

Annual Report 2017

Non-Consolidated



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



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MISSION STATEMENT

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

VISION STATEMENT

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

OUR COMMON BOND

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

VALUES

Respect for Individuals

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

Dedicated to Helping Members

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

Highest Standards of Integrity

We are honest and ethical in all our business dealings, starting with how we treat each other. We keep our promises and admit our mistakes. Our personal conduct ensures that the Barbados Public Workers' Co-

operative Credit Union Limited's (BPWCCUL) name is always worthy of trust.

Service Quality, Diversity and Innovation

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

Team Work

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

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

TRAINING AND DEVELOPMENT

As part of our commitment to continuous organizational development, members of staff completed the following training programmes during the year.

Course Title

- ACAMS 21st Annual International AML & Financial Crimes Conference - Virtual
- ACAMS 4th Annual AML & Financial Crime Conference
- ACAMS Seminar & Workshop
- AML Basics Online Training
- AXFI Analytics and Financial Innovation Conference
- Beginning Auditor Tools and Techniques
- Bureau Veritas Training - ISO 9001:2015 Lead Auditor Training
- CaribDE 2016
- CCCU International Convention 2016
- Critical Business Countinuity & Disaster Recovery Systems
- CUES School of Business Lending
- Dealing With Difficult People Conference
- Distinguished Leadership and Innovation Conference
- Effective Credit Management & Debt Recovery Seminar
- Engagement & Experience Expo
- EPICOR Conference 2016
- Fighting Fraud - Whose Responsibility Is It?
- Fitch Learning - Bank Capital Adequacy Under Basel III
- Holiday with Pay Act Training
- Leadership Development Programme
- Operational Auditing
- Oracle VM Vare v6 Management & Configuration
- Product Knowledge Training
- Property Management Certificate
- Risk Assessment on Money Laundering and Terrorism Financing Risks in Barbados: Understanding Your Role
- Risk Management of Investment Portfolios
- Role of Risk Management and Internal Control
- Rotman Strategic Negotiations Program
- Service Quality Institute - Customer Service Certification
- Severance Calculations Training
- Society for Human Resource Management Conference
- Verafin Fraud Detection & AML Regional Seminar
- WOCCU Conference 2016
- Working Papers - Tracking Audit Evidence & Effective Interviewing Techniques

OUR LEADERS

BOARD OF DIRECTORS



President
Bro. Raphael Holder



Vice President
Bro. Glendon A. Belle



Treasurer
Bro. Anthony Christie



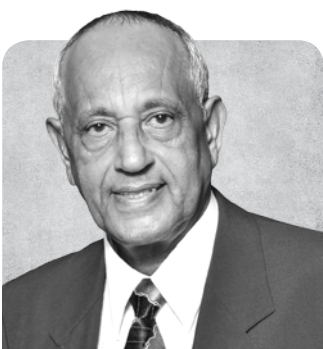
Secretary
Sis. Kerry-Ann King



Assistant Secretary
Sis. Julie Corbin



Director
Bro. Cedric Murrell



Director
Bro. Trevor Colucci



Director
Bro. Matthew Thornhill



Director
Sis. Christina John

MANAGEMENT TEAM



Group Chief Executive Officer
Sis. Clorinda Alleyne



Group Financial Controller
Bro. LeVere Catlyn



General Counsel
Sis. Natalie Holder



Manager, Management Information Systems
Bro. Irwin Gibson



Member Relations Manager - Loans
Bro. Philip Babb



Member Relations Manager - Savings and Deposits
Bro. Zandre Bowen



Internal Auditor
Bro. Eric Small



Compliance Manager
Sis. Wanda Massiah



Risk Manager
Sis. LaVerne Derrick-Watson



Business Facilitation and Innovation Manager
Sis. Judith Sarjeant

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Raphael Holder, CCP, GRP, CCD, CCUV – **President**
Mr. Glendon A. Belle, Dip. Credit Union Management, CCUV, CCD – **Vice President**
Mr. Anthony Christie, B.Sc., CPA, CMA, CCUV, CCD – **Treasurer**
Ms. Kerry-Ann King, B.Sc. Accounting (Hons), CCUV, CCD, CUERME – **Secretary**
Ms. Julie Corbin, BA (Hons) Psychology, MSc. Management, CCUV – **Assistant Secretary**
Mr. Cedric Murrell, Cert. Public Administration, Dip. ANS Management, CCUV, CCD – **Director**
Mr. Trevor Colucci, Diploma Co-operative Studies (Development & Management), CCUV – **Director**
Mr. Matthew Thornhill, CEng, MEng (Hons), CCUV – **Director**
Mrs. Christina John, CPA, CGA, FCA – **Director**

AUDITORS

KPMG – **Chartered Accountants**

PRINCIPAL BANKER

Republic Bank (Barbados) Limited

EXECUTIVE MANAGEMENT

Miss Clorinda Alleyne, LLB, LEC, Dip. Credit Union Management – **Group Chief Executive Officer**
Mr. LeVere Catlyn, CPA, CGA, CA, CCUE – **Group Financial Controller**
Ms. Natalie Holder, LLB, LEC – **General Counsel**
Mr. Eric Small, B.Sc., CIA, CFE – **Internal Auditor**
Mr. Irwin Gibson, BEng, M.Sc., MBA – **Manager, Management Information Systems**
Miss Judith Sarjeant, B.Sc., M.Sc., CISSP, PMP, CFE – **Business Facilitation and Innovation Manager**
Mrs. LaVerne Derrick-Watson, LLB, B.Sc., M.Sc. – **Risk Manager**
Mr. Philip Babb – **Member Relations Manager-Loans**
Ms. Wanda Massiah, B.Sc., M.Sc., CAMS – **Compliance Manager**
Mr. Zandre Bowen, B.Sc. – **Member Relations Manager-Savings & Deposits**

SUPERVISORY & MIDDLE MANAGEMENT

Mr. Allan Clarke, Dip. Credit Union Management – **Senior Audit Assistant**
Mrs. Andrea Marshall, Dip. Credit Union Management – **Senior Financial Services Representative**
Mrs. Carol Toppin, B.Sc., Cert. PM – **Senior Financial Services Representative**
Mr. Courtney Gibson, FCCA, MBA – **Financial Accountant**
Miss Dale Edwards, B.Sc., MBA – **Assistant Senior Financial Services Representative**
Ms. Dawn Blades – **Contact Centre Team Leader**
Mrs. Dawn Corbin, APOM, CCST, B.Sc. (HR) – **Service Quality Leader (Ag.)**
Mrs. Elizabeth King, Dip. Credit Union Management, CCUE – **Branch Operations Officer**
Mr. Elridge Bend, AICB, Dip. Credit Union Management – **Branch Operations Officer**
Mrs. Gleneth Clarke, AICB – **Senior Financial Services Representative**
Mrs. Harriet Franklin, B.Sc. – **Branch Operations Officer**
Mr. Jamar McCaskie, B.Sc., M.Sc. – **Risk Officer**
Ms. Jameela Hollingsworth, B.Sc., MBA – **Human Resources Business Partner**
Miss Janet Goring, Assoc. Deg., AAS, CCUM, MCP – **Dbase Admin/Bus Sys. Analyst**
Mr. Jason Springer, Assoc. Deg. CFSA, CRMA – **Risk Officer**
Mr. Jefferson Murray, Dip. Banking & Finance, CPAML – **Compliance Officer**
Mrs. Kim Bradshaw, Cert. IT, MCP, Assoc. Degree Bus. Studies – **Systems Administrator**
Mrs. Margaret Everatt, BSc. Mgmt., CCUE – **Assistant Accountant**
Miss Marian Niles – **Senior Financial Services Representative**
Mr. Mark Bailey – **Network Administrator**
Mrs. Michelle Ashby, Dip. Credit Union Management, AICB – **Branch Operations Officer**
Mrs. Nadia Richards, Cert. HR – **Senior Financial Services Representative**
Miss Natasha Holder, B.A., Cert. Supervisory Management – **Assistant Senior Financial Services Representative**
Mr. Neil Lucas, B.Sc., M.Sc. – **Network Administrator**
Ms. Rene Rudder, Dip. Service Excellence, Assoc. Deg., B.Sc., IAP – **Senior Audit Assistant**
Mr. Rommel Aimey, B.Sc. – **Senior Financial Services Representative**
Mrs. Sadie Austin – **Card & E-Services Supervisor**
Ms. Shirley George – **Senior Financial Services Representative**
Mrs. Susan Byer, B.Sc. (Hons), LLB, CCUE – **Securities Officer**
Ms. Susan Coppin, APS, ACS, Dip. Mgmt. – **Executive Secretary**

Miss Suzette Grimes – **Assistant Accountant**
Ms. Patricia Archer, Post Grad Diploma Learning and Development – **Human Resources Development Officer**
Mrs. Petula Wiggins, AICB – **Senior Financial Services Representative**
Mrs. Tracia Pounder, B.Sc., Cert. Mktg. – **Marketing Officer**
Miss Tracia Sargeant, Dip. Banking & Finance – **Senior Financial Services Representative**
Miss Vette Forde – **Senior Financial Services Representative**
Miss Wilma Massiah, Dip. Credit Union Management, AICB – **Senior Financial Services Representative**

CEO's OFFICE

Mrs. Juann Lovell – **Secretary**
Mrs. Kerry Ann Kirton, Cert. ICSA, CPS, ACS, Dip. Management – **Executive Secretary to CEO (Ag.)**
Ms. Rosario Maynard, Assoc. Deg., ACS, APS – **Secretary**

ACCOUNTS & FINANCE DEPARTMENT

Mr. Andrew Gibson, Assoc. Deg. – **Accounts Assistant**
Mrs. Angela Headley – **Accounts Assistant**
Mrs. Chandra Price – **Accounts Assistant**
Miss Dasley Clarke – **Accounts Assistant**
Mrs. Kelly Jones – **Accounts Assistant**
Miss Lavern Durante – **Financial Services Representative**
Mr. Maxwell Benn, Assoc. Deg. – **Accounts Assistant**
Mr. Rahim Ward – **Accounts Assistant**
Miss Rosie Bishop, Dip. IT, ACSC – **Accounts Assistant**
Mrs. Sandra Waterman, APS, ACS, Dip. Management – **Secretary**
Ms. Shanielle Nurse – **Accounts Assistant**
Mrs. Shelly Ann Morris-Brathwaite, CAT – **Accounts Assistant**
Mrs. Shontelle Brooks, CAT – **Accounts Assistant**
Ms. Tilia King – **Accounts Assistant**
Mrs. Tricia Archer, B.Sc. – **Junior Financial Analyst**

MORTGAGES & CONSUMER LOANS

Mrs. Arlene Seale, Cert. Supervisory Management – **Financial Services Representative**
Mrs. Cecile O'Neale-Dorne, FICB, CCUM, CCUFC – **Financial Services Representative**
Ms. Cherie-Ann Forde – **Financial Services Representative**
Mr. Evans Kirton – **Financial Services Representative**
Ms. Gena Lamontagne – **Financial Services Representative**
Mrs. Jalisa Jordan, Assoc. Deg. – **Financial Services Representative**
Miss Karen Giles, APS, ACS – **Branch Secretary**
Miss Katrina Worrell, Assoc. Deg., B.Sc. – **Financial Services Representative**
Mrs. Lana Antrobus – **Financial Services Representative**
Mrs. Lisa Goodridge – **Financial Services Representative**
Miss Michelle Freeman, Assoc. Deg. – **Administrative Assistant**
Miss Natalie Nicholls – **Financial Services Representative**
Mr. Nicholas Alleyne, Cert. Project Management – **Financial Services Representative**
Mrs. Sheena Bowen, B.Sc. – **Financial Services Representative**
Miss Tricia Morris, B.Sc., Cert. Mktg. Advt. & PR – **Financial Services Representative**

