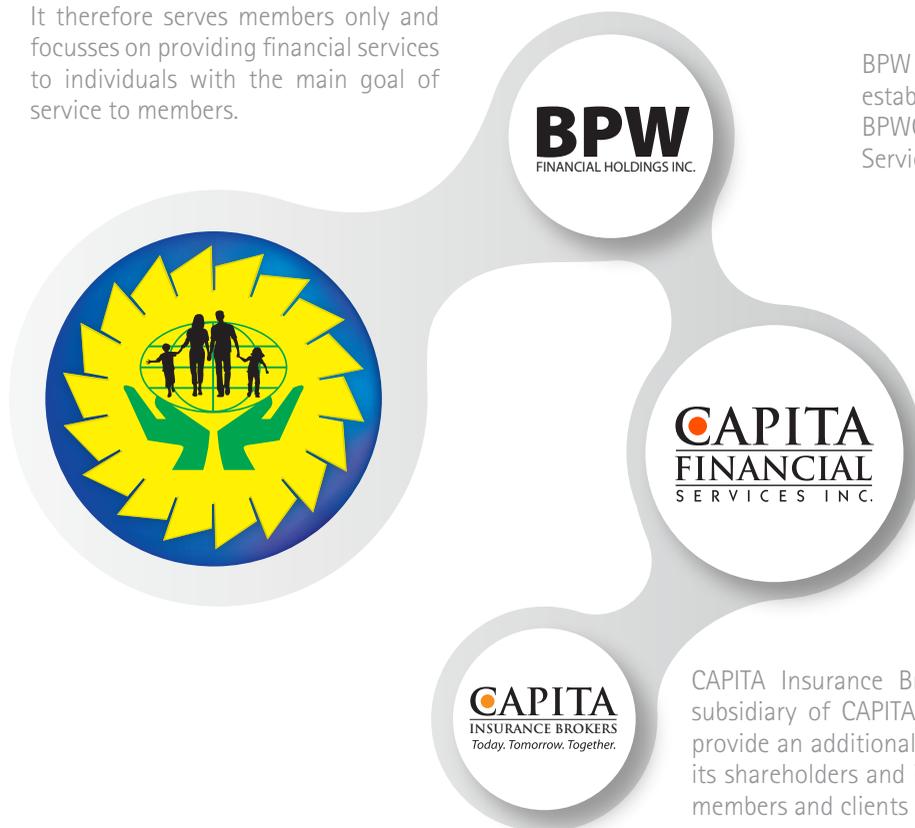
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**BARBADOS PUBLIC WORKERS'
CO-OPERATIVE CREDIT UNION LIMITED**

ORGANISATIONAL STRUCTURE

Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) is a member based financial co-operative. It therefore serves members only and focusses on providing financial services to individuals with the main goal of service to members.



BPW
FINANCIAL HOLDINGS INC.

BPW Financial Holdings Inc. was established to hold the shares of BPWCCUL's subsidiary CAPITA Financial Services Inc.

CAPITA
FINANCIAL
SERVICES INC.

CAPITA Financial Services Inc. (CAPITA) is a wholly owned subsidiary of BPWCCUL and provides financial services to both individuals and corporates. CAPITA focusses on increasing shareholder return through the provision of competitive financial products and services.

CAPITA
INSURANCE BROKERS
Today. Tomorrow. Together.

CAPITA Insurance Brokers (CIB) is a wholly owned subsidiary of CAPITA Financial Services Inc., setup to provide an additional source of revenue and return for its shareholders and increase the value proposition for members and clients within the Group of Companies.

OUR LEADERS

BPWCCUL BOARD OF DIRECTORS



President
Bro. Glendon A. Belle



Vice President
Bro. Raphael Holder



Treasurer
Bro. Anthony Christie



Secretary
Sis. Carole Layne-Browne



Assistant Secretary
Sis. Kerry-Ann King



Director
Bro. Cedric Murrell



Director
Sis. Julie Corbin



Director
Bro. Matthew Thornhill



Director
Bro. Trevor Colucci

BPW FINANCIAL HOLDINGS INC.



Interim President
Bro. Glendon A. Belle



Director
Sis. Clorinda Alleyne



Director
Bro. Paul Maxwell

CAPITA FINANCIAL SERVICES INC.



Interim Chairman
Dr. Sandra Reece



Director
Mr. Hilford Murrell



Director
Mr. Michael Mayers



Director
Mrs. Flo Jean-Marie



Director
Mrs. Sandra Osbourne-Burgess



Director
Mr. Vincent Yearwood



Director
Ms. Clorinda Alleyne



Director
Mr. Paul Maxwell

OUR LEADERS *(continued)*

CAPITA INSURANCE BROKERS



Interim Chairman
Mr. Glendon A. Belle



Director
Mr. Vincent Yearwood



Director
Ms. Clorinda Alleyne



Director
Mr. Paul Maxwell



Director
Mr. Kenroy Mullins

EXECUTIVE MANAGEMENT



Group CEO
Sis. Clorinda Alleyne



Group Financial Controller
Bro. LeVere Catlyn



**Group Human Resources
Manager**
Sis. Tania Nicholls

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CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2012 TO MARCH 31, 2016

In Bds \$'000

	2016	2015	2014	2013	2012
Statement of financial position:					
Assets					
Cash and equivalents	73,065	56,129	72,274	65,137	49,215
Investments and other short term deposits	90,309	83,628	76,039	73,991	71,556
Loans to Members (net)	1,001,430	906,060	825,149	774,615	749,729
Property and Equipment	31,712	30,060	30,009	27,263	26,553
Other	19,582	14,801	13,578	10,279	9,512
	1,216,098	1,090,678	1,017,049	951,285	906,565
Liabilities					
Deposits	1,037,172	915,312	839,052	772,320	735,909
Loans Payable	41,011	52,035	63,966	74,476	80,101
Other	20,619	17,883	17,428	17,335	14,448
	1,098,802	985,230	920,446	864,131	830,458
Equity					
Share Capital	9,407	8,764	8,240	7,760	7,394
Reserve Fund	97,658	89,804	81,891	71,540	62,954
Other Reserves	4,412	2,773	1,907	1,078	1,633
Retained earnings	5,819	4,107	4,565	6,776	4,126
	117,296	105,448	96,603	87,154	76,107
	1,216,098	1,090,678	1,017,049	951,285	906,565
Statement of income:					
Interest Income	89,462	80,930	77,904	73,962	71,555
Interest Expense	32,978	31,176	29,172	28,444	28,615
Net Interest Income	56,484	49,754	48,732	45,518	42,940
Other income	5,021	3,730	3,446	4,032	3,640
Net income and other income	61,505	53,484	52,178	49,550	46,580
Loan impairment expense	4,246	3,951	4,699	4,890	3,993
Net operating income	57,259	49,533	47,479	44,660	42,587
Total operating expenses	41,481	38,151	36,132	31,534	33,163
Net income before taxes	15,778	11,382	11,347	13,126	9,424
Asset Tax	2,327	1,604			
Corporation tax	269	136	220	321	177
Net income after taxes	13,182	9,642	11,127	12,805	9,247

CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2012 TO MARCH 31, 2016

In Bds \$'000

	2016	2015	2014	2013	2012
Financial statistics in percent:					
Asset Growth	11.50	7.24	6.91	4.93	7.63
Loan Growth	10.53	9.81	6.52	3.32	5.21
Deposit Growth	13.31	9.09	8.64	4.95	9.22
Net Surplus Growth	36.71	-13.35	-13.10	38.49	52.78
Return on Assets	1.14	0.91	1.13	1.38	1.06
Return on Equity	11.84	9.54	12.11	15.69	12.86
Operating Efficiency	72.44	77.02	76.10	70.61	77.87
Net Interest Margin	4.90	4.72	4.95	4.90	4.91
Other statistics					
Delinquency ratio (%)	6.3	6.7	6.7	7.5	7.2
# of members (000'S)	78.4	73.0	68.7	64.7	61.6
# of branches	4	4	4	4	3
Net income per member	\$168.14	\$132.03	\$162.04	\$197.91	\$150.10

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**

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Group's Annual Report provides a discussion and analysis of the financial position 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, 2016.

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

Overview

At March 31, 2016 the total consolidated assets of the Group reached \$1.2 billion, reflecting an average growth of \$10.5 million per month during the year ending March 31, 2016.

