

Financial Statements of

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

March 31, 2015



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

Table of Contents

	<u>Page</u>
Auditors' Report to the Members .....	1
Statement of Financial Position .....	2
Statement of Changes in Equity .....	3
Statement of Comprehensive Income .....	4-5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7 - 29

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of The Barbados Workers' Union Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as at March 31, 2015, the statements of changes in equity, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the Credit Union as of March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
Bridgetown, Barbados

June 8<sup>th</sup>, 2015

#### Offices

##### CARIBBEAN

Barbados

##### CANADA

###### Nova Scotia

Halifax - Dartmouth

###### New Brunswick

Moncton  
Saint John - Rothesay  
Fredericton  
Sussex

###### Québec

Montréal  
Maria

###### Ontario

Toronto  
London  
St. Catharines  
Downsview  
Ottawa

###### Manitoba

Winnipeg

###### Alberta

Calgary  
Edmonton  
Fort Saskatchewan

###### British Columbia

Vancouver  
Victoria

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

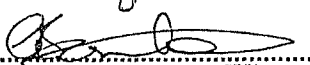
Statement of Financial Position  
As at March 31, 2015  
with comparative figures for 2014

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
<b>Assets</b>			
Cash resources	6	4,160,106	3,209,436
Interest receivable	7	239,475	257,539
Investments	8	12,390,017	15,634,800
Loans and mortgages to members	4 & 9	76,593,338	70,916,258
Less allowance for doubtful loans	4 & 9	<u>(2,473,279)</u>	<u>(6,019,727)</u>
		<u>90,909,657</u>	<u>83,998,306</u>
<b>Other assets:</b>			
Accounts receivable	10	294,902	367,674
Prepaid expenses		90,051	100,805
Deferred expense		18,375	24,500
Property and equipment	11	<u>5,161,523</u>	<u>5,188,687</u>
<b>Total other assets</b>		<u>5,564,851</u>	<u>5,681,666</u>
<b>Total Assets</b>		<u>96,474,508</u>	<u>89,679,972</u>
<b>Liabilities and Members' Equity</b>			
<b>Liabilities to non-members:</b>			
Accounts payable and accrued expenses	12	731,834	467,864
Loan Payable	14	295,679	-
Tax on Assets Payable	3(h) & 15	<u>91,202</u>	<u>-</u>
		<u>1,118,715</u>	<u>467,864</u>
<b>Liabilities to members</b>			
Deposits of members	13	83,566,152	77,875,507
Regulatory Capital	16	<u>1,683,600</u>	<u>1,613,150</u>
		<u>85,249,752</u>	<u>79,488,657</u>
<b>Members' equity:</b>			
Revaluation Reserve	11	3,066,629	3,066,629
Statutory reserve	17 (a)	5,523,478	5,041,107
Education fund	17 (b)	7,324	7,358
Common good fund	17 (c)	38,127	33,503
Unrealised gain on investments		321,689	453,169
Undivided earnings		<u>1,148,794</u>	<u>1,121,685</u>
<b>Total members' equity</b>		<u>10,106,041</u>	<u>9,723,451</u>
<b>Total Liabilities and Members' Equity</b>		<u>96,474,508</u>	<u>89,679,972</u>

See accompanying notes to financial statements.

Approved on behalf of the Committee of Management:

.....  Director

.....  Director

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

Statement of Changes in Equity  
For The Year Ended March 31, 2015  
with comparative figures for 2014

	Notes	Revaluation Reserve	Statutory Reserves	Education Fund	Common Good Fund	Unrealised Gain/(Loss) on Investment	Undivided Earnings	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at March 31, 2013</b>		3,066,629	5,041,107	701	28,846	505,585	469,265	9,112,133
Net income for the year		-	-	-	-	-	663,734	663,734
<u>Allocations of Net Income for the Year</u>								
Education Fund	17(b)	-	-	6,657	-	-	(6,657)	-
Common good Fund	17(c)	-	-	-	6,657	-	(6,657)	-
Disbursement from fund		-	-	-	(2,000)	-	2,000	-
Unrealised loss on investments for the year	3(f)	-	-	-	-	(52,416)	-	(52,416)
<b>Balance at March 31, 2014</b>		3,066,629	5,041,107	7,358	33,503	453,169	1,121,685	9,723,451
Net income for the year		-	-	-	-	-	656,263	656,263
<u>Allocations of Net Income for the Year</u>								
Statutory Reserve	17(a)	-	482,371	-	-	-	(482,371)	-
Education Fund	17(b)	-	-	6,624	-	-	(6,624)	-
Common Good Fund	17(c)	-	-	-	6,624	-	(6,624)	-
Disbursement from fund		-	-	(6,658)	(2,000)	-	8,658	-
Patronage refund		-	-	-	-	-	(142,193)	(142,193)
Realised gain on sale of investment		-	-	-	-	(119,378)	-	(119,378)
Unrealised loss on investments for the year	3(f)	-	-	-	-	(12,102)	-	(12,102)
<b>Balance at March 31, 2015</b>		3,066,629	5,523,478	7,324	38,127	321,689	1,148,794	10,106,041

See accompanying notes to financial statements.