HUMAN RESOURCES/ADMINISTRATION DEPARTMENT

Miss Kaylone Browne, Cert. HRM – **Human Resources Assistant**
Mrs. Nikisha Francis, B.Sc., M.Sc. – **Human Resources Associate**
Mr. Peter Broomes – **Driver/Messenger**
Mrs. Phylis Gill – **Registry Clerk**
Mr. Ryan Inniss – **Registry Clerk**
Mr. Wayne Scott – **Registry Clerk**

ESTATE DEPARTMENT

Mr. Andrew Estwick – **Driver/Handyman**
Ms. Karen Browne – **Administrative Assistant**
Mr. Rodney Edwards – **Driver/ Handyman**

INTERNAL AUDIT DEPARTMENT

Mr. Dario Babb, B.Sc. – **Audit Assistant**
Mr. John-Paul Alleyne, B.Sc. – **Audit Assistant**
Mrs. Stacy Gulstone, B.Sc. – **Audit Assistant**

LEGAL DEPARTMENT

Mrs. Alicia Constantine – **Clerk**
Miss Chaitali Soudatt – **Legal Clerk**
Mrs. Cynthia Gittens, APOM, Cert. Paralegal Studies – **Legal Secretary**
Miss Donna Scantlebury, CCM, ACS, Cert. Paralegal & Supervisory Management – **Legal Assistant II**
Miss Heather Lynch, Cert. Paralegal Studies & Supervisory Management – **Legal Assistant II**
Mrs. Joy-Ann Lewis, APOM, PSC, SSC – **Legal Secretary**
Mrs. Shedell Odle-Gill, Cert. Paralegal Studies – **Legal Assistant I**

MANAGEMENT INFORMATION SYSTEMS DEPARTMENT

Miss Kerrie Young, B.Sc. Computer Studies, CompTIA A+ – **Systems Operator**
Miss Makeba King, Assoc. Deg., Applied Science & Information Technology – **Systems Operator**

MEMBER SERVICES/DISBURSEMENTS

Miss Betty Alleyne – **Financial Services Representative**
Mr. Christopher Bostic – **Financial Services Representative**
Mr. Dahrean Yearwood, Assoc. Deg. – **Financial Services Representative**
Mr. Denny Brathwaite – **Financial Services Representative**
Mrs. Donalin Hazell – **Financial Services Representative**
Mr. Hasani Evelyn, Assoc. Deg., Cert. Supervisory Management – **Financial Services Representative**
Ms. Janell Branch – **Financial Services Representative**
Mr. Johnathan Brewster – **Financial Services Representative**
Ms. Kasha Grimes – **Administrative Receptionist**
Ms. Kelly-Ann Scott – **Financial Services Representative**
Mr. Kent Alleyne – **Financial Services Representative**
Miss Kharla Greaves – **Financial Services Representative**
Miss Larissa Latchman – **Receptionist/Hostess**
Miss Lisa Monchery – **Receptionist/Hostess**
Mrs. Nicole Gibson, Cert. Supervisory Management – **Financial Services Representative**
Mrs. Nicole Jean-Paul – **Financial Services Representative**
Miss Pat Martindale – **Financial Services Representative**
Miss Renee Gibbons, Cert. Supervisory Management – **Financial Services Representative**
Mrs. Shonelle Harewood, B.Sc. – **Financial Services Representative**
Miss Susan Lovell – **Financial Services Representative**
Ms. Tamara Forde – **Financial Services Representative**
Miss Tiyan Gomes – **Financial Services Representative**
Miss Tricia Green – **Financial Services Representative**

COMPLIANCE

Mrs. Kerryanne Gilkes, Assoc. Deg., B.Sc., ICA – **Compliance Assistant**
Ms. Lezanne Waithe, B.Sc. – **Compliance Assistant**
Mr. Rosson Howard, Assoc. Deg. – **Compliance Assistant**
Ms. Tamika Burton, B.Sc. – **Compliance Assistant**

CONTACT CENTRE

Miss Andrea Prince, B.A – **Contact Centre Representative**
Mr. Che Kippins-Niles – **Contact Centre Representative**
Ms. Denise Callender, AS. Business Management – **Contact Centre Representative**
Miss Denise Johnson, ACSP – **Contact Centre Representative**
Miss Donna Fitzpatrick – **Contact Centre Representative**
Miss Janell Reece – **Contact Centre Representative**
Ms. Khadija Millar – **Contact Centre Representative**
Mrs. Paula Morris – **Contact Centre Representative**

MARKETING

Miss Charlene Mullin, B.Sc., Dip. Digital Marketing – **Marketing Assistant**
Mrs. Cheryl Straker, B.Sc. – **Administrative Assistant**
Miss Kimberley Grimes, B.Sc. (Hons), Cert. Mktg., Advt. & PR – **Marketing Assistant**
Miss Sasha Grant, B.Sc., M.Sc. – **Marketing Assistant**
Mrs. Stacy Mottley, B.Sc., Dip. Management, Cert. Mktg., Advt. & PR, PSC – **Marketing Assistant**

LOANS RECOVERY

Miss Amanda Lynch, B.Sc., Dip. Banking & Finance – **Financial Services Representative**
Mr. Andre Daniel, B.Sc. – **Financial Services Representative**
Mr. Hugh Victor-Browne, Cert. Supervisory Management – **Financial Services Representative**
Ms. Kerisa Clarke, B.Sc. – **Financial Services Representative**
Mr. Neil Bradshaw – **Financial Services Representative**
Miss Tanesha Straughn, PSD – **Financial Services Representative**
Mrs. Wendy Dodson – **Financial Services Representative**

RISK

Miss Saadia Griffith, B.Sc. – **Risk Assistant**
Ms. Shontelle Sargeant, B.Sc., M.Sc. – **Risk Assistant**

SAVINGS MOBILISATION

Ms. Ancilla Brathwaite – **Financial Services Representative**
Ms. Barbara Haynes – **Financial Services Representative**
Ms. Blair Taylor, B.Sc., Cert. FRM – **Financial Services Representative**
Mrs. Chantelle Brewster, B.Sc. – **Financial Services Representative**
Ms. Christina Smith – **Financial Services Representative**
Ms. Claire Callender – **Financial Services Representative**
Mr. Crystal Storey, Assoc. Deg. – **Financial Services Representative**
Mr. Damion Husbands-Johnson, Assoc. Deg. – **Financial Services Representative**
Mr. Darien Birkett – **Financial Services Representative**
Mr. Dario Bowen – **Financial Services Representative**
Mr. Dario Nicholls – **Financial Services Representative**
Ms. Denissia Thorpe – **Financial Services Representative**
Mr. Fabian Callender – **Financial Services Representative**
Ms. Jheri Blackman – **Financial Services Representative**
Mr. Kadeine James – **Financial Services Representative**
Ms. Kiendra Leonce, B.Sc. – **Financial Services Representative**
Ms. Kimberley Vaughan – **Financial Services Representative**
Mr. Kumar Hinds – **Financial Services Representative**
Mr. Kurt Cummins – **Financial Services Representative**
Ms. Makiya Brathwaite – **Financial Services Representative**
Mr. Mario Small – **Financial Services Representative**
Ms. Nadley McFarlane, Assoc. Deg. – **Financial Services Representative**
Mr. Nicholai Nowell – **Financial Services Representative**
Ms. Nicole Jones – **Financial Services Representative**
Ms. Nikki Clarke, Assoc. Deg., B.A. (Hons.) – **Financial Services Representative**
Mr. Philip Norville – **Financial Services Representative**
Mr. Rafael Hinds – **Financial Services Representative**
Ms. Sade Mayers – **Financial Services Representative**
Ms. Shakira Bryan – **Financial Services Representative**
Ms. Shakira McCollin, Assoc. Deg. – **Financial Services Representative**
Mr. Shane Jones – **Financial Services Representative**
Mr. Shane Reece – **Financial Services Representative**
Ms. Shanice Clarke, B.Sc. – **Financial Services Representative**
Ms. Shantelle Linton, Cert. Supervisory Management – **Financial Services Representative**
Mr. Stefan Watson, B.Sc. – **Financial Services Representative**
Ms. Tila Jones – **Financial Services Representative**
Ms. Zhane Taylor – **Financial Services Representative**

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - FIVE YEAR REVIEW

In Bds \$'000

	2017	2016	2015	2014	2013
Statement of financial position:					
Assets					
Cash and equivalents	51,156	49,512	44,940	53,093	45,861
Investments and other short term deposits	73,942	84,004	76,559	78,485	82,612
Loans to Members (net)	900,440	817,839	746,497	684,331	651,868
Property and Equipment	41,784	29,547	27,405	27,626	26,716
Other	44,256	39,348	34,819	33,057	19,788
	1,111,578	1,020,250	930,220	876,592	826,845
Liabilities					
Deposits	956,135	862,900	775,116	721,767	672,403
Loans Payable	5,317	22,283	33,445	43,688	55,432
Other	16,257	16,226	15,026	13,319	9,943
	977,709	901,409	823,587	778,774	737,778
Equity					
Share Capital	10,084	9,407	8,764	8,240	7,760
Reserve Fund	107,207	97,245	89,493	81,724	71,494
Other Reserves	5,484	4,425	2,785	1,914	1,084
Retained earnings	11,094	7,764	5,591	5,940	8,729
	133,869	118,841	106,633	97,818	89,067
	1,111,578	1,020,250	930,220	876,592	826,845
Statement of income:					
Interest Income	81,363	76,368	69,151	67,486	64,639
Interest Expense	26,172	25,917	24,712	23,763	23,442
Net Interest Income	55,191	50,451	44,439	43,723	41,197
Other income	3,965	3,549	2,566	2,419	2,903
Net income and other income	59,156	54,000	47,005	46,142	44,100
Loan impairment expense	4,645	3,789	3,712	4,409	4,790
Net operating income	54,511	50,211	43,293	41,733	39,310
Total operating expenses	38,494	34,720	32,336	31,306	27,317
Net income before Levies	16,017	15,491	10,957	10,427	11,993
Tax of Assets	0	1,949	1,351	0	0
Net income after Levies	16,017	13,542	9,606	10,427	11,993

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - FIVE YEAR REVIEW

In Bds \$'000

	2017	2016	2015	2014	2013
Financial statistics in percent:					
Asset Growth	8.95	9.68	6.12	6.02	4.47
Loan Growth	10.10	9.56	9.08	4.98	1.41
Deposit Growth	10.80	11.33	7.39	7.34	4.02
Net Surplus Growth	18.28	40.97	-7.87	-13.06	20.67
Return on Assets	1.50	1.39	1.06	1.22	1.48
Return on Equity	12.68	12.01	9.40	11.16	14.32
Operating Efficiency	70.62	69.15	74.69	75.01	69.49
Net Interest Margin	5.18	5.17	4.92	5.13	5.09

	2017	2016	2015	2014	2013
Other statistics					
Delinquency ratio (%)	6.3	6.3	6.7	6.6	7.7
# of members (000's)	84.0	78.4	73.0	68.7	64.7
# of branches	4	4	4	4	4
Net income per member (000's)	\$190.60	\$172.75	\$131.53	\$151.85	\$185.36

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Annual Report provides a discussion and analysis of the financial condition and performance of the Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) for the financial year ended March 31, 2017 as compared to the prior financial year, ended March 31, 2016.