This growth signals the confidence, loyalty and support in which members and customers have placed in the respective boards, management and staff of the financial institutions within the Group.

Snapshot of CAPITA's Performance

CAPITA continued to realize steady growth since its acquisition in August 2010, recording asset growth of \$35.2 million or 17.5 percent for the year to reach \$236.7 million at March 31, 2016. Its pre-tax net income was \$1.0 million while net income after tax was \$658.8 thousand for the year.

Additionally, CAPITA continued to expand by offering a wide diversity of other income opportunities for the Group. One such opportunity is through the establishment of CAPITA Insurance Brokers Limited (CIB) which provided brokerage services to the Group under the CAPITA brand.

As a measure of the confidence in its future growth and profitability, CAPITA commenced the payment of a dividend to its sole shareholder in 2015 and has declared a dividend of \$400 thousand for 2016.

Through CIB, the Credit Union's membership has been provided with one of the best health benefit plans in the market.

Group Performance Summary

The Group's consolidated net income before tax for the year under review was \$15.8 million compared to \$11.4 million for the previous year. It is worthy to note however, that the tax levied on the assets of the Group for the year ending March 31, 2016 amounted to \$2.3 million together with Corporation Tax of \$268.8 thousand. This resulted in net income after tax of \$13.2 million for the Group.

The Group continued working with members and customers who have been experiencing challenges in meeting loan commitments. As a consequence, the percentage rate of non-performing loans decreased by \$2.4 million across the Group. The delinquency rate decreased from 6.7 percent at the end of the previous year to 6.3 percent at the end of March 31, 2016.

The Group's net loan impairment provision decreased by \$992 thousand in 2016. Consequently, the ratio of loan provisioning to impaired loans moved from 42.6 percent in 2015 to 39.0 percent in 2016.

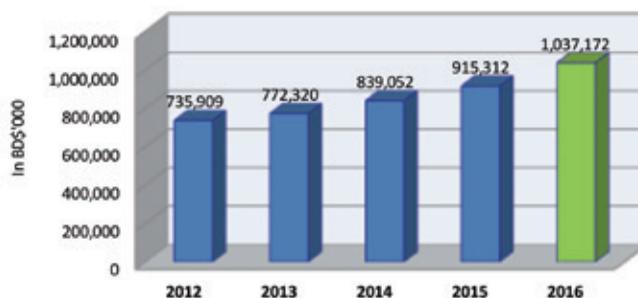
Overall the Group recorded significant growth in its core businesses. Loan growth moved from 9.8 percent in 2015 to 10.5 percent in 2016. Deposit growth climbed from 9.1 percent in 2015 to 13.3 percent in 2016.

During the financial year, the Central Bank of Barbados relaxed its control over interest rates in the market. This allowed financial institutions to lower their interest rates on various savings and deposit products.

The interest rate on deposits at some leading financial institutions average 0.5 percent at March 31, 2016. The minimum interest rate on deposits within the Group at March 31, 2016 stood at 2.0 percent.

Net interest margin increased from 4.7 percent in 2015 to 4.9 percent in 2016 as various pricing strategies were employed to drive loan and deposit volumes.

Deposits



These results are credited to the performance of outstanding and dedicated employees who were encouraged to have a deep and broad knowledge of our products, services and systems. They are trained to be professional, accurate, efficient and compliant. We foster an environment of outstanding service delivery to our members and customers with every single interaction.

Outlook

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

The Group will continue to respond to the current and future challenges through iterative processing of its vision goals as it seeks to maintain positive growth trends.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

The 0.2 percent tax on assets of Credit Unions is expected to cease at March 31, 2016. The impact of the asset tax for its duration was an overall cost of \$3.9 million to the Group, of which \$2.3 million was expensed in income year 2016.

Economic Review

According to the most recent economic reports, the Barbadian economy is estimated to have grown by 0.5 percent in 2015. Foreign exchange reserves at the end of December 2015 represented 12 weeks of import of goods and services.

Tourist arrivals were up 14.9 percent for the first nine months of 2015 while unemployment averaged 11.3 percent, down from 12.3 percent in the previous year. Additionally, net public sector debt to GDP was estimated at 70.0 percent at the end of March 2016 compared to 73.0 percent a year earlier.

Economic Outlook

Despite modest growth in 2015, it is forecasted that the economy is expected to grow by 1.5 percent in 2016 and 1.7 percent in 2017.

This growth is expected to come from tourism and construction activities. Further, the Central Bank anticipates that the implementation of new revenue measures in 2015/2016, along with the current revenue measures are expected to reduce the GDP's deficit to 5.4 percent.

Consolidated Financial Statement Highlights

Revenues

For the financial year ended March 31, 2016, the Group earned total interest revenue of \$89.5 million, up from \$80.9 million for the previous year. This represented an increase of \$8.6 million or 10.6 percent for the year and is attributable to the steady growth in both consumer and mortgage loans across the Group.

Income generated from non-interest sources increased by \$1.3 million or 34.6 percent when compared with the previous year, primarily as a result of increased efforts in impaired loan recoveries.

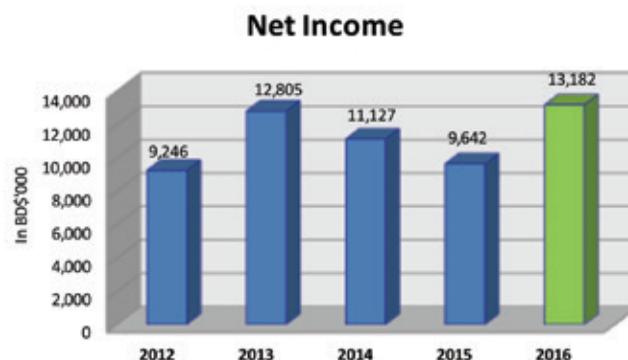
Net Interest Income

The marginal lowering of the savings and deposits interest rates during the year, along with prudent management of the interest spread, resulted in consistent growth in net interest income during the year.

Net interest income moved from \$49.8 million in 2015 to \$56.5 million at March 31, 2016. This represented a \$6.7 million or 13.5 percent increase. This was positively impacted by increased loan volumes and a reduction in funding costs.

Net Income

The Group earned consolidated net income before tax of \$15.8 million for the year ended March 31, 2016 compared with \$11.4 million for the previous year. This represented an increase of approximately \$4.4 million or 38.6 percent above the prior year.



Operating Expenses

Total operating expenses inclusive of taxes increased from \$39.9 million at March 31, 2015 to \$44.1 million for 2016 and was driven principally by the tax on assets, increases in staff costs, publicity and promotion and membership security.

The increase in staff costs amounted to \$2.6 million and is mainly due to two years contractual union negotiated salary increases which were finalized in 2016 and new staff positions in both the Credit Union and CAPITA during the year.

The growth in deposits and loans in the Group resulted in the increase of membership security expense from \$2.4 million in 2015 to \$2.5 million in 2016.

Assets

Total assets of the Group stood at \$1.2 billion at March 31, 2016. This represented an increase of \$125.4 million or 11.5 percent over the previous year.

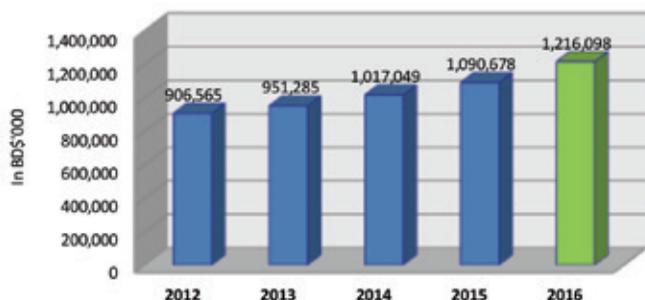
At March 31, 2016, the Group consolidated net loans and advances stood at \$1.0 billion, as compared to \$906.1 million at the end of March 31, 2015. This represented an overall increase of \$95.4 million or 10.5 percent growth in loans compared to an increase of \$80.9 million one year ago.

The Credit Union led the growth in the mortgage loan portfolio which accounted for approximately \$26.3 million of the growth. Consumer loans also contributed significantly to the loan growth at the Credit Union, accounting for \$42.7 million of the portfolio increase.

This increase resulted from a more targeted marketing approach, innovative loan promotions and from continuous streamlining of the loan approval and disbursement processes.