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

Statement of Comprehensive Income  
For The Year Ended March 31, 2015  
with comparative figures for 2014

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
<b>Operating Income:</b>			
Interest on loans		4,104,213	3,970,260
Interest on mortgages		<u>2,476,907</u>	<u>2,271,472</u>
<b>Total loan interest income</b>		6,581,120	6,241,732
<b>Less Interest on Members' Deposits</b>			
Interest expense		<u>(1,994,174)</u>	<u>(1,943,614)</u>
<b>Net interest income</b>		<u>4,586,946</u>	<u>4,298,118</u>
<b>Investment Income</b>			
Interest on savings account		15,238	50,370
Dividend income		96,860	109,730
Interest on investments		487,239	537,800
Gain on sale of Investments		128,230	68,816
Loss on disposal of assets		<u>(150)</u>	<u>-</u>
<b>Total investment income</b>		727,417	766,716
Less investment fees and charges		<u>(11,987)</u>	<u>(63,364)</u>
<b>Net investment income</b>		<u>715,430</u>	<u>703,352</u>
<b>Other Income</b>			
Other operating income		277,524	202,711
Rental income		<u>68,400</u>	<u>68,400</u>
<b>Total other income</b>		<u>345,924</u>	<u>271,111</u>
<b>Total Operating Income</b>		5,648,300	5,272,581

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

Statement of Comprehensive Income - cont'd  
For The Year Ended March 31, 2015  
with comparative figures for 2014

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$
<b>Operating Expenses:</b>			
Payroll Costs		2,350,776	2,026,736
Membership Protection and Governance	19	453,798	435,570
Occupancy Costs	19	452,527	417,774
General and Administrative Expenses	19	284,988	267,378
Allowance for Bad and Doubtful Debts		369,017	654,327
Marketing Costs		301,387	274,613
Depreciation		310,237	336,197
Information Systems Expense		322,358	194,308
Penalty and Interest/(Overages)		<u>429</u>	<u>(56)</u>
<b>Total operating expenses</b>		<u>4,845,517</u>	<u>4,606,847</u>
<b>Profit Before Interest and Tax for the Year</b>		802,783	665,734
Interest expense	14	<u>(1,549)</u>	<u>-</u>
<b>Profit before Tax for the year</b>		801,234	665,734
Tax	15	<u>(136,313)</u>	<u>-</u>
<b>Net Profit for the year after tax and before Disbursements to/(from) funds</b>		664,921	665,734
Disbursement from funds:-			
Common Good Fund	17(c)	(2,000)	(2,000)
Education Fund	17(b)	<u>(6,658)</u>	<u>-</u>
		<u>(8,658)</u>	<u>(2,000)</u>
<b>Net Profit for the year</b>		656,263	663,734
Unrealised Loss on Investments for the year		<u>(12,102)</u>	<u>(52,416)</u>
<b>Total Comprehensive Income</b>		<u>644,161</u>	<u>611,318</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows  
For The Year Ended March 31, 2015  
with comparative figures for 2014