ECONOMIC REVIEW

At the end of 2016, the Barbadian economy estimated growth of 1.6 percent, mainly due to the competitive tourism sector, which was reinforced by direct investments. The financial system in Barbados remained resilient and maintained excess liquidity, despite the challenging local and international economic environment, in spite of several downgrades by international ratings agencies during the year. The outlook for growth in 2017-2018 is encouraging. According to the Press Release for December 2016 from the Central Bank of Barbados, a growth rate of about 2.0 percent is forecasted for the next five years.

The Credit Union Sector continues to gain market share at 8 percent of the total sector compared to 7 percent five years ago as highlighted in the Financial Stability 2016 Report from the Central Bank of Barbados. Total consolidated assets of the Credit Union Sector were reported at \$2.0 billion dollars in September 2016, representing an 8 percent increase.

The largest contributor to growth in the Credit Union Sector was the aggregate loan portfolio at \$90.4 million, followed by investments at \$29.4 million and cash at \$10.2 million. As at September 2016, total loans represented approximately 75 percent of total assets, down from 77 percent for the same period of the prior year. Consumer loans accounted for the majority of the loans to members at 51 percent, real estate loans at 29 percent and transport loans at 19 percent.

The report also showed that during the year under review, regular deposits increased by 8.8 percent, while term deposits grew by 16.4 percent. The net loans-to-deposit ratio was on a downward trend, falling to 88.3 percent of total deposits from 90.9 percent. The downward trend was as a result of the increase in deposit growth in the Credit Union Sector due to declining interest rates at commercial banks during the year under review.

The Financial Stability Report also indicated that the Sector was adequately capitalized, where the capital to assets ratio increased by 0.25 of a percentage point to reach 11.8 percent at the end of September 2016 over the 11.4 percent average over the last five years.

The quality of the loan portfolio for the Sector improved during the period under review as the absolute value of non-performing loans fell modestly while gross loans increased. Non-performing loans relative to the total loan portfolio fell from 8.9 percent at the end of September 2015 to 7.6 percent at September 2016.

OVERVIEW

During the year under review, the Credit Union continued to grow in key aspects of its operations. Membership averaged 538 per month and recorded net growth of 5,637. Deposits grew by \$93.2 million or 10.8 percent while assets grew by \$91.3 million or 9.0 percent.

The key area of risk faced by the Credit Union Sector relates mostly to concentration and credit quality, however, we maintained our delinquency ratio at 6.3 percent consistent with the previous year. This was achieved by prudent and continuous management of our loan portfolio.

We continue to offer payment solutions to our members through various debt management and consolidation strategies to improve their financial and economic well-being.

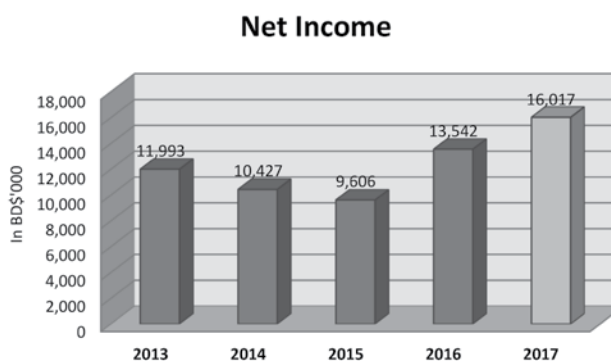
Non-performing loans during the year ended March 31, 2017 increased by \$5.4 million or 10.3 percent. However, the delinquency rate remained at 6.3 percent at March 31, 2017 consistent with 6.3 percent at March 31, 2016, since the loans portfolio grew more than the relative increase in Non-performing loans. We will continue to work with our members who are experiencing financial challenges by offering solutions geared at returning their accounts to a state of normalcy.

Deposit interest rates in the market continued to trend downward and reached an average of 0.1 percent at March 2017. However, we are proud to maintain some of the most competitive rates on deposits. This resulted in deposit growth for the year of \$93.2 million with an average rate of return of 2.83 percent.

REVIEW OF FINANCIAL PERFORMANCE

TOTAL INCOME AND NET INCOME

Net income was reported at \$16.0 million compared to \$13.5 million in the prior year, an increase of \$2.5 million or 18.3 percent. Total revenue grew by \$5.4 million or 6.8 percent moving from \$79.9 million in 2016 to \$85.3 million during the financial year ended March 31, 2017.



MANAGEMENT DISCUSSION AND ANALYSIS

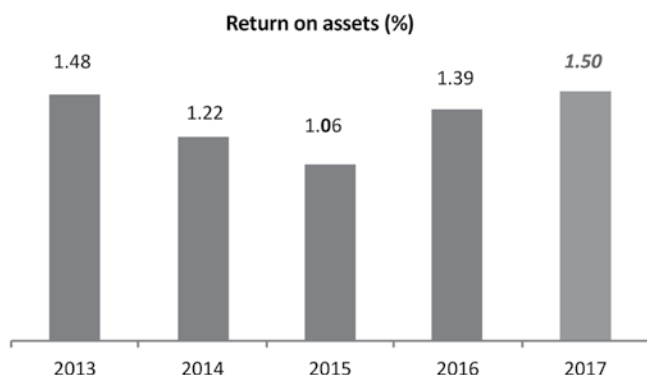
Although loan to asset growth in the sector fell slightly in 2016 to 75 percent from 77 percent, the Credit Union achieved significant net loan growth when compared to prior years. As at March 31, 2017, net loans grew by \$82.6 million or 10.1 percent compared to \$71.3 million for the year ended March 2016.

NET INTEREST INCOME

Net interest income grew by \$4.7 million or 9.4 percent in 2017. Total interest income grew by \$5.0 million or 6.5 percent while total interest expense increased by \$255.7 thousand or 1.0 percent. Interest income increased by \$5.0 million or 6.5 percent with respect to interest from loans while interest from cash deposits and investments decreased by \$51.4 thousand or 1.5 percent during the financial year ended March 31, 2017.

OTHER INCOME

Other income increased by \$416.5 thousand or 11.7 percent during the financial year mainly due to an increase of \$375.6 thousand or 32.2 percent in the fee income.



EFFICIENCY AND EXPENSE MANAGEMENT

The Credit Union's strategy during the financial year focused heavily on adding valued member services which resulted in operating expenses increasing by \$2.7 million or 16 percent compared to prior year.

OPERATING LEASES

Rental expenses increased from \$870.7 thousand in 2016 to \$961.0 thousand in 2017. This increase was directly attributed to the expansion of the Credit Union's branch operations at the Six Roads location, installation of additional offsite ATMs and rental of office space for staff located at the Co-Operators General Insurance's building at Collymore Rock.

STAFF COST

During the year under review the Credit Union increased its staff complement to strengthen its member services, internal

audit and risk management functions, as well as providing adequate frontline and support personnel.

Additionally, completed union negotiated salary increases contributed to the increased staff costs. As a consequence of the above, staff costs increased by \$960.0 thousand or 6.5 percent over the prior year.

TOTAL EXPENSES

Total expenses for the year amounted to \$38.5 million, which represented an increase of \$3.8 million or 10.9 percent above the prior year. The 0.2 percent Asset Tax expense levied by government on the assets of Credit Unions ended March 31, 2016, therefore there was no expense during the year.

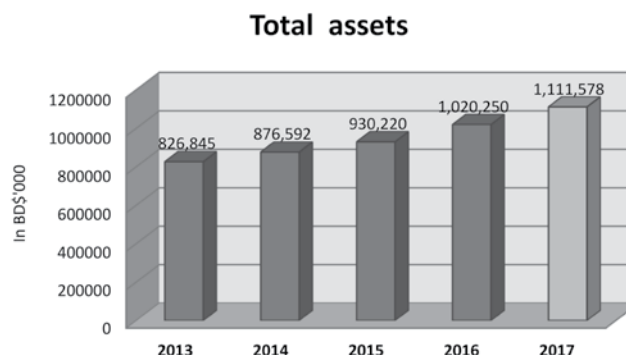
NET OPERATING INCOME

Operating income net of loan impairment expenses for 2017 increased by \$4.3 million or 8.6 percent to end the year at \$54.5 million. Loan impairment expense was \$4.6 million, an increase of \$856.0 thousand or 22.6 percent over last year.

ASSETS

At the end of the 2017 financial year, the Credit Union's total assets amounted to more than \$1.1 billion, an increase of \$91.3 million or 9.0 percent.

Cash resources decreased by \$8.1 million or 8.0 percent. In addition, financial investments classified as Held-to-maturity decreased by \$538.0 thousand or 1.9 percent.



Net loans and advances to members were \$900.4 million, inclusive of an impairment provision of \$22.6 million, as compared to \$817.8 million and \$20.5 million respectively at the end of the 2016 financial year. As it was in prior years, consumer loans were the major engine of loan growth.

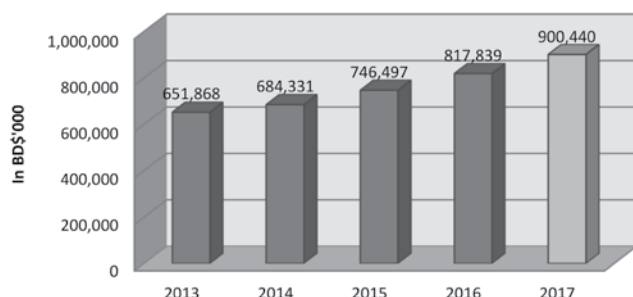
ASSET QUALITY

Amid a climate of economic uncertainty, the Credit Union maintained its delinquency ratio which ended the 2017 year at 6.3 percent, consistent with the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

(continued)

Loans and advances

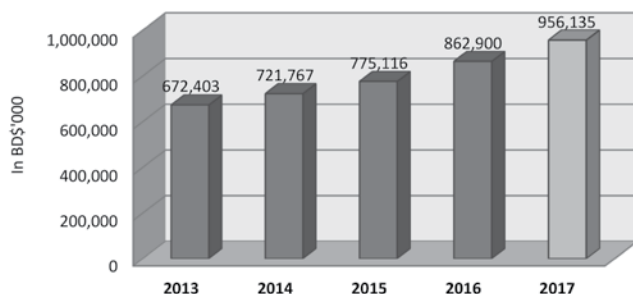


In addition, impaired loans increased by \$5.4 million during the 2017 financial year as compared to an increase of \$1.8 million in the prior year. The Credit Union will continue to work diligently with defaulters to offer them alternatives and restructuring options to enable them to restore their loans to a state of normalcy.

LIABILITIES

Deposits at March 2017 totaled \$956.1 million and were \$93.2 million or 10.8 percent higher than the previous year-end.