MANAGEMENT DISCUSSION AND ANALYSIS

Total assets



These initiatives enabled and sustained the trend of increase loan demand which was realized across the Group.

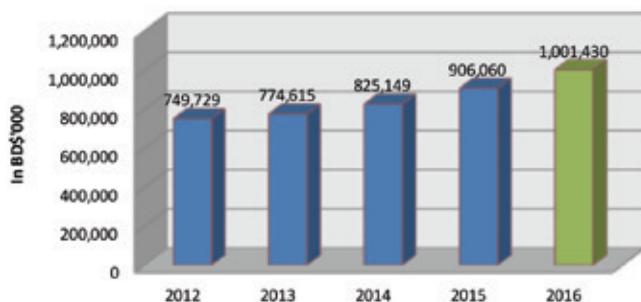
The Group remained highly liquid with total cash resources totaling \$128.3 million. Financial investments increased by \$4.0 million or 13.1 percent due principally to additional purchases of government securities during the financial year.

Asset Quality

The delinquency ratio decreased slightly from 6.7 percent in 2015 to 6.3 percent at March 31, 2016. This is highly commendable given the current environment and is attributable to close monitoring of delinquent accounts, creating payment solutions for members who are experiencing challenges and strict adherence to credit control and underwriting requirements.

The Group also maintained a consistent approach to the provisioning process. This was based on thorough reviews of individual's credit risk and analysis of collective portfolio risk characteristics.

Loans and advances



A key focus of management in recent months has entailed working proactively with members and customers to offer financial counseling and alternative loan arrangements and restructuring plans to assist them in maintaining 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 \$1.0 billion, an increase of \$121.9 million or 13.3 percent higher than at the previous year-end.

During the year under review, the Credit Union repaid one of its high interest rate loan facilities so as to reduce its debt service costs and improve the overall net interest margin yield.

The Credit Union's total loan repayment amounted to \$11.2 million which was largely responsible for the reduction in loans payable from \$52.0 million at March 31, 2015 to \$41.0 million at March 31, 2016.

Equity

As at March 31, 2016, the Group's total equity was \$117.3 million, an increase of \$11.8 million or 11.2 percent over the previous year. The increase was primarily due to profits of \$13.2 million and growth in Credit Union share capital of \$643.6 thousand, net of dividend distributions of \$2.0 million paid to Credit Union members during the year.

The Group's capital adequacy ratios were above minimum capital requirements and these were being continuously monitored on an on-going basis when 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 – 2016 and Beyond

In the financial sector, it is envisaged that the interest rates on savings and deposits will continue to decline. However, the Group will continue to prudently manage its operating cost so that our members and customers continue to enjoy competitive interest rates on savings and deposits.

As we look towards the future, our aim is to provide innovative products and services, while focusing on optimal customer satisfaction across the Group. We firmly believe that this thrust will enable us to retain our loyalty base, while all the same time attracting new members and customers to sustain our continued growth.



KPMG

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

P. O Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Members of 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, 2016, 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.

KPMG, a Barbados partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International") a Swiss entity.



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, 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Chartered Accountants
Bridgetown, Barbados
June 8, 2016

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Income

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

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Interest income	3	\$ 89,462,275	80,929,951
Interest expense	3	<u>(32,977,686)</u>	<u>(31,175,977)</u>
Net interest income	3	<u>56,484,589</u>	<u>49,753,974</u>
Other income	4	5,021,149	3,729,861
Net interest and other income		61,505,738	53,483,835
Loan impairment expense	12	<u>(4,246,393)</u>	<u>(3,951,296)</u>
Net operating income		<u>57,259,345</u>	<u>49,532,539</u>
Staff costs	5	17,220,090	14,634,909
Operating expenses	6	20,196,156	20,156,708
Depreciation	13	<u>4,065,185</u>	<u>3,359,516</u>
Total expenses		<u>41,481,431</u>	<u>38,151,133</u>
Income before levies and taxation		15,777,914	11,381,406
Tax on assets	7	<u>(2,326,813)</u>	<u>(1,604,120)</u>
Income before taxation		13,451,101	9,777,286
Taxation	8	<u>(268,804)</u>	<u>(135,729)</u>
Net income for the year		\$ <u>13,182,297</u>	<u>9,641,557</u>

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, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	<u>2016</u>	<u>2015</u>
Net income for the year	\$ 13,182,297	9,641,557
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurements of defined benefit asset	(289,718)	704,508
<i>Items that are or may be reclassified to profit or loss</i>		
Net unrealised (losses) gains on available-for-sale investments	<u>320,060</u>	<u>(90,344)</u>
Other comprehensive income	<u>30,342</u>	<u>614,164</u>
Total comprehensive income for the year	\$ <u>13,212,639</u>	<u>10,255,721</u>

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, 2016

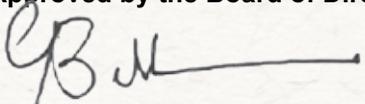
With comparative figures as at March 31, 2015

(Expressed in Barbados dollars)

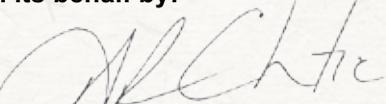
	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Assets			
Cash resources	10	\$ 128,343,666	108,772,406
Financial investments			
Held to maturity	11	29,074,183	25,838,462
Available-for-sale	11	2,405,377	2,033,220
Loans and receivables	11	3,550,855	3,112,780
Loans and advances	12	1,001,429,988	906,059,531
Property and equipment	13	31,712,173	30,060,208
Pension plan asset	14	437,778	687,429
Corporation tax recoverable		331,608	363,105
Intangible asset	16	2,910,000	2,910,000
Other assets	15	<u>15,902,337</u>	<u>10,840,468</u>
Total Assets		\$ <u>1,216,097,965</u>	<u>1,090,677,609</u>
Liabilities and Equity			
Liabilities			
Deposits	17	\$ 1,037,172,174	915,311,940
Loans payable	18	41,011,330	52,034,942
Reimbursable shares		7,165,090	6,700,221
Corporation tax payable		81,385	-
Asset tax payable	7	602,938	1,074,967
Deferred taxation	8	52,180	84,041
Other liabilities	19	<u>12,716,477</u>	<u>10,023,497</u>
Total liabilities		<u>1,098,801,574</u>	<u>985,229,608</u>
Equity			
Share capital	20	9,407,400	8,763,840
Statutory reserves	21	97,657,847	89,803,786
Other reserves	22	4,412,282	2,772,755
Retained earnings		<u>5,818,862</u>	<u>4,107,620</u>
Total equity		<u>117,296,391</u>	<u>105,448,001</u>
Total Liabilities and Equity		\$ <u>1,216,097,965</u>	<u>1,090,677,609</u>

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

Approved by the Board of Directors on June 8, 2016 and signed on its behalf by:



Glendon Belle
 President



Anthony Christie
 Treasurer

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Changes in Equity

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

(Expressed in Barbados dollars)

	Notes	Share Capital	Statutory Reserves	Other Reserves	Retained Earnings	Total
At March 31, 2014		\$ 8,240,280	81,891,199	1,907,154	4,564,239	96,602,872
Net income		-	-	-	9,641,557	9,641,557
Other comprehensive income		-	-	614,164	-	614,164
Issue of shares		584,280	-	-	-	584,280
Redemption of shares		(60,720)	-	-	-	(60,720)
Transfer to statutory reserves	21	-	7,888,242	-	(7,888,242)	-
Entrance fees	21	-	24,345	-	-	24,345
Transfer to special reserves	22	-	-	887,398	(887,398)	-
Special reserves released to retained earnings	22	-	-	(1,065,814)	1,065,814	-
Reserve for interest on non-performing loans	22	-	-	429,853	(429,853)	-
Distributions to members	9	-	-	-	(1,958,497)	(1,958,497)
At March 31, 2015		8,763,840	89,803,786	2,772,755	4,107,620	105,448,001
Net income		-	-	-	13,182,297	13,182,297
Other comprehensive income		-	-	30,342	-	30,342
Issue of shares		727,200	-	-	-	727,200
Redemption of shares		(83,640)	-	-	-	(83,640)
Transfer to statutory reserves	21	-	7,823,761	-	(7,823,761)	-
Entrance fees	21	-	30,300	-	-	30,300
Transfer to special reserves	22	-	-	932,111	(932,111)	-
Special reserves released to retained earnings	22	-	-	(601,893)	601,893	-
Reserve for interest on non-performing loans	22	-	-	1,278,967	(1,278,967)	-
Distributions to members	9	-	-	-	(2,038,109)	(2,038,109)
At March 31, 2016		\$ 9,407,400	97,657,847	4,412,282	5,818,862	117,296,391