	<u>2015</u> \$	<u>2014</u> \$
<b>Operating Activities</b>		
Net Profit for the year before tax	792,576	663,734
Adjustments for:		
Depreciation	310,237	336,197
Allowance for doubtful loans	369,017	654,327
Gain on sale of investments	(128,230)	(68,816)
Dividend Income	(96,860)	(109,730)
Interest income	(7,083,597)	(6,829,902)
Loss on sale of Assets	150	-
Interest expense	<u>1,995,723</u>	<u>1,943,614</u>
<b>Changes in operating assets &amp; liabilities</b>	(3,840,984)	(3,410,576)
Increase/(Decrease) in accounts payable	161,665	(264,920)
Decrease/(Increase) in prepaid expenses	10,754	(69,896)
Decrease in deferred taxes	6,125	6,125
Decrease/(Increase) in accounts receivable	12,791	(84,066)
Increase in loans to members	(9,592,545)	(3,668,804)
Increase in regulatory capital	<u>70,450</u>	<u>54,111</u>
Net cash used in operations	(13,171,744)	(7,438,026)
Interest received	6,559,184	6,241,877
Interest paid	(1,893,418)	(1,891,957)
Taxes paid	<u>(45,111)</u>	<u>-</u>
<b>Net cash used in operating activities</b>	<u>(8,511,089)</u>	<u>(3,088,106)</u>
<b>Cash flows from investing activities</b>		
Additions to property and equipment	(284,123)	(97,360)
Net Proceeds from sale of assets	900	-
Net Proceeds from sale of investments	628,230	138,701
Interest received on investments	562,458	555,369
Dividends received	96,860	109,730
Decrease/(Increase) in investments - net	<u>2,613,303</u>	<u>(2,170,110)</u>
<b>Net cash (used)/from investing activities</b>	<u>3,617,628</u>	<u>(1,463,670)</u>
<b>Cash flows from financing activities</b>		
Increase in members' deposits	5,690,645	4,036,578
Patronage Rebate	(142,193)	-
Proceeds from Loan	300,000	-
Repayment of loan principal	<u>(4,321)</u>	<u>-</u>
<b>Net cash from financing activities</b>	<u>5,844,131</u>	<u>4,036,578</u>
Increase/(Decrease) in cash resources during year	950,670	(515,198)
Cash resources, beginning of year	<u>3,209,436</u>	<u>3,724,634</u>
Cash resources, end of year	<u>4,160,106</u>	<u>3,209,436</u>

See accompanying notes to financial statements.



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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 1. Reporting Entity

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

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

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

These financial statements were authorised for issue by the Directors on June 8, 2015.

## 2. Basis of Preparation

### Statement of compliance

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

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

### The use of estimates and judgments

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

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 2. Basis of Preparation, continued

### **The use of estimates and judgments, continued**

#### *(i) Key sources of estimation and uncertainty*

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 3. Significant Accounting Policies

(a) *Functional and presentation currency*

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

(b) *Revenue recognition*

*Interest*

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

*Dividend*

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

*Rent*

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

(c) *Foreign currency*

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

(d) *Loans receivable*

(i) *Loans to members*

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

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

(ii) *Allowance for doubtful loans*

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

(e) *Property and equipment*

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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### 3. Significant Accounting Policies, continued

(e) *Property and equipment - (continued)*

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

The following annual rates apply:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and these are included in the statement of comprehensive income.

(f) *Investments*

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

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

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

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

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

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 3. Significant Accounting Policies, continued

(g) *Defined contribution plans*

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

(h) *Taxation*

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

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

(i) *Impairment of non-financial assets*

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

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

(j) *Lease payments*

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

(k) *Provisions*

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

(l) *Financial assets and liabilities*

*Recognition*

The Credit Union initially recognises loans and advances and deposits and other liabilities on the date that they are originated.

*Derecognition*

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 3. Significant Accounting Policies, continued

### (l) *Financial assets and liabilities (continued)*

#### *Offsetting*

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

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

#### *Fair value measurement*

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

#### *Identification and measurement of impairment*

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

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

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

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

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

### (m) Cash resources

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 3. Significant Accounting Policies, continued

- (n) *Deposits*  
Deposits are the Credit Union's sources of debt funding and are initially measured at fair value plus transaction costs and subsequently at their amortised cost using the effective interest method.
- (o) *Comprehensive income*  
Comprehensive income includes all changes in equity during the reporting period from transactions and events other than those arising from investments by and distributions to the shareholders. Other Comprehensive Income comprises revenues, expenses, gains and losses that are recognized in Comprehensive Income but excluded from Net Income. Other Comprehensive Income during 2013-14 comprises net unrealized loss on available-for-sale investments.
- (p) *Standards, amendments and interpretation to existing standards effective in the 2015 financial year*  
The amendments and interpretations to existing standards which are effective in the 2015 financial year but do not have a significant impact on the presentation, measurement and disclosures of the Credit Union's financial statements are as follows:
- IFRS 1 (Amendment) 'First Time Adoption'
  - IAS 36 (Amendment) 'Impairment of Assets'

*New Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted:*

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Company's operations. The Credit Union has not early adopted the new standards and amendments.

- IAS 16 (Amendment) 'Property, Plant and Equipment' (effective January 1, 2016)
- IAS 19 (Amendment) 'Employee Benefit' (effective July 1, 2014)
- IAS 24 (Amendment) 'Related Party Disclosures' (effective July 1, 2014)
- IFRS 9 'Financial Instruments' (effective January 1, 2018)
- IFRS 13 (Amendment) 'Fair Value Measurement' (effective July 1, 2014)

None of these is expected to have a significant effect on the financial statements of the Credit Union in the period of adoption, except for IFRS 9 'Financial Instruments' which becomes mandatory for the Credit Union's 2019 financial statements, and is expected to impact the classification and measurement of financial assets and liabilities. A description of this standard is provided below.