Deposits



Loans payable were reduced during the year to \$5.3 million from \$22.2 million as a result of higher rate bearing loans being repaid within the 2017 financial year. Other liabilities decreased by \$176.5 thousand or 2.1 percent compared to an increase of \$1.1 million in the prior year while reimbursable member shares increased by \$710.4 thousand or 9.9 percent.

EQUITY

Total equity comprising of share capital, retained earnings, statutory and other reserves is the backbone of financial stability and allows for future growth and development.

As at March 31, 2017, equity totaled \$133.9 million up from \$118.8 million as at March 31, 2016. The increase of \$15.0 million primarily reflects net income of \$16.0 million, growth in share capital of \$676.3 thousand offset by distributions to members of \$2.6 million.

THE WAY FORWARD

The Credit Union remained steadfastly dedicated to its core reason for existence - to improve the lives of our members and the communities we serve. While the Credit Union continues to grow and expand its membership, we will strive to ensure that we are providing a supreme service experience to our members.

To broaden our reach to our existing and potential new membership, a mobile unit and a branch located in the north of the island at Mile and a Quarter, St. Peter will be ready by the end of the second quarter of the financial year 2018. The mobile unit will primarily service Warrens as well as varying locations across the island.

The Credit Union will also be carrying out extensive upgrades to property, plant and equipment and technological platforms to provide greater efficiency in performing day to day transactions. It is envisaged that there will be opportunities for members to have a larger share of the distribution of net surplus at year-end in the form of dividends.

We are committed to working closely with our members to create payment solutions to minimize and control delinquency whilst ensuring that our members become financially and economically sound. The Credit Union will continue to serve and help our members thrive well into the future.

BOARD OF DIRECTORS REPORT



President
Bro. Raphael Holder

Dear Members

We are pleased, once again, to engage you as we seek to progress and improve our beloved Credit Union and its associated subsidiaries.

Our continuous trend of viability materialized during the period under review, as net surplus of \$16M was realized. Asset and deposit growth was sustained, in spite of the reality of a recessionary economic environment.

Consistent with maintaining prudent management paramount in our operations, special attention was paid to our delinquency portfolios, which remained under tight control. Over the past two years, we proactively sought to prevent default through various strategies, as well as ensure that our members had available cash flow to service personal demands.

Capita Financial Services Inc.

The acquisition of this entity seven years ago, provided us with increased financial options and a gateway to the region. To date, it has proven to be a justifiable decision, as the company has gradually grown from strength to strength. The past financial year recorded modest improvement, against the backdrop of increased stiff competition amongst its peer group. The parent company will continue to provide the necessary support to ensure its continued viability by embarking on a strategy of revenue stream diversification.

Capita Insurance Brokers Inc.

This company provides the Group with required uniqueness within the prevailing business ambit. In spite of its state of infancy, it still managed to attain a satisfactory profit. Plans are on-stream to revisit its product suite.

Community, Social & Philanthropy Outreach

We continue to observe our standard ethos in this regard, ensuring that we impact the lives of many in a positive manner.

The social outreach individual program, continues to serve its critical purpose, assisting those members who have been severely affected by adverse financial circumstances.

In addition, our acute focus on the youth continues to gain momentum, as we invest heavily in this demographic of our population. The opening of a youth co-operative at the Springer Memorial Secondary School was another of many to come within our secondary institutions. Our usual Thrift Club offerings are flourishing, with overall membership growing appreciably.

The Legacy Foundation, Registered Charity No. 978, the Credit Union-owned charity established in 2009, made a major donation to the St Leonard's Boys Secondary School, in the form of a state-of-the-art music laboratory. This facility ably supports the future of music on the island and provides the perfect outlet for youth to both create and express, starting in the case with the fitting amenities in the school setting.

The Charity in itself has been transformed, with an increased ambit, ensuring that our outreach extends both locally and regionally, in line with our profile. An event to highlight the Foundation is targeted for July 2017.

Corporate Governance

Defined broadly as the mechanisms, processes and relations by which corporations are controlled and directed, this area is constantly under review by the Credit Union's Board of Directors. The group Corporate Governance Committee has been assiduously refining the original governance model. These enhancements underpin an infrastructure designed to reinforce accountability, transparency and compliance across all entities. Guidelines provided by our various regulators, industry best practices and the distinctive nuances of our operations, are all major elements of the governance framework. The Board of Directors will continue to be relentless in championing good corporate governance, as it is essential to ensuring the sustainability of the Credit Union and its subsidiaries.

Customer/Member Experience

Always aware that improvement is critical in this area, a group sub-committee was formed to address any pertinent issues. A thorough review was conducted on internal procedures,

BOARD OF DIRECTORS REPORT *(continued)*

together with the development of a Customer Experience Policy. Corporate mission statements were placed in branches and at our subsidiaries. These efforts were buttressed by the establishment of Key Performance Indicators. Additionally, Service Level Agreements were established within our Savings Departments and at our primary subsidiary entity, Capita Financial Services Inc.

These internal measures are expected to yield significant improved service to our members and customers.

Infrastructure

We anticipate that our new branch at Mile & A-Quarter, St. Peter will become fully operational by the end of June, duly expanding our infrastructural network and servicing our members and customers both in the northeastern and northwestern sections of the island. In addition, extensive renovations were completed on the Clarence Greenidge House, Belmont Road, from which our main member service operations are expedited.

Our latest innovative achievement will be the unveiling of a mobile unit, fully equipped, mirroring a branch setting, with its full capacity. This unit will provide an additional measure of operational outreach and flexibility of service, coupled with access to service for our members island-wide.

New Product /Services

Our completely revamped Micro-Business product has so far proven to be a resounding success. Relaunched in December 2016, to provide capital to small entrepreneurial concerns, it has been widely utilized and appreciated. Approximately \$273K in funding has been disbursed since its reintroduction.

We also rolled out a new and improved Online Banking platform, which will go hand in hand with an upgraded telephone banking system providing more options for transactional activity.

Our Contact Centre is also undergoing necessary improvements, to enhance service levels to our members and customers.

Scope (2017-2018)

Our focus for the current fiscal will be predominantly on outreach. We intend to concentrate on important areas such as agriculture, culture, education and health, producing initiatives in those areas to the benefit of our members. With a base of 84,000 plus individuals, which roughly represents a third of the population of Barbados, we must leverage to advantageous levels in relation to the socio-economic outlook.

Internally, we will prioritize a culture of unity, innovation and creativity amongst our staff, in order to fully maximize on the obvious potential of the group of companies.

Condolences

We take this opportunity to extend sincerest condolences to all members who would have lost loved ones during the past year. May the memories of your loved ones live on in your hearts.

Acknowledgement

Our continued success over the past twelve months could not be achieved without the invaluable contributions of our members, elected officials, employees, representatives and sub-committees, who toiled earnestly in the interest of our advancement.

Retiring directors, Bro. Glendon Belle, Sis. Christina John and Bro. Cedric Murrell must be commended for their personal sacrifices and significant output on behalf of the group of companies.

The future is promising for the Group. Let us therefore continue in this vein.

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KPMG

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Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Non-Consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Barbados Public Workers' Co-operative Credit Union Limited (the "Credit Union") which comprise the non-consolidated statement of financial position as at March 31, 2017, the non-consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Credit Union as at March 31, 2017, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



INDEPENDENT AUDITORS' REPORT, continued

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

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis and the Board of Directors' Report in the Annual Report 2017 but does not include the non-consolidated financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or appears to be materially misstated.

When we read the Annual Report 2017, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.



INDEPENDENT AUDITORS' REPORT, continued

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

Auditors' Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Credit Union's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT continued

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

Auditors' Responsibilities for the Audit of the Non-Consolidated Financial Statements, continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Credit Union's members, in accordance with Section 109 of the Co-operatives Societies Act of Barbados. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

Chartered Accountants
Bridgetown, Barbados
May 18, 2017

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Income

For the year ended March 31, 2017

With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Interest income	3	\$ 81,362,831	76,368,414
Interest expense	3	<u>(26,172,425)</u>	<u>(25,916,747)</u>
Net interest income	3	55,190,406	50,451,667
Other income	4	<u>3,965,115</u>	<u>3,548,648</u>
Net interest and other income		59,155,521	54,000,315
Loan impairment expense	11	<u>(4,645,234)</u>	<u>(3,789,187)</u>
Net operating income		<u>54,510,287</u>	<u>50,211,128</u>
Staff costs	5	15,831,112	14,871,256
Operating expenses	6	19,257,277	16,595,746
Depreciation	12	<u>3,405,398</u>	<u>3,252,662</u>
Total expenses		<u>38,493,787</u>	<u>34,719,664</u>
Income before levies		16,016,500	15,491,464
Tax on assets	7	<u>-</u>	<u>(1,948,737)</u>
Net income for the year		\$ <u>16,016,500</u>	<u>13,542,727</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Comprehensive Income

For the year ended March 31, 2017

With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>2017</u>	<u>2016</u>
Net income for the year	\$ 16,016,500	13,542,727
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurements of defined benefit asset	688,351	(289,718)
<i>Items that are or may be reclassified to profit or loss</i>		
Net unrealised gains (losses) on available-for-sale investments	<u>250,000</u>	<u>320,000</u>
Other comprehensive income, net of tax	<u>938,351</u>	<u>30,282</u>
Total comprehensive income for the year	\$ <u>16,954,851</u>	<u>13,573,009</u>

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Financial Position

As at March 31, 2017

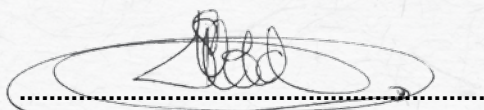
With comparative figures as at March 31, 2016

(Expressed in Barbados dollars)

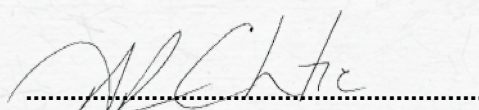
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash resources	9	\$ 94,019,618	102,162,229
Financial investments			
- Held-to-maturity	10	28,536,207	29,074,183
- Available-for-sale	10	2,542,159	2,279,438
Loans and advances	11	900,439,540	817,838,770
Property and equipment	12	41,783,647	29,546,947
Pension plan asset	13	1,232,061	437,778
Investment in subsidiary	14	11,500,000	11,500,000
Due from related companies	22	20,438,323	17,307,614
Other assets	15	<u>11,086,864</u>	<u>10,103,504</u>
Total Assets		\$ <u>1,111,578,419</u>	<u>1,020,250,463</u>
Liabilities and Equity			
Liabilities			
Deposits	16	\$ 956,135,197	862,899,691
Loans payable	17	5,317,376	22,283,315
Reimbursable shares		7,875,475	7,165,090
Asset tax payable	7	-	502,607
Other liabilities	18	<u>8,381,530</u>	<u>8,558,025</u>
Total liabilities		<u>977,709,578</u>	<u>901,408,728</u>
Equity			
Share capital	19	10,083,720	9,407,400
Statutory reserves	20	107,206,991	97,245,033
Other reserves	21	5,483,974	4,424,898
Retained earnings		<u>11,094,156</u>	<u>7,764,404</u>
Total equity		<u>133,868,841</u>	<u>118,841,735</u>
Total Liabilities and Equity		\$ <u>1,111,578,419</u>	<u>1,020,250,463</u>

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

Approved by the Board of Directors on May 18, 2017 and signed on its behalf by:



Raphael Holder
 President



Anthony Christie
 Treasurer

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Changes in Equity

For the year ended March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	Notes	Share capital	Statutory reserves	Other reserves	Retained earnings	Total
At March 31, 2015		\$ 8,763,840	89,492,577	2,785,431	5,591,127	106,632,975
Net income		-	-	-	13,542,727	13,542,727
Other comprehensive income		-	-	30,282	-	30,282
Issue of shares		727,200	-	-	-	727,200
Redemption of shares		(83,640)	-	-	-	(83,640)
Transfer to statutory reserves	20	-	7,722,156	-	(7,722,156)	-
Entrance fees	20	-	30,300	-	-	30,300
Transfer to special reserves	21	-	-	932,111	(932,111)	-
Special reserves released to retained earnings	21	-	-	(601,893)	601,893	-
Net reserve for interest on non-performing loans	21	-	-	1,278,967	(1,278,967)	-
Distributions to members	8	-	-	-	(2,038,109)	(2,038,109)
At March 31, 2016		9,407,400	97,245,033	4,424,898	7,764,404	118,841,735
Net income		-	-	-	16,016,500	16,016,500
Other comprehensive income		-	-	938,351	-	938,351
Issue of shares		774,240	-	-	-	774,240
Redemption of shares		(97,920)	-	-	-	(97,920)
Transfer to statutory reserves	20	-	9,929,698	-	(9,929,698)	-
Entrance fees	20	-	32,260	-	-	32,260
Transfer to special reserves	21	-	-	756,274	(756,274)	-
Special reserves released to retained earnings	21	-	-	(820,791)	820,791	-
Net reserve for interest on non-performing loans	21	-	-	185,242	(185,242)	-
Distributions to members	8	-	-	-	(2,636,325)	(2,636,325)
At March 31, 2017		\$ 10,083,720	107,206,991	5,483,974	11,094,156	133,868,841

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Cash Flows

For the year ended March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities			
Net income for the year	\$	16,016,500	13,542,727
Adjustments for:			
Depreciation		3,405,398	3,252,662
Loan impairment expense		4,645,234	3,789,187
(Gain) loss on disposal of property and equipment		(8,786)	143
Interest income		(81,362,831)	(76,368,414)
Interest expense		26,172,425	25,916,747
Dividend income		(103,923)	(109,512)
Tax on assets		-	1,948,737
		<u>(31,235,983)</u>	<u>(28,027,723)</u>
Changes in operating assets and liabilities			
Increase in loans and advances		(87,118,206)	(73,393,032)
Increase in pension plan asset		(105,932)	(40,067)
Increase in other assets		(983,360)	(1,896,822)
Increase in deposits		93,426,070	87,703,321
Increase in reimbursable shares		710,385	464,869
(Increase) decrease in due from related companies		(3,130,709)	117,660
(Decrease) increase in other liabilities		<u>(176,495)</u>	<u>1,139,405</u>
Net cash used in operations		<u>(28,614,230)</u>	<u>(13,932,389)</u>
Interest received		81,235,033	74,630,428
Interest paid		(26,362,989)	(25,836,662)
Tax levies paid		<u>(502,607)</u>	<u>(2,352,535)</u>
Net cash provided by operating activities		<u>25,755,207</u>	<u>32,508,842</u>
Cash Flows from Investing Activities			
Net decrease in financial investments		10,312,101	(7,126,079)
Purchase of property and equipment		(15,648,581)	(5,395,657)
Investment in subsidiary		-	(3,000,000)
Proceeds from sale of property and equipment		15,269	513
Dividends received		<u>103,923</u>	<u>109,512</u>
Net cash used in investing activities		<u>(5,217,288)</u>	<u>(15,411,711)</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Cash Flows

For the year ended March 31, 2017
With comparative figures for 2016

(Expressed in Barbados dollars)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash Flows from Financing Activities			
Net decrease in loans payable		(16,965,939)	(11,161,817)
Issue of shares		774,240	727,200
Entrance fees received		32,260	30,300
Redemption of shares		(97,920)	(83,640)
Distributions to members		<u>(2,636,325)</u>	<u>(2,038,109)</u>
Net cash used in financing activities		<u>(18,893,684)</u>	<u>(12,526,066)</u>
Net increase in cash and cash equivalents		1,644,235	4,571,065
Cash and cash equivalents, beginning of year		<u>49,511,549</u>	<u>44,940,484</u>
Cash and cash equivalents, end of year	9	\$ <u>51,155,784</u>	<u>49,511,549</u>

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

1. Corporate Information

The Barbados Public Workers' Co-operative Credit Union Limited (the "Credit Union") was registered on May 6, 1970, and continued under the Co-operatives Societies Act of Barbados 1990-23. Its registered office is located at "Olive Trotman House", Keith Bourne Complex, Belmont Road, St. Michael.

The principal activities of the Credit Union are the provision of savings products and credit facilities to its members and to educate them in co-operative principles.

2. Accounting Policies

(a) *Basis of preparation*

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

Statement of compliance

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

Consolidated financial statements have been issued and reported on separately.

(b) *Significant accounting judgments, estimates and assumptions*

The preparation of the non-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 non-consolidated 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(b) Significant accounting judgments, estimates and assumptions, continued

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

The Credit Union 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 Group Financial Controller. 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 Credit Union's investment policy. This Committee meets quarterly to review any challenges as it relates to the carrying value of the Credit Union's assets and liabilities.

When measuring the fair value of an asset or a liability, the Credit Union 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 25.

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 Credit Union 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 Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(b) Significant accounting judgments, estimates and assumptions, continued

Impairment of assets

The Credit Union 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 Credit Union 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 Credit Union 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 Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) *Summary of significant accounting policies*

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

a) **Foreign currency**

The non-consolidated financial statements are presented in Barbados dollars which is the functional currency of the Credit Union. All financial information has been rounded to the nearest dollar.

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.

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 was determined. Translation differences on non-monetary items, such as equities classified as available-for-sale investments, are recognised in other comprehensive income.

b) **Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, balances with commercial banks and term deposits with an original maturity of three months or less from the acquisition date.

c) **Investment in subsidiary**

The investment in subsidiary is accounted for by the cost method whereby the investment is initially recorded at cost and income from the investment is recognised only to the extent that it represents distributions from accumulated profits arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

d) Financial instruments

Non-derivative financial assets - Classification

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at cost being their fair value plus transaction costs that are directly attributable to its acquisition or issue.

The Credit Union classifies non-derivative financial instruments into the following categories: held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

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

Non-derivative financial assets – Recognition and derecognition

The Credit Union 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 Credit Union becomes a party to the contractual provisions of the instrument.

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows 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 Credit Union is recognised as a separate asset or liability.

Non-derivative financial assets – Measurement

Held-to-maturity financial investments

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

d) Financial instruments, continued

Non-derivative financial assets – Measurement, continued

Held-to-maturity financial investments, continued

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

Available-for-sale financial investments

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

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

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

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

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

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

d) Financial instruments, continued

Non-derivative financial assets – Measurement, continued

Loans and receivables

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

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

Non-derivative financial liabilities - Classification, Recognition/Derecognition and Measurement

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

The Credit Union's financial liabilities include customer deposits, loans payable, reimbursable shares and other liabilities. The Credit Union 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.

e) Reimbursable shares

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

f) 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. 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.

g) 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.

h) 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 Credit Union 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 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 Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

i) Employee benefits

Defined benefit plan

The Credit Union has a defined benefit plan for its employees.

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

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

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

i) Employee benefits, continued

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 the amount expected to be paid if the Credit Union has a present legal or constructive obligation to pay the amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

The Credit Union'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 Credit Union can no longer withdraw the offer of those benefits and when the Credit Union 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.

j) Taxation

The Credit Union is exempt from corporation tax under Section 9(1)(g) of the Income Tax Act.

k) 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 Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) Summary of significant accounting policies, continued

k) Recognition of income and expenses, continued

Fees and commission income

Fees and commission income are generally recognised on an accrual basis when the service has been provided.

Dividend income

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

(d) Changes in accounting policy and disclosures

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

The Credit Union has consistently applied the accounting policies set out in Note 2 to all periods presented in these non-consolidated 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 non-consolidated financial statements. The application of these pronouncements has therefore not been reflected in these non-consolidated financial statements.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(e) 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 7 (Amendments) – Disclosure Initiative (effective January 1, 2017)
- IAS 12 (Amendments) – Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
- Annual Improvements to IFRS 2014-2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities (effective January 1, 2017)
- Annual Improvements to IFRS 2014-2016 Cycle – Amendments to IFRS 1 First time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures (effective date January 1, 2018)
- IAS 40 (Amendments) – Transfer of Investment Property (effective January 1, 2018)
- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions (effective date January 1, 2018)
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date January 1, 2018)
- 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 non-consolidated financial statements of the Credit Union in the period of adoption, except for IFRS 9 Financial Instruments, which tentatively becomes mandatory for the Credit Union's 2019 non-consolidated financial statements, and is expected to impact the classification and measurement of financial assets and financial liabilities and introduces a new expected credit loss model for calculating impairment of financial assets. A description of this standard is provided below.

IFRS 9 — Financial Instruments

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(e) Standards in issue but not yet effective, continued

IFRS 9 introduces a new single expected credit loss ("ECL") impairment model for all financial assets and certain off balance sheet loan commitments and guarantees. The new ECL model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

The ECL model requires the recognition of credit losses based on twelve months of expected losses for performing financial assets and recognition of lifetime losses on financial assets that have experienced a significant increase in credit risk since origination.

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

3. Net Interest Income

	<u>2017</u>	<u>2016</u>
Interest income		
Loans and advances	\$ 77,932,795	72,886,997
Financial investments	2,065,837	1,915,658
Cash resources	<u>1,364,199</u>	<u>1,565,759</u>
	<u>\$ 81,362,831</u>	<u>76,368,414</u>
Interest expense		
Deposits	\$ 25,657,769	24,439,698
Loans payable	<u>514,656</u>	<u>1,477,049</u>
	<u>26,172,425</u>	<u>25,916,747</u>
Net interest income	<u>\$ 55,190,406</u>	<u>50,451,667</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

4. Other Income

	<u>2017</u>	<u>2016</u>
Fee income	\$ 1,543,257	1,167,697
Legal income	1,239,028	1,145,884
Rental income	67,757	90,612
Bad debt recoveries	1,002,364	1,035,086
Dividend income	103,923	109,512
Gain (loss) on disposal of equipment	<u>8,786</u>	<u>(143)</u>
	<u>\$ 3,965,115</u>	<u>3,548,648</u>

5. Staff Costs

	<u>2017</u>	<u>2016</u>
Salaries	\$ 12,547,522	11,596,320
National Insurance Scheme contributions	979,517	915,532
Pension plan – defined benefit plan (Note 13)	557,575	567,412
Other costs	<u>1,746,498</u>	<u>1,791,992</u>
	<u>\$ 15,831,112</u>	<u>14,871,256</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

6. Operating Expenses

	<u>2017</u>	<u>2016</u>
Anniversary expenses	\$ 353,288	322,960
Advertising	622,315	549,980
Affiliation	100,000	75,000
Audit fees	183,500	299,288
Bank charges	75,269	64,430
Committee travelling allowances	120,600	120,768
Development expenses	158,834	61,905
Direct cost of services	503,531	457,648
Educational grant and scholarship expenses	342,257	329,430
Elected Officials and Committee Training	399,942	407,944
Entertaining	88,393	83,554
Insurance	373,396	399,346
Janitorial services	338,529	299,600
Legacy Foundation – Donations	100,000	-
Legal and professional fees	458,416	551,205
Meetings and conferences	508,521	477,121
Membership security	2,673,152	2,465,088
Sundry expenses	8,454	29,892
National development expenses	60,000	82,812
Office stationery and supplies	944,637	942,329
Postage	106,680	91,317
Property taxes	228,009	238,569
Publicity and promotion	3,134,670	2,163,783
Rent	960,959	870,716
Repairs and maintenance	3,302,058	2,672,189
Security services	956,626	857,735
Social outreach expenses	159,700	127,746
Staff and members' training	811,804	573,361
Utilities	<u>1,183,737</u>	<u>974,090</u>
	<u>\$ 19,257,277</u>	<u>16,595,746</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 which is \$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. Tax on assets expense for the year amounted to \$NIL (2016 - \$1,948,737).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

8. Distributions to Members

Distributions to members include a dividend of \$0.238 (2016 - \$0.238) per share amounting to \$447,769 (2016 - \$417,329) and interest rebate amounting to \$2,188,556 (2016 - \$1,620,780).