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, 2016
With comparative figures for 2015

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities			
Income before taxation		\$ 13,451,101	9,777,286
Adjustments for:			
Depreciation		4,065,185	3,359,516
Loan impairment expense		4,246,393	3,951,296
Gain on disposal of property and equipment		(5,301)	(44,511)
Interest income		(89,462,275)	(80,929,951)
Interest expense		32,977,686	31,175,977
Dividend income		(116,078)	(114,792)
Tax on assets		<u>2,326,813</u>	<u>1,604,120</u>
		(32,516,476)	(31,221,059)
Changes in operating assets and liabilities			
Increase in mandatory reserve deposits with Central Bank		(700,000)	(250,000)
Increase in other term deposits		(1,935,125)	(2,038,789)
Increase in loans and advances		(97,399,709)	(84,033,827)
(Decrease) increase in pension plan asset		(40,067)	22,795
Increase in other assets		(5,044,234)	(544,252)
Increase in deposits		120,938,705	74,805,188
Increase in reimbursable shares		464,869	1,348,789
Increase (decrease) in other liabilities		<u>2,692,980</u>	<u>(1,930,562)</u>
Net cash used in operations		(13,539,057)	(43,841,717)
Interest received		86,944,519	80,102,075
Interest paid		(32,056,157)	(29,721,120)
Levies paid		(2,798,842)	(529,153)
Income taxes paid		<u>(187,783)</u>	<u>(171,318)</u>
Net cash from operating activities		<u>38,362,680</u>	<u>5,838,767</u>
Cash Flows from Investing Activities			
Net increase in financial investments		(3,442,913)	(5,390,080)
Purchase of property and equipment		(5,720,512)	(3,453,404)
Proceeds from sale of property and equipment		8,663	87,393
Dividend income received		<u>116,078</u>	<u>114,792</u>
Net cash used in investing activities		<u>(9,038,684)</u>	<u>(8,641,299)</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows, continued

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

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Financing Activities			
Net decrease in loans payable		(11,023,612)	(11,931,202)
Issue of shares		727,200	584,280
Entrance fees received		30,300	24,345
Redemption of shares		(83,640)	(60,720)
Distributions to members		<u>(2,038,109)</u>	<u>(1,958,497)</u>
Net cash used in financing activities		<u>(12,387,861)</u>	<u>(13,341,794)</u>
Net increase (decrease) in cash and cash equivalents		16,936,135	(16,144,326)
Cash and cash equivalents, beginning of year		<u>56,129,189</u>	<u>72,273,515</u>
Cash and cash equivalents, end of year	10	\$ <u>73,065,324</u>	<u>56,129,189</u>

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, 2016

(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.

On September 11, 2015, Capita Financial Services Inc. incorporated a 100% owned subsidiary, Capita Insurance Brokers Inc., the principal activity of which is provision of insurance broker services.

The Group provides savings products, credit facilities, lease financing, brokerage services and serves as a general and life insurance agent to its customer 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, 2016

(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 categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as disclosed in Note 26.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised 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, 2016

(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.

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.

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)

2. Accounting Policies, continued

2.2 Significant accounting judgments, estimates and assumptions, continued

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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

e) Financial Instruments, continued

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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

e) Financial Instruments, continued

Available-for-sale financial investments, continued

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 method, 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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

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.

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%

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

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.

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 Group operates a defined benefit pension plan for its eligible employees, which requires contributions to be made to a separately administered fund.

The Group'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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

k) Employee benefits, continued

Defined benefit plan, continued

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 Group, 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.

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 Group 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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

k) Employee benefits, continued

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.

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.

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)

2. Accounting Policies, continued

2.3 Summary of significant accounting policies, continued

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, 2016

(Expressed in Barbados dollars)

2. Accounting Policies, continued

2.4 Changes in accounting policy and disclosures

Standards, interpretations and amendments to existing standards effective for the current year

The Group has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements.

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

Standards in issue but not yet effective

New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Credit Union are as follows:

- IAS 1 (Amendments) - Disclosure Initiative (effective January 1, 2016)
- IAS16 & IAS 38 (Amendments) - Clarification of Acceptable Methods of Depreciation and Amortisation (effective January 1, 2016)
- IAS 16 & IAS 41 (Amendments) - Agriculture: Bearer Plants (effective January 1, 2016)
- IAS 27 (Amendments) – Equity Method in Separate Financial Statements (effective January 1, 2016)
- IAS 7 (Amendments) – Disclosure Initiative (effective January 1, 2017)
- IAS 12- (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
- IFRS 10 & IAS 28 (Amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective January 1, 2016)
- IFRS10, IFRS 12 & IAS 28 (Amendments) – Investment Entities:Applying the Consolidation Exception (effective January 1, 2016)
- IFRS 11 (Amendments) – Accounting for Acquisitons of Interests in Joint Operations (effective January 1, 2016)
- IFRS 14 - Regulatory Deferral Accounts (effective January 1, 2016)
- Annual Improvements to IFRS 2012-2014 Cycle - various standards (effective January 1, 2016)
- IFRS 9 - Financial Instruments (effective January 1, 2018)
- IFRS 15 - Revenue from Contracts with Customers (effective January 1, 2018)
- IFRS 16 - Leases (effective January 1, 2019)

None of these is expected to have a significant effect on the financial statements of the 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.

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2. Accounting Policies, continued

2.4 Changes in accounting policy and disclosures, continued

IFRS 9 – Financial Instruments

In July 2014, the IASB released the final version of IFRS 9 *Financial Instruments*. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, *Financial Instruments: Recognition and Measurement*, with a new mixed measurement model having only two categories: amortised cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are recognised either at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognised in profit or loss insofar as they do not clearly represent a return on investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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

3. Net Interest Income

	<u>2016</u>	<u>2015</u>
Interest income		
Loans and advances	\$ 85,361,672	76,893,379
Financial investments	1,915,658	1,676,025
Cash resources	<u>2,184,945</u>	<u>2,360,547</u>
	<u>89,462,275</u>	<u>80,929,951</u>
Interest expense		
Deposits	30,791,965	28,328,098
Loans payable	<u>2,185,721</u>	<u>2,847,879</u>
	<u>32,977,686</u>	<u>31,175,977</u>
Net interest income	\$ <u>56,484,589</u>	<u>49,753,974</u>

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4. Other Income

	<u>2016</u>	<u>2015</u>
Fee income	\$ 1,605,943	1,325,492
Legal income	1,145,884	1,016,349
Rental income	90,612	75,264
Bad debt recoveries	1,035,086	396,008
Insurance agency commissions	1,011,068	742,877
Dividend income	116,078	114,792
Realised gain on sale of investments	2,387	-
Gain on disposal of equipment	5,301	44,511
Lease income	-	2,260
Other	<u>8,790</u>	<u>12,308</u>
	<u>\$ 5,021,149</u>	<u>3,729,861</u>

5. Staff Costs

	<u>2016</u>	<u>2015</u>
Salaries	\$ 13,545,031	11,516,983
National Insurance scheme contributions	1,055,453	959,916
Pension plan – defined contribution plan	88,965	94,256
Pension plan – defined benefit plan (Note 14)	567,412	604,268
Other costs	<u>1,963,229</u>	<u>1,459,486</u>
	<u>\$ 17,220,090</u>	<u>14,634,909</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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6. Operating Expenses

	<u>2016</u>	<u>2015</u>
Anniversary expenses	\$ 329,846	260,430
Advertising	1,100,736	1,061,627
Affiliation	75,000	75,000
Audit fees	459,600	461,025
Bank charges	94,432	78,991
Committee travelling allowances	158,268	175,650
Development expenses	61,905	280,310
Direct cost of services	489,356	418,826
Educational grant and scholarship expenses	329,430	445,215
Elected Officials and Committee Training	407,944	223,895
Entertaining	83,554	70,011
Insurance	574,062	582,893
Janitorial services	355,343	371,164
Legacy Foundation – Donations	-	100,000
Legal and professional fees	827,573	1,109,982
Meetings and conferences	658,343	487,458
Membership security	2,530,109	2,400,415
Sundry expenses	83,257	97,953
National development expenses	82,812	98,783
Office stationery and supplies	1,078,650	970,309
Postage	94,987	165,044
Property taxes	251,076	176,951
Publicity and promotion	2,465,785	2,312,605
Regulatory licences	254,977	217,814
Rent	1,515,480	1,424,898
Repairs and maintenance	2,903,698	2,847,557
Security services	933,690	863,271
Social outreach expenses	127,746	141,506
Staff and members' training	636,042	825,039
Utilities	<u>1,232,455</u>	<u>1,412,086</u>
	<u>\$ 20,196,156</u>	<u>20,156,708</u>

7. Tax on Assets

Under the Tax on Asset Act, 2015, every credit union registered under Section 193 of the Co-operative Societies Act, Cap 378 with total gross assets of \$40 million or more, shall pay within four (4) months after each assessment quarter, a levy of 0.20% per annum on the average domestic assets of the Credit Union. This Act came into effect on July 1, 2014 and expired on March 31, 2016.