IFRS 9 – Financial Instruments – effective January 1, 2018 – this standard eliminates the available-for-sale and held-to-maturity categories of financial assets. All debt instruments will be measured at fair value through profit and loss, unless certain conditions are met, in which case they may be measured at amortized cost. All equity instruments will be measured at fair value through profit and loss unless the entity elects to measure the instrument at fair value through other comprehensive income with only dividend income recognized in profit or loss. The standard includes guidance on when historical cost may be the best estimate of fair value. For financial liabilities the standard retains most of IAS 39 requirements.

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 4. Financial Risk Management

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

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

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

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

(a) *Credit risk*

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

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

**Classified Loans**

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



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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 4. Financial Risk Management, continued

### (a) Credit risk - cont'd

#### Allowances for impairment

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

#### Loans and advances to members

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Delinquent Loans</b>		
90 days and over	3,287,898	3,504,959
Classified Loans fully provided	<u>1,412,263</u>	<u>4,368,464</u>
Carrying amount	4,700,161	7,873,423
Less: Allowance for doubtful loans	<u>(1,754,347)</u>	<u>(5,389,299)</u>
Carrying amount less allowance loans > 90 days	<u>2,945,814</u>	<u>2,484,124</u>

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>Loans in Good Standing</b>		
Not yet due	57,808,594	59,897,973
1-29 days	11,233,277	1,364,231
30-59 days	1,836,628	781,077
60-89 days	<u>1,014,678</u>	<u>999,554</u>
Carrying amount	71,893,177	63,042,835
Less: Allowance for doubtful loans	<u>(718,932)</u>	<u>(630,428)</u>
Carrying amount less allowance for loans in good standing	<u>71,174,245</u>	<u>62,412,407</u>
<b>Total carrying amount</b>	<u>74,120,059</u>	<u>64,896,531</u>

#### Collateral

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

### (b) Liquidity risks

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 4. Financial Risk Management, continued

(b) Liquidity risks (continued)

### Deposits from Members

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

2015 Deposits by Type	Interest Rate	Total \$	Less than	3 months	More than	5 years	Over
			3 months	to 1 year	1 year to	to 10 years	10 years
			\$	\$	\$	\$	\$
Term Deposits	3%-5%	11,771,216	1,444,257	5,858,040	3,708,497	265,089	495,333
Other Savings	2%-3%	1,576,579	1,204,013	7,864	109,338	54,003	201,361
Special Savings	2.75%	4,955,291	4,680,570	32,968	139,377	52,226	50,150
Junior Savings	3%	2,483,979	2,463,837	-	10,142	-	10,000
Membership Prime Deposit	2.25%	52,609,458	41,808,660	643,613	4,287,225	1,825,672	4,044,288
Smart Builder	3.25%	10,169,629	8,979,619	39,685	476,758	262,714	410,853
<b>Total</b>		<b>83,566,152</b>	<b>60,580,956</b>	<b>6,582,170</b>	<b>8,731,337</b>	<b>2,459,704</b>	<b>5,211,985</b>
<b>Loan by Type</b>							
Personal Loans	10.5%-12%	23,418,894	1,099,540	658,299	9,767,996	6,537,911	5,355,148
Business Loans	12%	1,498,444	166,891	46,278	69,758	957,395	258,122
Other Loans	9%-15%	2,138,944	246,810	68,141	934,878	778,141	110,974
Real Estate Loans	5.5%-9%	33,081,716	806,435	17,585	627,606	2,663,410	28,966,680
Revolving Loans	17%	7,141,660	1,326,690	809,594	1,511,809	4,003	3,489,564
Back to School	17%	235,592	182,015	49,178	4,399	-	-
Christmas Loans	17%	795,282	1,372	777,931	15,979	-	-
Bridging Loans	6.5%-12%	8,282,806	-	34,998	49,859	500,897	7,697,052
<b>Total</b>		<b>76,593,338</b>	<b>3,829,753</b>	<b>2,462,004</b>	<b>12,982,284</b>	<b>11,441,757</b>	<b>45,877,540</b>
Liquidity Gap		6,972,814	56,751,202	4,120,166	(4,250,947)	(8,982,053)	(40,665,555)
<b>2014</b>							
Deposits by Type	Interest Rate	Total \$	Less than	3 months	1 year to	5 years	Over
			3 months	to 1 year	5 years	to 10 years	10 years
			\$	\$	\$	\$	\$
Term Deposits	3%-4.5%	6,260,737	1,229,728	3,382,013	1,648,996	-	-
Other Savings	2%-2.25%	3,022,660	2,573,148	14,752	105,444	161,179	168,137
Special Savings	2.75%	5,098,381	4,724,115	11,239	212,987	92,613	57,427
Junior Savings	3.00%	2,351,879	2,351,879	-	-	-	-
Membership Prime Deposit	2.25%	52,849,066	42,044,026	617,840	4,353,058	1,810,363	4,023,779
Smart Builder	3.25%	8,292,784	7,828,058	13,080	233,341	136,485	81,820
<b>Total</b>		<b>77,875,507</b>	<b>60,750,954</b>	<b>4,038,924</b>	<b>6,553,826</b>	<b>2,200,640</b>	<b>4,331,163</b>
<b>Loan by Type</b>							
Personal Loans	12%	23,206,490	2,784,191	673,002	8,796,773	6,614,576	4,337,948
Business Loans	12%	1,121,068	126,130	5,108	152,493	373,849	463,488
Other Loans	9%	1,654,251	355,895	53,486	892,032	236,497	116,341
Real Estate Loans	6.5%-9%	27,712,641	1,085,735	17,774	546,742	2,319,396	23,742,994
Revolving Loans	17%	8,900,307	744,009	967,102	2,499,484	-	4,689,712
Back to School	17%	206,362	163,724	42,638	-	-	-
Christmas Loans	17%	780,813	457,803	282,270	40,740	-	-
Bridging Loans	6.5%-12%	7,334,326	-	2,691	78	307,948	7,023,609
<b>Total</b>		<b>70,916,258</b>	<b>5,717,487</b>	<b>2,044,071</b>	<b>12,928,342</b>	<b>9,852,266</b>	<b>40,374,092</b>
Liquidity Gap		6,959,249	55,033,467	1,994,853	(6,374,516)	(7,651,626)	(36,042,929)