9. Cash Resources

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 8,855,728	9,664,017
Cash and cash equivalents	<u>42,300,056</u>	<u>39,847,532</u>
Total cash and cash equivalents	51,155,784	49,511,549
Other term deposits	<u>42,863,834</u>	<u>52,650,680</u>
Total cash resources	\$ <u>94,019,618</u>	<u>102,162,229</u>

The average effective yield on cash resources during the year was 0.04% (2016 - 0.06%).

10. Financial Investments

The amount comprises:

	<u>2017</u>	<u>2016</u>
Held-to-maturity		
Government securities	\$ 28,260,012	28,061,741
Interest receivable	<u>276,195</u>	<u>1,012,442</u>
	\$ <u>28,536,207</u>	<u>29,074,183</u>

The average effective yield during the year on held-to-maturity investments was 6.28% (2016 - 6.28%).

	<u>2017</u>	<u>2016</u>
Available-for-sale		
Equities - quoted (i)	\$ 1,775,000	1,525,000
Equities - unquoted	<u>767,159</u>	<u>754,438</u>
	\$ <u>2,542,159</u>	<u>2,279,438</u>

(i) This represents the Credit Union's investment in 500,000 (2016 - 500,000) common shares. As at March 31, 2017, the quoted bid price of these common shares was \$3.55 (2016 - \$3.05) per share.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

11. Loans and Advances

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

2017				
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Performing loans	\$ 580,913,578	3,101,557	275,767,888	859,783,023
Non-performing loans	<u>38,615,872</u>	<u>688,562</u>	<u>18,832,853</u>	<u>58,137,287</u>
Gross loans	619,529,450	3,790,119	294,600,741	917,920,310
Less: provision for impairment	<u>(19,908,638)</u>	<u>(104,189)</u>	<u>(2,559,735)</u>	<u>(22,572,562)</u>
	\$ <u>599,620,812</u>	<u>3,685,930</u>	<u>292,041,006</u>	895,347,748
Add: interest receivable				<u>5,091,792</u>
				\$ <u>900,439,540</u>

2016				
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Performing loans	\$ 531,614,563	2,828,277	246,197,419	780,640,259
Non-performing loans	<u>33,062,055</u>	<u>646,858</u>	<u>18,978,753</u>	<u>52,687,666</u>
Gross loans	564,676,618	3,475,135	265,176,172	833,327,925
Less: provision for impairment	<u>(16,354,985)</u>	<u>(151,572)</u>	<u>(3,946,592)</u>	<u>(20,453,149)</u>
	\$ <u>548,321,633</u>	<u>3,323,563</u>	<u>261,229,580</u>	812,874,776
Add: interest receivable				<u>4,963,994</u>
				\$ <u>817,838,770</u>

Non-performing loans comprise of loans and advances in arrears over 90 days, which are either past due but not impaired or individually impaired. Refer to Note 24.

The average yield on loans for the year was 9.07% (2016 - 9.10%).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

11. Loans and Advances, continued

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

2017				
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Balance, beginning of year	\$ 16,354,985	151,572	3,946,592	20,453,149
Amounts charged/write off	(2,443,734)	(82,087)	-	(2,525,821)
Loan impairment expense	<u>5,997,387</u>	<u>34,704</u>	<u>(1,386,857)</u>	<u>4,645,234</u>
Balance, end of year	\$ <u>19,908,638</u>	<u>104,189</u>	<u>2,559,735</u>	<u>22,572,562</u>
Individual impairment	\$ 15,464,316	78,508	1,870,241	17,413,065
Collective impairment	<u>4,444,322</u>	<u>25,681</u>	<u>689,494</u>	<u>5,159,497</u>
	\$ <u>19,908,638</u>	<u>104,189</u>	<u>2,559,735</u>	<u>22,572,562</u>

2016				
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Balance, beginning of year	\$ 17,036,003	294,476	4,572,359	21,902,838
Amounts charged/write off	(5,202,888)	(35,988)	-	(5,238,876)
Loan impairment expense	<u>4,521,870</u>	<u>(106,916)</u>	<u>(625,767)</u>	<u>3,789,187</u>
Balance, end of year	\$ <u>16,354,985</u>	<u>151,572</u>	<u>3,946,592</u>	<u>20,453,149</u>
Individual impairment	\$ 12,123,333	112,888	3,069,116	15,305,337
Collective impairment	<u>4,231,652</u>	<u>38,684</u>	<u>877,476</u>	<u>5,147,812</u>
	\$ <u>16,354,985</u>	<u>151,572</u>	<u>3,946,592</u>	<u>20,453,149</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

12. Property and Equipment

Property and equipment is comprised of the following:

	2017					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	\$ 29,672,831	669,258	22,601,695	3,454,277	948,973	57,347,034
Additions/transfer	8,553,981	-	4,569,174	47,970	2,477,456	15,648,581
Disposals	-	(64,831)	-	-	-	(64,831)
Balance, end of year	<u>38,226,812</u>	<u>604,427</u>	<u>27,170,869</u>	<u>3,502,247</u>	<u>3,426,429</u>	<u>72,930,784</u>
Accumulated depreciation						
Balance, beginning of year	8,466,901	448,958	17,390,342	1,493,886	-	27,800,087
Depreciation	588,070	98,560	2,236,088	482,680	-	3,405,398
Disposals	-	(58,348)	-	-	-	(58,348)
Balance, end of year	<u>9,054,971</u>	<u>489,170</u>	<u>19,626,430</u>	<u>1,976,566</u>	<u>-</u>	<u>31,147,137</u>
Net book value, end of year	<u>\$ 29,171,841</u>	<u>115,257</u>	<u>7,544,439</u>	<u>1,525,681</u>	<u>3,426,429</u>	<u>41,783,647</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

12. Property and Equipment, continued

	2016				
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired
Cost					Total
Balance, beginning of year	\$ 28,801,032	663,102	19,529,408	1,172,711	1,846,344
Additions/transfer	871,799	65,031	3,074,632	2,281,566	(897,371)
Disposals	-	(58,875)	(2,345)	-	-
Balance, end of year	<u>29,672,831</u>	<u>669,258</u>	<u>22,601,695</u>	<u>3,454,277</u>	<u>57,347,034</u>
Accumulated depreciation					
Balance, beginning of year	7,913,194	411,441	15,427,481	855,873	-
Depreciation	553,707	96,392	1,964,550	638,013	-
Disposals	-	(58,875)	(1,689)	-	-
Balance, end of year	<u>8,466,901</u>	<u>448,958</u>	<u>17,390,342</u>	<u>1,493,886</u>	<u>27,800,087</u>
Net book value, end of year	<u>\$ 21,205,930</u>	<u>220,300</u>	<u>5,211,353</u>	<u>1,960,391</u>	<u>29,546,947</u>

Assets being acquired represent purchases of property and equipment which were not yet in operation and on which no depreciation has been charged.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Pension Plan Asset

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

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

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 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 \$557,575 in contributions to its defined benefit plan in 2017.

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

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

Bonds Fund:

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

Equity Fund:

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

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

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

	<u>2017</u>	<u>2016</u>
Present value of obligation to plan members	\$ (9,407,862)	(8,919,972)
Pension plan assets at fair value	<u>10,639,923</u>	<u>9,357,750</u>
Asset recognised in the statement of financial position	\$ <u>1,232,061</u>	<u>437,778</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

		<u>2017</u>	<u>2016</u>
Asset, beginning of year	\$	437,778	687,429
Contributions paid		663,507	607,479
Pension expense recognised in statement of income		(557,575)	(567,412)
Re-measurement recognised in other comprehensive income		<u>688,351</u>	<u>(289,718)</u>
Asset, end of year	\$	<u>1,232,061</u>	<u>437,778</u>

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

		<u>2017</u>	<u>2016</u>
Opening obligation	\$	8,919,972	8,164,276
Interest cost		738,221	672,883
Current service cost		548,082	577,540
Employees' contributions		115,927	108,000
Benefits paid		(86,321)	(306,472)
Actuarial losses arising from:			
Experience adjustments		<u>(828,019)</u>	<u>(296,255)</u>
Closing obligation	\$	<u>9,407,862</u>	<u>8,919,972</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

		<u>2017</u>	<u>2016</u>
Opening fair value of plan assets	\$	9,357,750	8,851,705
Actual return		611,544	115,180
Employer's contributions		663,507	607,479
Employees' contributions		115,927	108,000
Benefits paid		(86,321)	(306,472)
Administrative expenses		<u>(22,484)</u>	<u>(18,142)</u>
Closing fair value of plan assets	\$	<u>10,639,923</u>	<u>9,357,750</u>

(ii) Plan assets consist of the following:

		<u>2017</u>	<u>2016</u>
Equities	\$	4,908,414	4,192,476
Bonds		<u>5,731,509</u>	<u>5,165,274</u>
	\$	<u>10,639,923</u>	<u>9,357,750</u>

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

	<u>2017</u>	<u>2016</u>
Mortgages	11.42%	13.86%
Bonds	36.40%	39.17%
Equities	33.90%	34.50%
Property	5.24%	5.07%
Other	13.04%	7.40%

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

		<u>2017</u>	<u>2016</u>
Current service cost	\$	548,082	577,540
Interest cost on obligation		738,221	672,883
Expected return on plan assets		(751,212)	(701,153)
Administrative expenses		<u>22,484</u>	<u>18,142</u>
Net pension expense included in staff costs (Note 5)	\$	<u>557,575</u>	<u>567,412</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

	<u>2017</u>	<u>2016</u>
Remeasurement (gain) loss on obligation	\$ (828,019)	(296,255)
Remeasurement loss on plan assets	<u>139,668</u>	<u>585,973</u>
	<u>\$ (688,351)</u>	<u>289,718</u>

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

	<u>2017</u>	<u>2016</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, 2017, the weighed-average duration of the defined benefit obligation was 22.07 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)	(1,752,367)	2,346,851
Future salary growth (0.5% movement)	958,281	(869,968)

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 \$193,872.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

14. Investment in Subsidiary

	<u>2017</u>	<u>2016</u>
BPW Financial Holdings Inc. – 100%	\$ <u>11,500,000</u>	<u>11,500,000</u>

15. Other Assets

Other assets are comprised of the following:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 5,442,787	4,997,416
Prepaid employee benefit (Note 18)	3,156,119	3,120,994
Prepaid expenses	2,385,991	1,869,940
Interest receivable on cash resources	7,181	17,620
Dividend receivable	55,000	55,000
Other Assets re Goodwill Credit Union (Note 27)	<u>39,786</u>	<u>42,534</u>
	\$ <u>11,086,864</u>	<u>10,103,504</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

16. Deposits

This amount comprises:

	<u>2017</u>	<u>2016</u>
Saving deposits	\$ 438,019,455	400,347,839
Deposits payable on fixed date	472,339,369	418,230,494
Registered retirement savings plan deposits (i)	<u>42,760,928</u>	<u>41,115,349</u>
	953,119,752	859,693,682
Interest payable	<u>3,015,445</u>	<u>3,206,009</u>
	\$ <u>956,135,197</u>	<u>862,899,691</u>

- (i) The Credit Union 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% or 1.0% above the minimum deposit rate. At March 31, 2017, the minimum deposit rate was 1.5% (2016 - 2.0%).