Capita Financial Services Inc., being a deposit-taking licensee, was also impacted by the Act. The Act stated that effective June 1, 2014, entities licensed under Section 22 of the Financial Institutions Act, Cap 324A with total gross assets of which is \$40 million or more and accepts deposits from third parties, shall pay by the 15th of the sixth (6th) month after each assessment quarter, a levy of 0.20% per annum on the average domestic assets of the deposit taking licensee.

Tax on assets expense incurred by the Group for the year amounted to \$2,326,813.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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8. Taxation

The corporation tax charge for the year is as follows:

	<u>2016</u>	<u>2015</u>
Current tax expense	\$ 223,721	117,077
Under accrual of prior year taxes	76,944	16,396
Deferred tax charge	<u>(31,861)</u>	<u>2,256</u>
Tax expense	\$ <u>268,804</u>	<u>135,729</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>2016</u>	<u>2015</u>
Income before taxation	\$ 13,451,101	9,777,286
Tax calculated at a rate of 25% (2015 - 25%)	3,362,775	2,444,322
Income not subject to tax	(3,338,558)	(2,334,089)
Effect of different tax rates	(9,496)	(13,221)
Expenses not deductible for tax	43,891	21,020
Movement on deferred tax asset not recognised	161,226	1,301
Prior year's under provision of taxes	58,156	16,396
Tax loss utilization	(9,579)	-
Other	<u>389</u>	<u>-</u>
Tax expense	\$ <u>268,804</u>	<u>135,729</u>

Deferred taxation

The movement of deferred tax liability is as follows:

	<u>2016</u>	<u>2015</u>
Beginning of the year	\$ 84,041	81,785
Deferred tax charge	<u>(31,861)</u>	<u>2,256</u>
End of year	\$ <u>52,180</u>	<u>84,041</u>

The deferred tax asset not recognised comprises tax losses and accelerated tax depreciation of the St. Lucia Branch and tax losses of BPW Financial Holdings Inc.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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8. Taxation, continued

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

St. Lucia Branch

Year of Loss	Losses B/fwd	Incurred	Utilised	Expired	Losses C/fwd	Expiry Date
2010	\$ 42,141	-	(31,930)	(10,211)	-	2016
2011	58,128	-	-	-	58,128	2017
2012	207,101	-	-	-	207,101	2018
2013	45,750	-	-	-	45,750	2019
	\$ <u>353,120</u>	<u>-</u>	<u>(31,930)</u>	<u>(10,211)</u>	<u>310,979</u>	

BPW Financial Holdings Inc.

Year of Loss	Losses B/fwd	Incurred	Utilised	Expired	Losses C/fwd	Expiry Date
2016	<u>637,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>637,807</u>	2023
	\$ <u>637,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>637,807</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 tax authorities.

9. Distributions to Members

Distributions to members include a dividend of \$0.238 (2015 - \$0.238) per share amounting to \$417,329 (2015 - \$393,544) and interest rebate amounting to \$1,620,780 (2015 - \$1,564,953).

10. Cash Resources

	2016	2015
Cash	\$ 72,623,606	48,119,406
Short-term deposits	<u>441,718</u>	<u>8,009,783</u>
Cash and cash equivalents	73,065,324	56,129,189
Other term deposits	50,402,514	48,467,389
Mandatory reserve deposits with Central Bank of Barbados	<u>4,875,828</u>	<u>4,175,828</u>
Total cash resources	\$ <u>128,343,666</u>	<u>108,772,406</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2016

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10. Cash Resources, continued

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, 2016, cash resources with the exception of mandatory reserve deposits with Central Bank carry interest rates varying from 0.50% to 5% per annum (2015 - 0.50% to 5%).

11. Financial Investments

Financial investments comprise:

	<u>2016</u>	<u>2015</u>
Held to maturity		
Government securities	\$ 28,061,741	25,109,000
Interest receivable	<u>1,012,442</u>	<u>729,462</u>
	<u>\$ 29,074,183</u>	<u>25,838,462</u>

During the year ended March 31, 2016, interest rates varied from 4.25% to 7.50% per annum (2015 - 4.13% to 8.50% per annum).

	<u>2016</u>	<u>2015</u>
Available-for-sale		
Equities - quoted	\$ 1,650,939	1,350,698
Equities - unquoted	<u>754,438</u>	<u>682,522</u>
	<u>\$ 2,405,377</u>	<u>2,033,220</u>

	<u>2016</u>	<u>2015</u>
Loans and receivables		
Government securities	\$ 3,470,869	3,045,493
Interest receivable	<u>79,986</u>	<u>67,287</u>
	<u>\$ 3,550,855</u>	<u>3,112,780</u>

During the year ended March 31, 2016, interest rates varied from 4.25% to 7.38% per annum (2015 - 6.12% to 7.38% per annum).

Investments include treasury bills of \$2,650,000 (2015 - \$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

Notes to the Consolidated Financial Statements

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(Expressed in Barbados dollars)

12. Loans and Advances

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

	2016			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Performing loans	\$ 558,134,102	8,896,892	392,080,969	959,111,963
Non-performing loans	<u>35,061,187</u>	<u>646,858</u>	<u>21,150,390</u>	<u>56,858,435</u>
Gross loans	593,195,289	9,543,750	413,231,359	1,015,970,398
Less: provision for impairment	<u>(16,354,985)</u>	<u>(151,572)</u>	<u>(5,689,580)</u>	<u>(22,196,137)</u>
	<u>\$ 576,840,304</u>	<u>9,392,178</u>	<u>407,541,779</u>	993,774,261
Add: interest receivable				<u>7,655,727</u>
				<u>\$ 1,001,429,988</u>

	2015			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Performing loans	\$ 515,355,552	9,086,493	344,958,076	869,400,121
Non-performing loans	<u>32,602,431</u>	<u>598,947</u>	<u>21,208,066</u>	<u>54,409,444</u>
Gross loans	547,957,983	9,685,440	366,166,142	923,809,565
Less: provision for impairment	<u>(17,036,003)</u>	<u>(294,476)</u>	<u>(5,858,141)</u>	<u>(23,188,620)</u>
	<u>\$ 530,921,980</u>	<u>9,390,964</u>	<u>360,308,001</u>	900,620,945
Add: interest receivable				<u>5,438,586</u>
				<u>\$ 906,059,531</u>

Non-performing loans comprise of:

- i. Loans and advances of the parent that are in arrears over 90 days, which are either past due but not impaired or individually impaired
- ii. Non accrual loans of a subsidiary.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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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>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2016

(Expressed in Barbados dollars)

12. Loans and Advances, continued

	2015			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Balance, beginning of year	\$ 16,754,197	462,395	5,395,013	22,611,605
Amounts charged off	(3,061,940)	(82,101)	(230,240)	(3,374,281)
Loan impairment expense	<u>3,343,746</u>	<u>(85,818)</u>	<u>693,368</u>	<u>3,951,296</u>
Balance, end of year	\$ <u>17,036,003</u>	<u>294,476</u>	<u>5,858,141</u>	<u>23,188,620</u>
Individual impairment	\$ 13,079,751	221,696	4,504,692	17,806,139
Collective impairment	<u>3,956,252</u>	<u>72,780</u>	<u>1,353,449</u>	<u>5,382,481</u>
	\$ <u>17,036,003</u>	<u>294,476</u>	<u>5,858,141</u>	<u>23,188,620</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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13. Property and Equipment