Accounts payable balances are all current.

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 4. Financial Risk Management, continued

### (c) *Market risk*

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

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

### (d) *Operational risks*

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

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

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

### (e) *Capital management*

The Co-operative Societies (Amendment) Act 2008-39, stipulates that an amount equaling or greater than 10% of total assets must be held as capital. The Board of Directors continues to review the capital structure. The capital to assets ratio is now 9.5% (2014 – 12.60%).

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

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

### (f) *Fair value*

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

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 4. Financial Risk Management, continued

### (f) Fair value (continued)

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

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

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

	<u>2015</u>		<u>2014</u>	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Cash resources	4,160,106	4,160,106	3,209,436	3,209,436
Accounts receivable	294,902	294,902	367,674	367,674
Interest receivable	239,475	239,475	257,539	257,539
Investments	12,390,017	N/A (see note 8)	15,634,800	N/A(see note 8)
Deposits of members	83,566,152	83,566,152	77,875,507	77,875,507
Regulatory capital	1,683,600	1,683,600	1,613,150	1,613,150
Accounts payable	731,834	731,834	46,864	46,864
Loans and mortgages (net)	74,120,059	74,120,059	64,896,531	N/A

### (g) Loans and mortgages receivable

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

#### Investments

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

### (h) Real Property Management

The Co-operative Societies (Amendment) Act 2007-39, sec. 196A states that a Credit Union may not acquire or hold real property where the market value of the property to be acquired would cause the aggregate value of the property to exceed 6% of the stated assets of the Credit Union. At March 31, 2015 the Credit Union held 4.2% (2014 - 4.6%) in real property.

## 5. Determination of Fair Values

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 5. Determination of Fair Values, continued

(a) *Investments in equity and debt securities*

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

(b) *Trade and other receivables*

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

## 6. Cash Resources

This balance consists of:

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash on hand	504,424	459,430
Cash at bank	<u>3,655,682</u>	<u>2,750,006</u>
	<u>4,160,106</u>	<u>3,209,436</u>

## 7. Interest Receivable

	<u>2015</u>	<u>2014</u>
	\$	\$
Loan interest receivable	<u>239,475</u>	<u>257,539</u>