Concentration of deposits

Deposits (excluding interest payable) comprised the following:

	<u>2017</u>	<u>2016</u>
Personal	\$ 923,911,522	828,331,680
Commercial	<u>29,208,230</u>	<u>31,362,002</u>
	\$ <u>953,119,752</u>	<u>859,693,682</u>

At March 31, 2017, deposits pledged as security for loans to members and not available for withdrawal totalled \$302,834,542 (2016 - \$283,398,239). The average yield of deposits during the year was 2.83% (2016 - 3.0%).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

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17. Loans Payable

Loans payable is comprised of the following:

	<u>2017</u>	<u>2016</u>
National Insurance Board (i)	\$ -	13,317,772
Housing Credit Fund (ii)	<u>5,317,376</u>	<u>8,965,543</u>
	<u>\$ 5,317,376</u>	<u>22,283,315</u>

- (i) The National Insurance Board (NIB) loans are repayable over an average period of twenty years and are secured by an equivalent value of first legal mortgages over residential properties funded by the loan proceeds. The interest rates on these loans ranged from 5.50% - 6.00% (2016 – 5.50% - 6.00%) at year end. During the year ended March 31, 2017, the Credit Union repaid the loans to The National Insurance Board in full.
- (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% (2016 – 3.00%).

The Credit Union has not had any defaults of principal, interest or other breaches with respect to its loans payable during the years ended March 31, 2017 and 2016.

18. Other Liabilities

Other liabilities is comprised of the following:

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued expenses	\$ 4,166,362	3,727,265
Amounts payable re Goodwill Credit Union (Note 27)	90,396	100,377
Fair value adjustment - staff loans (i)	3,208,731	3,196,129
Interest rebate payable	203,026	203,206
Unallocated receipts to members	<u>713,015</u>	<u>1,331,048</u>
	<u>\$ 8,381,530</u>	<u>8,558,025</u>

- (i) Fair value adjustment staff loans

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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

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19. Share Capital

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

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

At March 31, 2017 the total number of membership qualifying shares was 2,016,744 (2016 - 1,881,480).

20. Statutory Reserves

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.

The movement in these reserves during the year is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 97,245,033	89,492,577
Transfers to reserve - statutory	5,557,892	5,101,250
Transfers to reserve - voluntary	<u>4,371,806</u>	<u>2,620,906</u>
	107,174,731	97,214,733
Entrance fees	<u>32,260</u>	<u>30,300</u>
Balance, end of year	\$ <u>107,206,991</u>	<u>97,245,033</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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For the year ended March 31, 2017

(Expressed in Barbados dollars)

21. Other Reserves

Other reserves is comprised of the following:

	<u>2017</u>	<u>2016</u>
Fair value reserve (i)	\$ 1,125,000	875,000
Special funds (ii)	943,962	1,008,479
Donated equity (iii)	26,909	26,909
Defined benefit plan (iv)	637,481	(50,870)
Reserve for interest on non-performing loans (v)	<u>2,750,622</u>	<u>2,565,380</u>
	<u>\$ 5,483,974</u>	<u>4,424,898</u>

(i) 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>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 875,000	555,000
Unrealised fair value gain (loss)	<u>250,000</u>	<u>320,000</u>
Balance, end of year	<u>\$ 1,125,000</u>	<u>875,000</u>

(ii) Special funds

The special reserve funds comprise the following:

- a) Social Outreach Fund
The Social Outreach Fund was created to provide charitable donations to members in need of financial assistance.
- b) Education Fund
The Education Fund was established to provide grants and scholarships to members pursuing educational programmes.
- c) 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.
- d) BCCUL Training/Education Fund
The BCCUL Training/Education Fund was instituted in June 2002 to finance the education of credit union members and the general public in credit union philosophy and operations.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Barbados dollars)

21. Other Reserves, continued

(ii) Special funds, continued

- e) BPWCCUL Foundation
This fund was established in June 2009 to fund major philanthropic initiatives undertaken by the Credit Union.
- f) 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.
- g) 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:

	2017			
	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	\$ 72,254	123,734	(159,700)	36,288
Education Fund	188,130	360,635	(342,257)	206,508
Development Fund	288,095	61,905	(108,834)	241,166
BCCUL Training/Education Fund	50,000	50,000	(50,000)	50,000
BPWCCUL Foundation	-	100,000	(100,000)	-
Small and Micro Business Fund	150,000	-	-	150,000
National Development Fund	-	60,000	(60,000)	-
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	<u>\$ 1,008,479</u>	<u>756,274</u>	<u>(820,791)</u>	<u>943,962</u>

	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>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

21. Other Reserves, continued

(iii) Donated equity

This amount totalling \$26,909 (2016 - \$26,909) represents the value of donations bestowed upon the Credit Union on incorporation.

(iv) Defined benefit plan

This amount totalling \$637,481 (2016 - (\$50,870)) represents the net amount of actuarial gains and losses and other items recognised directly in other comprehensive income on the Credit Union's defined benefit plan. (Note 13)

(v) Reserve for interest on non-performing loans

This amount totalling \$2,750,622 (2016 - \$2,565,380) is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with International Accounting Standard (IAS) 39. The guidelines of Section 202 (2) of the Co-operative Societies Act Cap. 378A, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to members.

22. Related Party Disclosures

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

Terms and conditions of transactions with related parties

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, 2017 and March 31, 2016, the Credit Union has not recorded any impairment of receivables relating to amounts owed by related parties.

Compensation of key management personnel

	<u>2017</u>	<u>2016</u>
Short term employee benefits	\$ 1,671,161	1,600,773
Post-employment benefits	<u>85,335</u>	<u>99,083</u>
Total compensation paid to key management personnel	\$ <u>1,756,496</u>	<u>1,699,856</u>

Transactions with key management personnel

The Credit Union 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

22. Related Party Disclosures, continued

Transactions with key management personnel, continued

The following table provides the total amount of balances held with related parties for the relevant financial year.

	<u>2017</u>	<u>2016</u>
Key management personnel:		
Loans and advances	\$ 2,581,440	2,044,956
Deposits	1,682,374	1,569,400

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.

Due from related companies

	<u>2017</u>	<u>2016</u>
Due from BPW Financial Holdings Inc.	\$ 17,853,342	17,200,255
Due from Capita Financial Services Inc. (i)	2,584,981	66,138
Due from Capita Insurance Brokers Inc.	-	41,221
	<u>\$ 20,438,323</u>	<u>17,307,614</u>

Amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

- (i) During the financial year, a fixed deposit held with Capita Financial Services Inc. amounting to \$2,750,000 with accrued interest income of \$93,500 matured on March 31, 2017. The funds were received subsequent to the year end on April 4, 2017.

Other transactions

Cash resources include deposits held with Capita Financial Services Inc. amounting to \$14,014,218 (2016 - \$16,245,300) which resulted in interest income of \$592,092 (2016 - \$544,754).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Barbados dollars)

22. Related Party Disclosures, continued

Other transactions, continued

In November 2015, the Credit Union entered into a Deed of Sale and Administration agreement with Capita Financial Services Limited for the sale of a portfolio of Real Estate loans amounting to \$20 million over a two year period at a rate of \$10 million per year starting the fiscal year 2016-2017. The Credit Union has determined that substantially all the risks and rewards of the said loan portfolio have been transferred to Capita Financial Services Limited and consequently, the loans were eliminated from the Credit Union's statement of financial position. The balance as at March 31, 2017 was \$8,800,918 (2016 - \$9,717,158).

23. Commitments and Contingencies

(i) Loan commitments

	<u>2017</u>	<u>2016</u>
Consumer loans approved and pending disbursement	\$ 16,336,526	18,408,702
Mortgage loans approved and pending disbursement	17,970,390	28,310,186
Available balances on line of credit accounts	<u>15,371,476</u>	<u>15,104,437</u>
	\$ <u>49,678,392</u>	<u>61,823,325</u>

(ii) Loan facilities

Loan facilities committed but not recognised in the non-consolidated financial statements as at March 31, 2017 are as follows:

- (a) an approved line of credit facility of \$7,800,000 (2016 - \$10,000,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2017 this facility was undisbursed.
- (b) an approved line of credit facility of \$125,000 (2016 - \$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 \$ 29,487 (2016 - \$28,732).

(iii) Legal proceedings

At March 31, 2017, there were certain legal proceedings against the Credit Union. In view of the inherent difficulty of predicting the outcome of such matters, the Credit Union cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Credit Union does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on its financial position or results of operations.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

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23. Commitments and Contingencies, continued

(iv) Lease commitments

The Credit Union leases branch facilities under operating leases. Payments made under these leases are recognised in the statement of income on a straight-line basis over the term of the lease. The future minimum rental payments related to these commitments are as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 623,805	854,060
Between one and five years	<u>2,537,894</u>	<u>3,828,325</u>
	\$ <u>3,161,699</u>	<u>4,682,385</u>

During the year, \$ 960,959 (2016 - \$870,716) was recorded as an expense in the statement of income in respect of operating leases.

24. Financial Risk Management

Introduction

Risk is inherent in the Credit Union'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 Credit Union's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Credit Union is exposed to credit risk, liquidity risk, market risk and operational risk.

The Credit Union'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 Credit Union'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.

The Supervisory Committee has the responsibility to monitor the overall risk process within the Credit Union.

The Credit Union'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 Credit Union's compliance with the processes. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Committee.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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24. Financial Risk Management, continued

Introduction, continued

Risk mitigation

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

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

Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Credit Union 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 Credit Union's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as commitments.

Loans and advances

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

Financial investments

The Credit Union 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 Credit Union 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 Credit Union has documented investment policies in place, which guide the management of credit risk on investments.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

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(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Exposure to credit risk before collateral held or other credit enhancements

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

	<u>Maximum exposure</u>	
	<u>2017</u>	<u>2016</u>
Loans and advances to customers:		
Consumer	\$ 599,620,812	548,321,633
Mortgages	292,041,006	261,229,580
Business	3,685,930	3,323,563
Financial investments:		
Held-to-maturity	28,536,207	29,074,183
Cash resources	94,019,618	102,162,229

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

Loan commitments	<u>49,678,392</u>	<u>61,823,325</u>
Total maximum exposure	\$ <u>1,067,581,965</u>	<u>1,005,934,513</u>

The above table represents the maximum credit risk exposure of the Credit Union as of March 31, 2017 and March 31, 2016, 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Exposure to credit risk before collateral held or other credit enhancements, continued

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 Credit Union.

