

Financial Statements of

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

March 31, 2013

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

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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, 2013, 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.

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

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

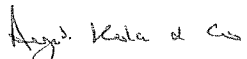
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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, 2013 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 14th, 2013

2ND FLOOR, TRIDENT HOUSE

BROAD STREET

BRIDGETOWN BB11129

BARBADOS

TEL: (246) 426-0421

FAX: (246) 429-3485

EMAIL: askus@askbarbados.com

WEBSITE: www.porterhetu.com

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

Statement of Financial Position
As at March 31, 2013
with comparative figures for 2012

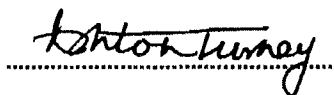
	Notes	2013 \$	Restated 2012 \$
Assets			
Cash resources	6	3,724,634	3,670,964
Interest receivable - net	7	257,684	344,283
Investments	8	13,586,992	12,499,380
Loans and mortgages to members	9	67,247,454	63,712,075
Less allowance for doubtful loans	9	<u>(5,365,400)</u>	<u>(4,589,658)</u>
		<u>79,451,364</u>	<u>75,637,044</u>
Other assets:			
Accounts receivable	10	250,807	261,469
Prepaid expenses		30,909	144,506
Deferred expense		30,625	-
Property and equipment	11	5,427,523	4,017,372
Building held for sale	12	-	<u>1,674,375</u>
Total other assets		<u>5,739,864</u>	<u>6,097,722</u>
Total Assets		<u>85,191,228</u>	<u>81,734,766</u>
Liabilities and Members' Equity			
Liability to non-members:			
Accounts payable and accrued expenses	13	<u>681,127</u>	<u>921,925</u>
Deposits of members	14	<u>73,838,929</u>	<u>71,476,438</u>
Members' equity:			
Qualifying Shares	15	1,559,039	1,500,226
Revaluation Reserve	11	3,066,629	1,719,399
Statutory reserve	16 (a)	5,041,107	5,041,107
Education fund	16 (b)	701	801
Common good fund	16 (c)	28,846	30,846
Unrealised gain on investments		505,585	520,107
Undivided earnings		<u>469,265</u>	<u>523,917</u>
Total members' equity		<u>10,671,172</u>	<u>9,336,403</u>
Total Liabilities and Members' Equity		<u>85,191,228</u>	<u>81,734,766</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, 2013
with comparative figures for 2012

	Notes	Qualifying Shares	Revaluation Reserve	Statutory Reserves	Education Fund	Common Good Fund	Unrealised Gain/(Loss) on Investment	Undivided Earnings	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at March 31, 2011		1,436,260	1,719,399	5,041,107	29,237	31,296	659,831	855,495	9,772,625
Net income for the year allocated		-	-	-	(28,436)	(450)	-	(200,467)	(229,353)
New members Qualifying Shares	15	63,966	-	-	-	-	-	-	63,966
Dividend paid		-	-	-	-	-	-	(19,554)	(19,554)
Patronage refund		-	-	-	-	-	-	(44,857)	(44,857)
Unrealised loss on investments for 2012	3 (f)	-	-	-	-	-	(139,724)	-	(139,724)
Balance at March 31, 2012 (as previously stated)		1,500,226	1,719,399	5,041,107	801	30,846	520,107	590,617	9,403,103
Prior period adjustment	25	-	-	-	-	-	-	(66,700)	(66,700)
Balance at March 31, 2012 (restated)		1,500,226	1,719,399	5,041,107	801	30,846	520,107	523,917	9,336,403
Net income for the year allocated		-	-	-	(100)	(2,000)	-	(54,652)	(56,752)
New members Qualifying Shares	15	58,813	-	-	-	-	-	-	58,813
Revaluation of building		-	1,347,230	-	-	-	-	-	1,347,230
Unrealised loss on investments for 2013	3 (f)	-	-	-	-	-	(14,522)	-	(14,522)
Balance at March 31, 2013		1,559,039	3,066,629	5,041,107	701	28,846	505,585	469,265	10,671,172

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, 2013
with comparative figures for 2012