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 8. Investments

(a) *Investments comprise:*

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		\$	\$
<i>Equity securities, mutual funds and fixed income, at fair value:</i>			
Shares in Banks Holdings Ltd.		83,220	88,476
Shares in Insurance Corporation of Barbados		461,520	499,980
Royal Fidelity Mutual fund		-	611,011
Barclays "Blue Eagle" portfolio fixed income		3,555,561	3,487,745
Barclays "Blue Eagle" portfolio mutual funds/ equities		339,380	328,457
		<u>4,439,681</u>	<u>5,015,669</u>
<i>Equity securities, at cost:</i>			
Shares in the Barbados Co-operative Credit Union League Ltd.		21,020	21,020
Shares in Bridgetown Cruise Terminals Inc.		1,553	3,882
Shares in Co-operators General Insurance Co. Ltd.		1,084,020	1,026,480
		<u>1,106,593</u>	<u>1,051,382</u>
<i>Other investments, held to maturity:</i>			
Barclays "Blue Eagle" portfolio		951,051	262,048
First Citizens Investment Services Ltd.		1,327,166	3,783,971
Barbados Agriculture Management Company - Commercial Paper		600,000	600,000
CAPITA Financial Services Inc		610,840	1,115,687
Barbados Co-operative Credit Union League Ltd - Central Fund Facility Trust		331,030	310,971
Barbados Transport Board		262,062	296,688
Barbados Port Inc		662,169	625,181
Barbados Treasury Bills		1,000,000	1,000,000
Barbados Tourism Investment		500,000	1,000,000
Barbados Public Workers Co-operative Credit Union Ltd.		599,425	573,203
		<u>6,843,743</u>	<u>9,567,749</u>
Total Investments		<u>12,390,017</u>	<u>15,634,800</u>

The Credit Union outsources the management of its investment portfolio referred to as the "Blue Eagle" to CIBC First Caribbean International Bank's (The Bank) wealth management department. The Bank was given an investment policy and parameters to guide the investment decisions. The Investment policy was prepared by a group of members with an investment career background. Reports are submitted monthly to the management where the performance of the fund is reviewed. The total fund under management is \$4,845,992 (2014 - \$4,078,250). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

(b) *Investment of funds*

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

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

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

As at March 31, 2015 the credit union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	<u>2015</u>	<u>2014</u>
	\$	\$
Loans	35,975,960	36,964,716
Mortgages	<u>40,617,378</u>	<u>33,951,542</u>
	76,593,338	70,916,258
Less Allowance for doubtful loans	<u>(2,473,279)</u>	<u>(6,019,727)</u>
	<u>74,120,059</u>	<u>64,896,531</u>

Loans are classified as personal, business, line of credit and other loans. Personal and business loans bear interest at a rate of 10.5% to 12% per annum, unsecured loans and revolving line of credit at 17% and other loans at 15% per annum on the reducing balance. All loans are repayable to the Credit Union in monthly blended principal and interest installments over a maximum period of thirty years.

Mortgages usually bear a floating interest rate of 6.5% per annum on the reducing balance. As of March 2015 mortgages are being offered at a variable rate of 5.5% to 7.5% (2014 - 5.5 to 6.5%) per annum on the reducing balance. Mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum period of thirty years.

### Allowance for doubtful loans

	<u>2015</u>	<u>2014</u>
	\$	\$
Opening balance	(6,019,727)	(5,365,400)
Charge for the year	(376,397)	(654,327)
Write offs	3,915,465	-
Recoveries	<u>7,380</u>	<u>-</u>
Ending balance	<u>(2,473,279)</u>	<u>(6,019,727)</u>

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

## 10. Accounts Receivable

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts receivable	281,277	294,068
Interest receivable - Investments	<u>13,625</u>	<u>73,606</u>
	<u>294,902</u>	<u>367,674</u>

Accounts receivable mainly represents amounts receivable from the Government of Barbados for taxes withheld on the Blue Eagle Portfolio. The Credit Union will attempt to recover these amounts by offset against the tax payable on assets.

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 11. Property and Equipment

2015	Equipment & Computer Software	Motor Vehicles	Land & Buildings @ Valuation	Leasehold Improve- ments	Total
<b>Cost/Valuation</b>	\$	\$	\$	\$	\$
At beginning of year	2,557,760	199,377	4,200,000	608,737	7,565,874
Additions	284,123	-	-	-	284,123
Disposals	(2,788)	-	-	-	(2,788)
At end of year	2,839,095	199,377	4,200,000	608,737	7,847,209
<b>Accumulated Depreciation</b>					
At beginning of year	1,730,803	85,066	61,500	499,818	2,377,187
Charge for year	204,610	22,862	61,500	21,265	310,237
Disposals	(1,738)	-	-	-	(1,738)
At end of year	1,933,675	107,928	123,000	521,083	2,685,686
Net Book Value	905,420	91,449	4,077,000	87,654	5,161,523

2014	Equipment & Computer Software	Leasehold Motor Vehicles	Buildings @ Valuation	Improve- ments	Total
<b>Cost/Valuation</b>	\$	\$	\$	\$	\$
At beginning of year	2,460,400	199,377	4,200,000	608,737	7,468,514
Additions	97,360	-	-	-	97,360
Disposals	-	-	-	-	-
At end of year	2,557,760	199,377	4,200,000	608,737	7,565,874
<b>Accumulated Depreciation</b>					
At beginning of year	1,544,130	56,489	-	440,372	2,040,991
Charge for year	186,673	28,577	61,500	59,446	336,196
Disposals	-	-	-	-	-
At end of year	1,730,803	85,066	61,500	499,818	2,377,187
Net Book Value	826,957	114,311	4,138,500	108,919	5,188,687

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

The next valuation is scheduled to take place in the 2015-16 financial year. During the 2013 financial year the Board of Directors determined the value of the Credit Union's building was \$4,200,000 based on a valuation prepared by an independent, professional valuer. The resulting increase of \$1,347,230 was credited to revaluation reserve in equity. The accumulated depreciation of \$147,229 on the property at the date of the valuation was eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount of the property.