Financial investments

The Credit Union has principally invested in government bonds issued by the Government of Barbados which in the 2016 financial year was downgraded to a BB+ rating by Standard & Poors. During the year ended March 31, 2017, this rating was further downgraded to CCC+.

Cash resources

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

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

	2017			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 94,019,618	-	-	94,019,618
Financial investments:				
Held-to-maturity	28,536,207	-	-	28,536,207
Loans and advances:				
Consumer	494,665,078	98,001,985	26,862,387	619,529,450
Mortgages	227,303,743	58,814,347	8,482,651	294,600,741
Business	<u>1,517,636</u>	<u>1,939,466</u>	<u>333,017</u>	<u>3,790,119</u>
Total	\$ <u>846,042,282</u>	<u>158,755,798</u>	<u>35,678,055</u>	<u>1,040,476,135</u>

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For the year ended March 31, 2017

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

	2016			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 102,162,229	-	-	102,162,229
Financial investments:				
Held-to-maturity	29,074,183	-	-	29,074,183
Loans and advances:				
Consumer	452,338,438	89,073,793	23,264,387	564,676,618
Mortgages	207,223,554	49,829,049	8,123,569	265,176,172
Business	<u>1,623,572</u>	<u>1,547,167</u>	<u>304,396</u>	<u>3,475,135</u>
Total	\$ <u>792,421,976</u>	<u>140,450,009</u>	<u>31,692,352</u>	<u>964,564,337</u>

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

	2017				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	\$ 61,238,445	19,275,488	5,734,567	11,753,485	98,001,985
Mortgages	32,651,855	12,759,704	3,052,585	10,350,203	58,814,347
Business	<u>1,037,423</u>	<u>421,335</u>	<u>125,163</u>	<u>355,545</u>	<u>1,939,466</u>
Total	\$ <u>94,927,723</u>	<u>32,456,527</u>	<u>8,912,315</u>	<u>22,459,233</u>	<u>158,755,798</u>

	2016				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	\$ 54,593,687	19,127,609	5,554,829	9,797,668	89,073,793
Mortgages	25,022,460	9,532,123	4,419,282	10,855,184	49,829,049
Business	<u>1,018,186</u>	<u>186,519</u>	<u>-</u>	<u>342,462</u>	<u>1,547,167</u>
Total	\$ <u>80,634,333</u>	<u>28,846,251</u>	<u>9,974,111</u>	<u>20,995,314</u>	<u>140,450,009</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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24. Financial Risk Management, continued

Credit risk, continued

Impairment assessment

For accounting purposes, the Credit Union 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 Credit Union 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.

Individually assessed allowances

The Credit Union 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 Credit Union generally bases its analyses on historical experience. However, when there are significant market developments, the Credit Union would include macroeconomic factors within its assessment. 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 Credit Union 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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24. Financial Risk Management, continued

Credit risk, continued

Loans with renegotiated terms and the Credit Union's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Credit Union has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Credit Union has provided initially. The Credit Union implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Credit Union'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.

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 Credit Union's Credit Committee regularly reviews reports on forbearance activities.

Write-off policy

The Credit Union 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 Credit Union 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 Credit Union.

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24. Financial Risk Management, continued

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Credit Union 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 Credit Union 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 Credit Union 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 Credit Union 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 Credit Union also has committed lines of credit that it can access to meet liquidity needs.

Analysis of financial liabilities by remaining contractual maturities

The table on the following page summarises the maturity profile of the undiscounted cash flows of the Credit Union's financial liabilities as of March 31, 2017 and March 31, 2016 on the basis of their earliest possible contractual maturity.

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24. Financial Risk Management, continued

Liquidity risk and funding management, continued

Liquidity risk – Financial liabilities

	2017				
	Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	\$ 508,369,243	92,736,550	367,710,959	57,615,418	1,026,432,170
Loans payable	134,988	401,125	2,187,454	4,152,432	6,875,999
Reimbursable share	-	-	7,875,475	-	7,875,475
Other liabilities	-	5,172,799	-	3,208,731	8,381,530
	<u>\$ 508,504,231</u>	<u>98,310,474</u>	<u>377,773,888</u>	<u>64,976,581</u>	<u>1,049,565,174</u>
	2016				
	Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	\$ 466,598,155	87,358,911	322,992,342	55,776,198	932,725,606
Loans payable	955,431	2,841,918	13,952,001	9,763,658	27,513,008
Reimbursable share	-	-	7,165,090	-	7,165,090
Other liabilities	-	5,361,896	-	3,196,129	8,558,025
	<u>\$ 467,553,586</u>	<u>95,562,725</u>	<u>344,109,433</u>	<u>68,735,985</u>	<u>975,961,729</u>

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24. Financial Risk Management, continued

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 Credit Union is mainly exposed to interest rate risk. The Credit Union's exposure to currency risk is minimal since it does not have any significant foreign currency denominated assets.

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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24. Financial Risk Management, continued

Market risk, continued

Interest rate risk, continued

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

	2017					Total
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	
Cash resources	\$ 53,738,037	32,877,390	7,404,191	-	-	94,019,618
Financial investments – Held-to-maturity	2,276,195	6,000,000	14,241,655	6,018,357	-	28,536,207
Loans and advances	21,089,122	33,664,948	242,208,051	603,477,419	-	900,439,540
Due from related companies	-	-	-	-	20,438,323	20,438,323
Other assets	-	-	-	-	5,544,754	5,544,754
Total assets	\$ 77,103,354	72,542,338	263,853,897	609,495,776	25,983,077	1,048,978,442
Deposits	\$ 500,010,117	89,885,193	331,823,656	34,416,231	-	956,135,197
Loans payable	94,983	284,950	1,566,518	3,370,925	-	5,317,376
Reimbursable shares	-	-	-	-	7,875,475	7,875,475
Other liabilities	-	-	-	-	8,381,530	8,381,530
Total liabilities	500,105,100	90,170,143	333,390,174	37,787,156	16,257,005	977,709,578
Interest rate gap	\$ (423,001,746)	(17,627,805)	(69,536,277)	571,708,620	9,726,072	71,268,864

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2017

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Market risk, continued

Interest rate risk, continued

	2016					Total
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	
Cash resources	\$ 49,511,549	48,622,522	4,028,158	-	-	102,162,229
Financial investments – Held-to-maturity	-	2,471,442	17,650,000	8,952,741	-	29,074,183
Loans and advances	18,523,795	29,718,531	211,981,543	557,614,901	-	817,838,770
Due from related companies	-	-	-	-	17,307,614	17,307,614
Other assets	-	-	-	-	5,112,570	5,112,570
Total assets	\$ 68,035,344	80,812,495	233,659,701	566,567,642	22,420,184	971,495,336
Deposits	\$ 459,528,786	84,320,773	286,521,344	32,528,788	-	862,899,691
Loans payable	699,074	2,125,387	11,224,805	8,234,049	-	22,283,315
Reimbursable shares	-	-	-	-	7,165,090	7,165,090
Other liabilities	-	-	-	-	8,558,025	8,558,025
Total liabilities	460,227,860	86,446,160	297,746,149	40,762,837	15,723,115	900,906,121
Interest rate gap	\$ (392,192,516)	(5,633,665)	(64,086,448)	525,804,805	6,697,069	70,589,245

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Notes to the Non-consolidated Financial Statements

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24. Financial Risk Management, continued

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, 2017, with all other variables held constant.

The impact is illustrated and shown in the table below:

	<u>2017</u>	<u>2016</u>
Increase / decrease of 100 bps		
Impact on profit + 100 bps	\$ (3,485,878)	(3,192,506)
Impact on profit – 100 bps	1,442,284	1,919,958

Operational risk

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

While operational risk is inherent to each of the Credit Union'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 Credit Union, 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 Board of Directors.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

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25. Fair Value

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

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

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

For financial assets and financial liabilities that are liquid or have short term maturity, it is assumed that the carrying amounts approximate their fair value. These include cash resources, other assets and other liabilities. The fair value of debt securities is based on quoted prices where available, or otherwise based on an appropriate yield curve with the same remaining term to maturity. The fair value of loans and advances largely approximates carrying value as the Credit Union'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>2017</u>		<u>2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets				
Cash resources	\$ 94,019,618	94,019,618	102,162,229	102,162,229
Financial investments				
– Held-to-maturity	28,536,207	28,536,207	29,074,183	29,074,183
– Available-for-sale	2,542,159	2,542,159	2,279,438	2,279,438
Loans and advances	900,439,540	903,648,271	817,838,770	821,034,899
Due from related companies	20,438,323	20,438,323	17,307,614	17,307,614
Other assets	<u>5,544,754</u>	<u>5,544,754</u>	<u>5,112,570</u>	<u>5,112,570</u>
	<u>\$ 1,051,520,601</u>	<u>1,054,729,332</u>	<u>973,774,804</u>	<u>976,970,933</u>
Liabilities				
Deposits	\$ 956,135,197	1,026,432,170	862,899,691	932,725,605
Loans payable	5,317,376	5,317,376	22,283,315	22,283,315
Reimbursable shares	7,875,475	7,875,475	7,165,090	7,165,090
Other liabilities	<u>8,381,530</u>	<u>8,381,530</u>	<u>8,558,025</u>	<u>8,558,025</u>
	<u>\$ 977,709,578</u>	<u>1,048,006,551</u>	<u>900,906,121</u>	<u>970,732,035</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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(Expressed in Barbados dollars)

25. Fair Value, continued

Determination of fair value and fair value hierarchy

The Credit Union 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 Credit Union 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 Credit Union's financial instruments that are measured at fair value.

		2017			Total
		Level 1	Level 2	Level 3	balance
Investment securities					
Available-for-sale					
- Equity securities	\$	<u>1,775,000</u>	<u>-</u>	<u>767,159</u>	<u>2,542,159</u>
		2016			Total
		Level 1	Level 2	Level 3	balance
Investment securities					
Available-for-sale					
- Equity securities	\$	<u>1,525,000</u>	<u>-</u>	<u>754,438</u>	<u>2,279,438</u>

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25. Fair Value, continued

The following table shows a reconciliation of all movements in the fair value of financial investments categorised within Level 1 between the beginning and end of the reporting period.

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 1,525,000	1,205,000
Unrealised gain (loss)	<u>250,000</u>	<u>320,000</u>
Balance - end of year	\$ <u>1,775,000</u>	<u>1,525,000</u>

The following table 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>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 754,438	682,522
Purchases	<u>12,721</u>	<u>71,916</u>
Balance - end of year	\$ <u>767,159</u>	<u>754,438</u>

There were no transfers in or out of Level 3 during the year ended March 31, 2017 (2016 - \$NIL).

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

26. Capital Management

The Credit Union'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 Credit Union operates;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits to other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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26. Capital Management, continued

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

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

Regulatory capital requirement

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

The Credit Union has complied with all externally imposed capital requirements.

27. 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 18) and are disclosed within the respective notes.

Notes

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

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