Property and equipment is comprised of the following:

	2016					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	\$ 28,801,032	1,749,099	21,412,424	3,802,510	1,846,344	57,611,409
Additions/transfer	871,799	189,705	3,206,372	2,275,407	(822,771)	5,720,512
Disposals	-	(135,886)	(5,051)	-	-	(140,937)
Balance, end of year	<u>29,672,831</u>	<u>1,802,918</u>	<u>24,613,745</u>	<u>6,077,917</u>	<u>1,023,573</u>	<u>63,190,984</u>
Accumulated depreciation						
Balance, beginning of year	7,913,194	1,182,640	16,601,611	1,853,756	-	27,551,201
Depreciation	553,707	209,604	2,251,605	1,050,269	-	4,065,185
Disposals	-	(135,886)	(1,689)	-	-	(137,575)
Balance, end of year	<u>8,466,901</u>	<u>1,256,358</u>	<u>18,851,527</u>	<u>2,904,025</u>	<u>-</u>	<u>31,478,811</u>
Net book value, end of year	<u>\$ 21,205,930</u>	<u>546,560</u>	<u>5,762,218</u>	<u>3,173,892</u>	<u>1,023,573</u>	<u>31,712,173</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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13. Property and Equipment, continued

	2015					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	\$ 28,801,032	1,797,494	19,606,568	3,102,288	1,389,536	54,696,918
Additions/transfer	-	403,392	1,892,982	700,222	456,808	3,453,404
Disposals	-	(451,787)	(87,126)	-	-	(538,913)
Balance, end of year	<u>28,801,032</u>	<u>1,749,099</u>	<u>21,412,424</u>	<u>3,802,510</u>	<u>1,846,344</u>	<u>57,611,409</u>
Accumulated depreciation						
Balance, beginning of year	7,366,180	1,382,616	14,812,898	1,126,021	-	24,687,715
Depreciation	547,014	210,150	1,874,617	727,735	-	3,359,516
Disposals	-	(410,126)	(85,904)	-	-	(496,030)
Balance, end of year	<u>7,913,194</u>	<u>1,182,640</u>	<u>16,601,611</u>	<u>1,853,756</u>	<u>-</u>	<u>27,551,201</u>
Net book value, end of year	<u>\$ 20,887,838</u>	<u>566,459</u>	<u>4,810,813</u>	<u>1,948,754</u>	<u>1,846,344</u>	<u>30,060,208</u>

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14. 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, 2016.

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 \$567,412 in contributions to its defined benefit plan in 2016.

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

1. 1.75% of their pensionable salary as at April 1, 2014 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

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14. 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>2016</u>	<u>2015</u>
Present value of obligation to plan members	\$ (8,919,972)	(8,164,276)
Pension plan assets at fair value	<u>9,357,750</u>	<u>8,851,705</u>
Asset recognised in the statement of financial position	\$ <u>437,778</u>	<u>687,429</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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14. Pension Plan Asset, continued

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

	<u>2016</u>	<u>2015</u>
Asset, beginning of year	\$ 687,429	5,716
Contributions paid	607,479	581,473
Pension expense recognised in statement of income	(567,412)	(604,268)
Re-measurement recognised in other comprehensive income	<u>(289,718)</u>	<u>704,508</u>
Asset, end of year	\$ <u>437,778</u>	<u>687,429</u>

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

	<u>2016</u>	<u>2015</u>
Opening obligation	\$ 8,164,276	7,847,099
Interest cost	672,883	656,358
Current service cost	577,540	561,818
Employees' contributions	108,000	99,518
Benefits paid	(306,472)	(52,808)
Actuarial losses arising from: Experience adjustments	<u>(296,255)</u>	<u>(947,709)</u>
Closing obligation	\$ <u>8,919,972</u>	<u>8,164,276</u>

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14. Pension Plan Asset, continued

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

	<u>2016</u>	<u>2015</u>
Opening fair value of plan assets	\$ 8,851,705	7,852,815
Actual return	115,180	389,024
Employer's contributions	607,479	581,473
Employees' contributions	108,000	99,518
Benefits paid	(306,472)	(52,808)
Administrative expenses	<u>(18,142)</u>	<u>(18,317)</u>
Closing fair value of plan assets	\$ <u>9,357,750</u>	<u>8,851,705</u>

(ii) Plan assets consist of the following:

	<u>2016</u>	<u>2015</u>
Equities	\$ 4,192,476	3,979,683
Bonds	<u>5,165,274</u>	<u>4,872,022</u>
	\$ <u>9,357,750</u>	<u>8,851,705</u>

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

	<u>2016</u>	<u>2015</u>
Mortgages	13.86%	14.07%
Bonds	39.17%	39.33%
Equities	34.50%	36.35%
Property	5.07%	4.50%
Other	7.40%	5.76%

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

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 577,540	561,818
Interest cost on obligation	672,883	656,358
Expected return on plan assets	(701,153)	(632,225)
Administrative expenses	<u>18,142</u>	<u>18,317</u>
Net pension expense included in staff costs (Note 5)	\$ <u>567,412</u>	<u>604,268</u>

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14. Pension Plan Asset, continued

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

	<u>2016</u>	<u>2015</u>
Remeasurement gain on obligation	\$ (296,255)	(947,709)
Remeasurement loss on plan assets	<u>585,973</u>	<u>243,201</u>
	\$ <u>289,718</u>	<u>(704,508)</u>

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

	<u>2016</u>	<u>2015</u>
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	n/a	n/a
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, 2016, the weighed-average duration of the defined benefit obligation was 22.80 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)	(1,717,595)	2,308,263
Future salary growth (0.5% movement)	913,769	(832,508)

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 \$184,561.

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15. Other Assets

Other assets are comprised of the following:

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 9,211,719	5,365,761
Prepaid employee benefit (Note 19)	3,120,994	2,354,990
Prepaid expenses	2,131,905	2,102,420
Premiums receivable	1,322,565	720,807
Interest receivable on cash resources	17,620	54,985
Dividend receivable	55,000	55,000
Other Assets re Goodwill Credit Union (Note 28)	<u>42,534</u>	<u>186,505</u>
	<u>\$ 15,902,337</u>	<u>10,840,468</u>

16. Intangible Asset

	<u>2016</u>	<u>2015</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 20% and a growth rate of 7%.

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.

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17. Deposits

(i) This amount comprises:

	<u>2016</u>	<u>2015</u>
Saving deposits	\$ 400,347,839	375,188,937
Deposits payable on fixed date	589,014,050	495,917,980
Registered retirement savings plan deposits (a)	<u>41,115,349</u>	<u>38,431,616</u>
	1,030,477,238	909,538,533
Interest payable	<u>6,694,936</u>	<u>5,773,407</u>
	<u>\$ 1,037,172,174</u>	<u>915,311,940</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, 2016 the minimum deposit rate was 2.0% (2015 - 2.5%).

(ii) Concentration of deposits

Deposits (excluding interest payable) comprised the following:

	<u>2016</u>	<u>2015</u>
Personal	\$ 828,331,680	749,941,580
Commercial	<u>202,145,558</u>	<u>159,596,953</u>
	<u>\$ 1,030,477,238</u>	<u>909,538,533</u>

At March 31, 2016, deposits pledged as security for loans to members and not available for withdrawal totalled \$283,398,239 (2015 - \$229,404,306). The average yield of deposits during the year was 3% (2015 - 3.05%).

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18. Loans Payable

Loans payable is comprised of the following:

	<u>2016</u>	<u>2015</u>
National Insurance Board (i)	\$ 14,895,558	25,929,471
Housing Credit Fund (ii)	24,310,401	26,105,471
ECHMB (iii)	<u>1,805,371</u>	<u>-</u>
	\$ <u>41,011,330</u>	<u>52,034,942</u>

- (i) During the financial year, the Credit Union repaid a 6 percent fixed rate loan which was acquired from the National Insurance Board in January 2010 and was due to mature in February 2030.

The National Insurance Board loans amounting to \$14,895,558 (2015 - \$25,929,471), which were acquired prior to March 31, 2011, are repayable over an average period of seventeen 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 5.25% to 6.00% (2015 - 5.25% to 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 3.00% (2015 - 4.25%).

- (iii) The Eastern Caribbean Home Mortgage Bank loan is comprised of cash proceeds from the collateralized borrowing as discussed in Note 12.