	<u>Notes</u>	<u>2013</u>	<u>Restated 2012</u>
		\$	\$
Operating Income:			
Interest on loans		3,781,303	3,987,285
Interest on mortgages		<u>2,114,719</u>	<u>1,943,348</u>
Total loan interest income		5,896,022	5,930,633
Less Interest on Members' Deposits			
Interest expense		<u>1,888,323</u>	<u>1,858,472</u>
Net interest income		<u>4,007,699</u>	<u>4,072,161</u>
Investment Income			
Interest on savings account		42,068	37,098
Dividend income		76,778	86,029
Interest on investments		<u>444,019</u>	<u>488,578</u>
Total investment income		562,865	611,705
Less investment fees and charges		<u>54,916</u>	<u>79,802</u>
Net investment income		<u>507,949</u>	<u>531,903</u>
Other Income			
Other operating income		159,128	144,441
Rental income		<u>69,600</u>	<u>61,200</u>
Total other income		<u>228,728</u>	<u>205,641</u>
Total Operating Income		4,744,376	4,809,705
Operating Expenses:			
Payroll Costs		1,976,470	1,962,923
Membership Protection and Governance	18	447,450	412,245
Occupancy Costs	18	525,712	538,317
General and Administrative Expenses	18	291,536	268,145
Allowance for Bad and Doubtful Debts		775,742	644,193
Write-down of Investments		-	42,999
Bad Debt Expense		-	70,350
Marketing Costs		219,516	181,514
Depreciation		255,331	235,234
Information Systems Expense		138,354	46,686
Penalty and Interest/Overages		<u>534</u>	<u>2,483</u>
Total operating expenses		<u>4,630,645</u>	<u>4,405,089</u>
Other Expenses:			
Common Good Fund	16 (c)	2,000	450
Education Fund	16 (b)	100	28,436
Loss on sale of building	12	<u>168,383</u>	<u>671,783</u>
Total other expenses		<u>170,483</u>	<u>700,669</u>
Total Expenses		4,801,128	5,105,758
Net Loss for the year		(56,752)	(296,053)
Revaluation Reserve Owner Occupied Property		1,347,230	-
Unrealised Loss on Investments for the year		<u>(14,522)</u>	<u>(139,724)</u>
Total Comprehensive Income/(Loss)		<u>1,275,956</u>	<u>(435,777)</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, 2013
with comparative figures for 2012

	<u>2013</u> \$	Restated <u>2012</u> \$
Operating Activities		
Net Loss for the year	(56,752)	(296,053)
Adjustments for:		
Depreciation	255,331	235,234
Allowance for doubtful loans	775,742	644,193
Impairment of Building Held for Sale	-	671,783
Dividend Income	(76,778)	(86,029)
Impairment of investments	-	42,999
Interest income	(6,382,109)	(6,456,309)
Loss on sale of Assets	168,383	(19,844)
Interest received	5,982,621	5,960,240
Interest expense	1,888,323	1,858,472
Interest paid	<u>(2,392,982)</u>	<u>(1,977,373)</u>
Changes in operating assets & liabilities	161,779	577,313
Increase in accounts payable	263,861	14,820
Decrease/(Increase) in prepaid expenses	113,597	(121,937)
Increase in deferred expense	(30,625)	-
Decrease in accounts receivable	9,164	7,131
Increase in loans to members	<u>(3,535,379)</u>	<u>(2,724,640)</u>
Net cash used in operating activities	<u>(3,017,603)</u>	<u>(2,247,313)</u>
Cash flows from investing activities		
Additions to property and equipment	(319,853)	(767,236)
Net Proceeds from sale of building	1,505,993	-
Net Proceeds from sale of assets	1,600	57,500
Interest received on investments	487,585	532,168
Dividends received	76,778	86,029
Increase in investments - net	<u>(1,102,134)</u>	<u>1,805,940</u>
Net cash from investing activities	<u>649,969</u>	<u>1,714,401</u>
Cash flows from financing activities		
Patronage Rebate	-	(19,554)
Dividend Paid	-	(44,857)
Increase in equity	58,813	63,966
Increase in members' deposits	<u>2,362,491</u>	<u>449,036</u>
Net cash from financing activities	<u>2,421,304</u>	<u>448,591</u>
(Decrease)/Increase in cash resources during year	53,670	(84,321)
Cash resources, beginning of year	<u>3,670,964</u>	<u>3,755,285</u>
Cash resources, end of year	<u><u>3,724,634</u></u>	<u><u>3,670,964</u></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, 2013

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 14th, 2013.

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, 2013

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, 2013

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, 2013

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, 2013

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*

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

(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, 2013

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, 2013

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 2012-13 comprises net unrealized losses on available-for-sale investments and revaluation reserve on owner occupied property.