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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	<u>2015</u>	<u>2014</u>
	\$	\$
Interest payable on deposits	268,817	166,512
Non Member Deposits	137,138	140,720
Professional fees	74,025	72,850
Other payables	<u>251,854</u>	<u>87,782</u>
	<u>731,834</u>	<u>467,864</u>

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

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

## 13. Deposits of Members

Members' deposits comprise the following:

	<u>2015</u>	<u>2014</u>
	\$	\$
Term deposits	11,771,216	6,260,738
Other deposits	19,185,478	18,765,703
Prime deposits	<u>52,609,458</u>	<u>52,849,066</u>
	<u>83,566,152</u>	<u>77,875,507</u>

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 3.00% to 4.5% (2014 – 3.00% to 4.50%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 2.00% - 3.25% (2014 - 2.00% to 3.25%).

Prime Deposits, previously known as Members' Shares, is an interest bearing deposit account which has attracted an average rate of 2.25% (2014 - 2.25%) during the financial year.

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 14. Loan Payable

	<u>2015</u>	<u>2014</u>
	\$	\$
Current Portion	52,768	-
Long Term Portion	<u>242,911</u>	<u>-</u>
	<u>295,679</u>	<u>-</u>

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

## 15. Tax on Assets

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

Below details the taxation for the current year:

	<b>Average Domestic Assets</b>	<b>Tax for Period</b>
	\$	\$
Period 1 – July 1 – September 30, 2014	90,225,611	45,113
Period 2 – October 1 – December 31, 2014	91,974,738	45,987
Period 3 – January 1 – March 31, 2015	94,572,059	<u>47,286</u>
Charge for the year		138,386
Under Accrual for the year		<u>(2,073)</u>
Taxation Expense for the Year		<u>136,314</u>

There is no prior year comparative as the tax became effective in the current financial year.

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 16. Regulatory Capital

	<u>2015</u>	<u>2014</u>
	\$	\$
Balance at April 1	1,613,150	1,559,039
Contributions for the year	<u>70,450</u>	<u>54,111</u>
Balance at March 31	<u>1,683,600</u>	<u>1,613,150</u>

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

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

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

## 17. Reserves

### (a) Statutory Reserve

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

#### *The statutory reserve accumulated transfer from net income*

The Credit Union is required under governing legislation to transfer an amount equivalent to the greater of one half of one percent (0.5%) of total assets or twenty-five percent (25%) of Net Income (before dividends) to the statutory reserve annually until the capital ratio equals ten percent (10%). At March 31<sup>st</sup>, 2015 capital ratio was 9.5% (2014 - 12.6% - This calculation was based on a formula provided by the Registrar in previous years). The allocation for the year was \$482,371.

### (b) Education Fund

The Registrar of Co-operatives has advised that the greater of 1% of the net income or \$100 be transferred to an education reserve. This reserve is periodically paid to the Barbados Co-Operative Credit Union League. The amount transferred for the year was \$6,624 (2014 - \$6,657).

### (c) Common Good Fund

The common good fund was established by the Credit Union and represents amounts allocated to facilitate donations to benevolent causes. The amount transferred is 1% of net income. The amount transferred for the year was \$6,624 (2014 - \$6,657).

## 18. Mutual Benefits Plan

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

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 19. Major Operating Expenses

These comprise:

	<u>2015</u>	<u>2014</u>
	\$	\$
<b>General and Administrative Expenses</b>		
Audit Fees	78,002	72,874
Stationery Office supplies	72,384	56,617
Professional Fees	43,385	8,404
Equipment Maintenance	28,187	36,652
Motor Vehicle Expense	24,570	23,792
Supplies	16,426	12,808
Postage	14,293	46,186
Motor Vehicle Insurance	7,741	8,103
Miscellaneous expense	<u>-</u>	<u>1,942</u>
	<u>284,988</u>	<u>267,378</u>
<b>Occupancy Costs</b>		
Utilities	103,520	108,394
Rental Expense	101,575	90,883
Security	80,031	66,286
Property Insurance	50,935	49,640
Telephone	42,610	43,269
Maintenance	35,527	31,822
Other Office Expenses	25,000	15,034
Land Tax	9,900	9,900
Television Charges	2,068	2,256
Other Property Expense	1,311	-
Miscellaneous	<u>50</u>	<u>290</u>
	<u>452,527</u>	<u>417,774</u>
<b>Membership Protection and Governance Expenses</b>		
MBP Premiums	158,028	158,377
League Dues	86,424	83,552
Convention	79,766	74,623
Reimbursable Expenses	60,850	40,000
Annual Meeting	32,660	49,466
Committee Meetings	27,375	26,059
Other Meetings	8,695	980
Special Meeting	<u>-</u>	<u>2,513</u>
	<u>453,798</u>	<u>435,570</u>

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 20. Financial Instruments

### Credit risk

#### Exposure to credit risk

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

	Carrying amount	
	2015	2014
	\$	\$
Investments	12,390,017	15,634,800
Loans and receivables	74,120,059	64,896,531
Cash and cash equivalents	4,160,106	3,209,436
Total	<u>90,670,182</u>	<u>83,740,767</u>

### Interest rate risk Profile

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

	Carrying amount	
	2015	2014
	\$	\$
<b>Fixed Rate Instruments</b>		
Fixed Financial Assets	37,360,916	40,069,771
Fixed Financial Liabilities	<u>(13,454,816)</u>	<u>(7,873,887)</u>
Net Fixed Rate Instruments	<u>23,906,100</u>	<u>32,195,884</u>
<b>Variable Rate Instruments</b>		
Financial Assets	55,782,545	49,690,722
Financial Liabilities	<u>(71,794,936)</u>	<u>(71,614,770)</u>
Net Variable Rate Instruments	<u>(16,012,391)</u>	<u>(21,924,048)</u>

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

## 21. Interest and Dividend Income

### Recognised in profit or loss

	<u>2015</u>	<u>2014</u>
	\$	\$
Interest on loans	4,104,213	3,970,260
Interest on mortgages	2,476,907	2,271,473
Interest income on held-to-maturity investments	487,239	537,800
Interest income on bank deposits	15,238	42,068
Dividend income held to maturity financial assets	<u>96,860</u>	<u>109,729</u>
<b>Interest and dividend income - gross</b>	<b>7,180,457</b>	<b>6,939,632</b>
Interest expense on financial liabilities measured at amortised cost	(1,994,174)	(1,943,614)
Gain realized on sale of investments	128,230	68,816
Loss on assets	<u>(150)</u>	<u>-</u>
Net interest, realised gain and dividend income recognised in profit or loss	<u><u>5,314,363</u></u>	<u><u>5,064,834</u></u>
<b>Recognised directly in equity</b>		
Net unrealized loss on investments for the year	<u><u>(12,102)</u></u>	<u><u>(52,416)</u></u>

## 22. Related Parties

### (a) Identity of related parties

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

### (b) Related party balances

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

	<u>Loans Balance</u>	<u>Deposits</u>	<u>Qualifying Shares</u>
	\$	\$	\$
As at March 31, 2015	<u>1,335,409</u>	<u>1,125,796</u>	<u>1,500</u>
As at March 31, 2014	<u>1,277,725</u>	<u>867,611</u>	<u>1,500</u>

### (c) Key Management personnel compensation:

	<u>2015</u>	<u>2014</u>
	\$	\$
Wages and salaries	<u>619,620</u>	<u>486,702</u>
Reimbursable expenses for directors and Committee members	<u>60,850</u>	<u>40,000</u>

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

Notes to Financial Statements  
For The Year Ended March 31, 2015

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## 23. Commitments

### *Loan commitments*

Loan commitments in respect of undisbursed loans as at March 31, 2015 amounted to \$11,223,984 (2014 - \$7,096,416).

## 24. Operating Lease

### *Leases as Lessor*

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Less than one year	68,400	68,400
Between two and four years	57,000	125,400

During the year ended March 31, 2015, \$68,400 (2014 - \$68,400) was recognised as rental income in the statement of comprehensive income.

### *Leases as Lessee*

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

	<u>2015</u>	<u>2014</u>
	\$	\$
Less than one year	103,098	67,680
Between two and five years	415,933	270,720

During the year ended March 31, 2015, \$101,575 (2014 - \$90,883) was recognised as rental expense in the statement of comprehensive income.

## 25. Contingencies

The Credit Union is defending an action brought by prior members of staff who were dismissed on various grounds. If the defense against the Credit Union is unsuccessful the fines and legal fees could amount to \$297,036. Based on the legal advice given to the Board, the Credit Union expects a favourable outcome.