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, 2016 and 2015.

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19. Other Liabilities

Other liabilities is comprised of the following:

	<u>2016</u>	<u>2015</u>
Retention payable (i)	\$ 513,609	513,609
Accounts payable and accrued expenses	5,111,101	3,440,495
Amounts payable re Goodwill Credit Union (Note 28)	100,377	255,088
Fair value adjustment - staff loans (ii)	3,196,129	2,320,167
Premiums payable	1,602,519	1,312,293
Deferred loan commitment loan fees	425,828	444,432
Unallocated receipts to members	1,331,048	1,421,395
Interest rebate payable	203,026	203,026
Withholding tax payable	<u>232,840</u>	<u>112,992</u>
	\$ <u>12,716,477</u>	<u>10,023,497</u>

- (i) At March 31, 2016, a retention payable amounting to \$513,609 (2015 - \$513,609) 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 15). The deferred interest income will be recognised over the term of the staff loans.

20. 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, 2016 the total number of membership qualifying shares was 1,881,480 (2015 - 1,752,768).

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21. Statutory Reserves

	<u>2016</u>	<u>2015</u>
Statutory reserve (i)	\$ <u>97,657,847</u>	<u>89,803,786</u>
	\$ <u>97,657,847</u>	<u>89,803,786</u>

(i) Statutory reserve

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 89,803,786	81,891,199
Transfers to reserve – statutory *	5,101,250	4,651,099
Transfer to reserve – statutory **	101,605	143,463
Transfers to reserve – voluntary	<u>2,620,906</u>	<u>3,093,680</u>
	97,627,547	89,779,441
Entrance fees	<u>30,300</u>	<u>24,345</u>
Balance, end of year	\$ <u>97,657,847</u>	<u>89,803,786</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 \$101,605 was required during 2016 (2015 - \$143,463).

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22. Other Reserves

	<u>2016</u>	<u>2015</u>
Fair value reserve	\$ 862,384	542,324
Special funds	1,008,479	678,261
Donated equity	26,909	26,909
Defined benefit plan	(50,870)	238,848
Reserve for interest on non-performing loans	<u>2,565,380</u>	<u>1,286,413</u>
	<u>\$ 4,412,282</u>	<u>2,772,755</u>

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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 542,324	632,668
Unrealised fair value gains (losses)	<u>320,060</u>	<u>(90,344)</u>
Balance, end of year	<u>\$ 862,384</u>	<u>542,324</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.
- (v) **BPWCCUL Foundation**
This fund was established in June 2009 to fund major philanthropic initiatives undertaken by the Credit Union.

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22. Other Reserves, continued

Special funds, continued

(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, 2016

	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	\$ 154,649	45,351	(127,746)	72,254
Education Fund	61,110	456,450	(329,430)	188,130
Development Fund	119,690	230,310	(61,905)	288,095
BCCUL Training/Education Fund	-	50,000	-	50,000
BPWCCUL Foundation	-	-	-	-
Small and Micro Business Fund	-	150,000	-	150,000
National Development Fund	82,812	-	(82,812)	-
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	<u>\$ 678,261</u>	<u>932,111</u>	<u>(601,893)</u>	<u>1,008,479</u>

March 31, 2015

	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	\$ 158,817	137,338	(141,506)	154,649
Education Fund	94,311	412,014	(445,215)	61,110
Development Fund	221,954	128,046	(230,310)	119,690
BCCUL Training/Education Fund	-	50,000	(50,000)	-
BPWCCUL Foundation	-	100,000	(100,000)	-
National Development Fund	121,595	60,000	(98,783)	82,812
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	<u>\$ 856,677</u>	<u>887,398</u>	<u>(1,065,814)</u>	<u>678,261</u>

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22. Other Reserves, continued

Donated equity

This amount totalling \$26,909 (2015 - \$26,909) represents the value of donations bestowed upon the Credit Union on incorporation.

Defined benefit plan

This amount totalling \$50,870 (2015 - (\$238,848)) 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 14)

Reserve for interest on non-performing loans

This amount totalling \$2,565,380 (2015 - \$1,286,413) 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.

23. 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, 2016 and March 31, 2015, 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

	<u>2016</u>	<u>2015</u>
Short term employee benefits	\$ 2,462,709	2,077,970
Post-employment benefits	<u>141,961</u>	<u>94,089</u>
Total compensation paid to key management personnel	\$ <u>2,604,670</u>	<u>2,172,059</u>

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23. 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>2016</u>	<u>2015</u>
Loans and advances	\$ 2,735,308	2,863,894
Deposits	1,569,400	862,959

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.

24. 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>2016</u>	<u>2015</u>
Less than one year	\$ 1,524,908	1,298,113
Between one and five years	<u>3,828,325</u>	<u>2,903,100</u>
	<u>\$ 5,353,233</u>	<u>4,201,213</u>

(ii) Loan commitments

	<u>2016</u>	<u>2015</u>
Consumer loans approved and pending disbursement	\$ 18,408,702	17,526,447
Mortgage loans approved and pending disbursement	42,146,392	51,121,439
Available balances on line of credit accounts	<u>15,104,437</u>	<u>14,120,598</u>
	<u>\$ 75,659,531</u>	<u>82,768,484</u>

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Notes to the Consolidated Financial Statements

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24. Commitments and Contingencies, continued

(iii) Loan facilities

Loan facilities committed but not recognised in the financial statements as at March 31, 2016 are as follows:

- (a) an approved line of credit facility of \$10,000,000 (2015 - \$10,000,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2016 this facility was undisbursed.
- (b) an approved line of credit facility of \$125,000 (2015 - \$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 \$28,732 (2015 - \$10,567).

(iv) Legal proceedings

At March 31, 2016, 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.

25. Financial Risk Management

25.1 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.

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25. Financial Risk Management, continued

25.1 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.

25.2 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.

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Notes to the Consolidated Financial Statements

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25. Financial Risk Management, continued

25.2 Credit risk, continued

Exposure to credit risk before collateral held or other credit enhancements

Maximum exposure

Credit risk exposures relating to on-balance sheet assets are as follows:

	<u>2016</u>	<u>2015</u>
Loans and advances to customers:		
Consumer	\$ 576,840,304	530,921,980
Mortgages	407,541,779	360,308,001
Business	9,392,178	9,390,964
Financial investments:		
Held to maturity	29,074,183	25,838,462
Loans and receivables	3,550,855	3,112,780
Cash resources	128,343,666	108,772,406

Credit risk exposures relating to off-balance sheet items are as follows:

Loan commitments	<u>75,659,531</u>	<u>82,768,484</u>
Total maximum exposure	\$ <u>1,230,402,496</u>	<u>1,121,113,077</u>

The above table represents the maximum credit risk exposure of the Group as of March 31, 2016 and March 31, 2015, 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 2015 financial year was downgraded to a BB+ rating by Standard & Poors. During the year ended March 31, 2016, 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.

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25. Financial Risk Management, continued

25.2 Credit risk, continued

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

	2016			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 128,343,666	-	-	128,343,666
Financial investments:				
Held to maturity	29,074,183	-	-	29,074,183
Loans and receivables	3,550,855	-	-	3,550,855
Loans and advances:				
Consumer	455,648,567	111,937,749	25,608,973	593,195,289
Mortgages	293,748,794	109,104,586	10,377,979	413,231,359
Business	<u>7,692,187</u>	<u>1,547,167</u>	<u>304,396</u>	<u>9,543,750</u>
Total	\$ <u>918,058,252</u>	<u>222,589,502</u>	<u>36,291,348</u>	<u>1,176,939,102</u>

	2015			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 108,772,406	-	-	108,772,406
Financial investments:				
Held to maturity	25,838,462	-	-	25,838,462
Loans and receivables	3,112,780	-	-	3,112,780
Loans and advances:				
Consumer	425,833,762	95,632,139	23,847,346	545,313,247
Mortgages	257,799,187	93,809,576	17,208,115	368,816,878
Business	<u>7,878,946</u>	<u>1,513,834</u>	<u>286,660</u>	<u>9,679,440</u>
Total	\$ <u>829,235,543</u>	<u>190,955,549</u>	<u>41,342,121</u>	<u>1,061,533,213</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

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(Expressed in Barbados dollars)

25. Financial Risk Management, continued

25.2 Credit risk, continued

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

	2016				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	\$ 70,057,917	24,737,853	5,557,450	11,584,529	111,937,749
Mortgages	50,811,153	20,581,322	4,725,521	32,986,590	109,104,586
Business	1,018,186	186,519	-	342,462	1,547,167
Total	\$ <u>121,887,256</u>	<u>45,505,694</u>	<u>10,282,971</u>	<u>44,913,581</u>	<u>222,589,502</u>

	2015				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	\$ 61,091,423	17,863,386	3,452,289	13,225,041	95,632,139
Mortgages	51,174,355	11,082,816	2,740,710	28,811,695	93,809,576
Business	991,501	182,012	28,034	312,287	1,513,834
Total	\$ <u>113,257,279</u>	<u>29,128,214</u>	<u>6,221,033</u>	<u>42,349,023</u>	<u>190,955,549</u>

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.

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For the year ended March 31, 2016

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25. Financial Risk Management, continued

25.2 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.

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25. Financial Risk Management, continued

25.2 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.

25.3 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, 2016 and March 31, 2015 on the basis of their earliest possible contractual maturity.

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25. Financial Risk Management, continued

25.3 Liquidity risk and funding management, continued

Liquidity Risk – Financial Liabilities

	2016				Total
	Within 3 months	Within 3 -12 months	Within 1-5 years	Over 5 years	
Deposits	\$ 521,405,110	187,341,653	367,868,680	59,890,752	1,136,506,195
Loans payable	955,431	2,841,918	18,121,541	40,597,665	62,516,555
Reimbursable shares	-	-	7,165,090	-	7,165,090
Other liabilities	1,844,657	7,675,691	-	3,196,129	12,716,477
	\$ 524,205,198	197,859,262	393,155,311	103,684,546	1,218,904,317
	2015				Total
	Within 3 months	Within 3 -12 months	Within 1-5 years	Over 5 years	
Deposits	\$ 491,809,391	114,652,342	321,594,032	67,606,246	995,662,011
Loans payable	1,316,027	3,879,035	22,705,506	48,615,783	76,516,351
Reimbursable shares	-	-	6,700,221	-	6,700,221
Other liabilities	1,935,004	5,768,326	-	2,320,167	10,023,497
	\$ 495,060,422	124,299,703	350,999,759	118,542,196	1,088,902,080

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25. Financial Risk Management, continued

25.4 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

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25. Financial Risk Management, continued

25.4 Market risk, continued

Interest rate risk

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

	2016					Total
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	
Assets						
Cash resources	\$ 73,065,324	46,374,356	4,028,158	-	4,875,828	128,343,666
Financial investments	79,986	2,471,442	19,970,869	10,102,741	2,405,377	35,030,415
Loans and advances	23,917,100	31,142,146	234,395,420	711,975,322	-	1,001,429,988
Other assets	-	-	-	-	10,649,438	10,649,438
Total assets	<u>97,062,410</u>	<u>79,987,944</u>	<u>258,394,447</u>	<u>722,078,063</u>	<u>17,930,643</u>	<u>1,175,453,507</u>
Liabilities						
Deposits	510,870,196	177,981,421	328,560,068	36,383,171	-	1,053,794,856
Loans payable	699,074	2,125,387	13,455,642	24,731,227	-	41,011,330
Reimbursable shares	-	-	-	-	7,165,090	7,165,090
Other liabilities	-	-	-	-	12,716,477	12,716,477
Total liabilities	<u>511,569,270</u>	<u>180,106,808</u>	<u>342,015,710</u>	<u>61,114,398</u>	<u>19,881,567</u>	<u>1,114,687,753</u>
Interest rate gap	\$ <u>(414,506,860)</u>	<u>(100,118,864)</u>	<u>(83,621,263)</u>	<u>660,963,665</u>	<u>(1,950,924)</u>	<u>60,765,754</u>

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For the year ended March 31, 2016

(Expressed in Barbados dollars)

25. Financial Risk Management, continued

25.4 Market risk, continued

Interest rate risk, continued

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

	2015					Total
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	
Assets						
Cash resources	\$ 56,129,189	27,760,209	19,218,200	1,488,980	4,175,828	108,772,406
Financial investments	2,082,500	5,714,239	8,004,503	13,150,000	2,033,220	30,984,462
Loans and advances	17,451,443	28,850,836	213,952,597	645,804,655	-	906,059,531
Other assets	-	-	-	-	6,383,058	6,383,058
Total assets	<u>75,663,132</u>	<u>62,325,284</u>	<u>241,175,300</u>	<u>660,443,635</u>	<u>12,592,106</u>	<u>1,052,199,457</u>
Liabilities						
Deposits	480,508,713	114,971,690	287,900,537	31,931,000	-	915,311,940
Loans payable	779,448	2,345,924	15,349,402	33,560,168	-	52,034,942
Reimbursable shares	-	-	-	-	6,700,221	6,700,221
Other liabilities	5,498,287	-	-	-	4,525,210	10,023,497
Total liabilities	<u>486,786,448</u>	<u>117,317,614</u>	<u>303,249,939</u>	<u>65,491,168</u>	<u>11,225,431</u>	<u>984,070,600</u>
Interest rate gap	\$ <u>(411,123,316)</u>	<u>(54,992,330)</u>	<u>(62,074,639)</u>	<u>594,952,467</u>	<u>1,366,675</u>	<u>68,128,857</u>

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25. Financial Risk Management, continued

25.4 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, 2016, with all other variables held constant.

The impact is illustrated and shown in the table below:

	<u>2016</u>	<u>2015</u>
Increase / decrease of 100 bps		
Impact on profit + 100 bps	\$ (3,192,506)	4,248,224
Impact on profit – 100 bps	1,919,958	(931,400)

25.5 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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26. 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:

		<u>2016</u>		<u>2015</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Cash resources	\$ 128,343,666	128,343,666	108,772,406	108,772,406	
Financial investments	35,030,415	35,030,415	30,984,462	30,984,462	
Loans and advances	1,001,429,988	1,004,626,117	906,059,531	908,379,698	
Other assets	<u>10,649,438</u>	<u>10,649,438</u>	<u>6,383,058</u>	<u>6,383,058</u>	
	\$ <u>1,175,453,507</u>	<u>1,178,649,636</u>	<u>1,052,199,457</u>	<u>1,054,519,624</u>	

		<u>2016</u>		<u>2015</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Deposits	\$ 1,037,172,174	1,123,620,770	915,311,940	995,662,011	
Loans payable	41,011,330	41,496,868	52,034,942	54,354,897	
Reimbursable shares	7,165,090	7,165,090	6,700,221	6,700,221	
Other liabilities	<u>12,716,477</u>	<u>12,716,477</u>	<u>10,023,497</u>	<u>10,023,497</u>	
	\$ <u>1,098,065,071</u>	<u>1,184,999,205</u>	<u>984,070,600</u>	<u>1,066,740,626</u>	

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26. 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, 2016

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
Investment securities				
Available-for-sale				
- Equity securities	\$ <u>1,650,939</u>	<u>-</u>	<u>754,438</u>	<u>2,405,377</u>

March 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Balance</u>
Investment securities				
Available-for-sale				
- Equity securities	\$ <u>1,350,698</u>	<u>-</u>	<u>682,522</u>	<u>2,033,220</u>

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26. Fair Value, continued

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

	<u>2016</u>	<u>2015</u>
Balance - beginning of year	\$ 682,522	664,348
Purchases	<u>71,916</u>	<u>18,174</u>
Balance – end of year	\$ <u>754,438</u>	<u>682,522</u>

There were no transfers in or out of Level 3 during the year ended March 31, 2016 (2015: 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.

27. 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 21)

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.

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28. Goodwill Co-operative Credit Union Limited

At a Special General Meeting on October 25, 2014, the members of Goodwill Co-operative Credit Union Limited ("Goodwill") approved the transfer of Goodwill's assets and liabilities to the Credit Union, in accordance with section 132 of the Co-operative Societies Act. The Credit Union subsequently held a Special General Meeting on January 29, 2015, where its members approved the acceptance of the transfer.

The Financial Services Commission effectively approved the cancellation of the registration of Goodwill Co-operative Credit Union Limited on April 16, 2015.

The total assets and liabilities of Goodwill are recorded within Other Assets (Note 15) and Other Liabilities (Note 19) and are disclosed within the respective notes.



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