(p) *New and amended standards and interpretations which are not yet effective*

A number of new and amended standards and interpretations are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these financial statements. The ones considered most relevant to the Credit Union's operations are as follows:

IFRS 9 – Financial Instruments – effective January 1, 2015 – 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 Credit Union is yet to assess IFRS 9 full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

IAS 32 – "Offsetting Financial Assets and Financial Liabilities" – Amendments to IAS 32 (effective January 1, 2014). This requires that "a financial asset and a financial liability shall be offset when, and only when, an entity currently has a legally enforceable right to set off the recognized amounts". The amendment clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy of insolvency of all the counterparts to the contract, including the reporting entity itself.

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.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements
For The Year Ended March 31, 2013

4. Financial Risk Management, continued

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 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 the collateral has been realized and the Credit Union estimates that the outstanding balances may be irrecoverable.

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>2013</u>	<u>2012</u>
Delinquent Loans	\$	\$
90 days and over	3,722,232	3,444,749
Classified Loans fully provided	<u>3,182,185</u>	<u>3,219,275</u>
Carrying amount	6,904,417	6,664,024
Less: Allowance for doubtful loans	<u>(4,761,970)</u>	<u>(4,019,175)</u>
Carrying amount less allowance loans > 90 days	<u>2,142,447</u>	<u>2,644,849</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements
For The Year Ended March 31, 2013

4. Financial Risk Management, continued

(a) Credit risk – cont'd

Loans in Good Standing

Not yet due	57,432,783	50,821,975
1-29 days	861,021	3,063,096
30-59 days	1,135,007	2,342,235
60-89 days	<u>914,226</u>	<u>820,745</u>
Carrying amount	60,343,037	57,048,051
Less: Allowance for doubtful loans	<u>(603,430)</u>	<u>(570,483)</u>
Carrying amount less allowance for loans in good standing	<u>59,739,607</u>	<u>56,477,568</u>
Total carrying amount	<u>61,882,054</u>	<u>59,122,417</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 \$1.8 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, 2013

4. Financial Risk Management, continued

(b) Liquidity risks (continued)

Deposits from Members

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

2013 Deposits by Type	Interest Rate	Total	Less than 3 months	More than 3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years
Term Deposits	3%-5%	4,565,985	847,590	2,902,561	815,834	-	-
Other Savings	3%	3,278,406	519,881	1,224,736	1,533,789	-	-
Special Savings	2.75%	4,904,480	4,904,480	-	-	-	-
Junior Savings	3.25%	2,146,977	2,146,977	-	-	-	-
Membership Prime Deposit	2.50%	52,918,721	41,303,245	643,269	5,365,710	1,994,027	3,612,470
Smart Builder	3.50%	6,024,360	6,024,360	-	-	-	-
Total		73,838,929	55,746,533	4,770,566	7,715,333	1,994,027	3,612,470
Loan by Type							
Personal Loans	12%	19,582,042	259,507	681,445	9,305,945	6,320,740	3,014,405
Business Loans	12%	1,192,184	3,306	5,261	248,857	174,465	760,295
Other Loans	9%	1,039,180	42,872	51,328	554,641	267,940	122,399
Real Estate Loans	6.5%-9%	24,958,563	48,085	-	693,216	2,789,207	21,428,055
Revolving Loans	17%	8,212,935	100,557	18,472	2,510,969	-	5,582,937
Back to School	17%	207,294	165,503	41,791	-	-	-
Christmas Loans	17%	596,870	460,402	136,468	-	-	-
Bridging Loans	6.5%-12%	6,092,986	-	-	63,203	154,667	5,875,116
Total		61,882,054	1,080,232	934,765	13,376,831	9,707,019	36,783,207
Liquidity Gap		11,956,875	54,666,301	3,835,801	(5,661,498)	(7,712,992)	(33,170,737)
2012							
Deposits by Type	Interest Rate	Total	Less than 3 months	More than 3 months to 1 year	1 year to 5 years	5 years to 10 years	Over 10 years
Term Deposits	3%-5%	4,645,852	1,498,196	2,197,054	950,602	-	-
Other Savings	3%	3,261,023	324,084	-	2,936,939	-	-
Special Savings	2.75%	4,419,578	4,419,578	-	-	-	-
Junior Savings	3.25%	1,896,021	1,896,021	-	-	-	-
Membership Prime Deposit	2.50%	52,449,776	39,083,766	651,978	6,781,819	2,660,182	3,272,031
Smart Builder	3.50%	4,804,188	4,804,188	-	-	-	-
Total		71,476,438	52,025,833	2,849,032	10,669,360	2,660,182	3,272,031
Loan by Type							
Personal Loans	12%	19,879,671	332,000	651,663	10,668,346	6,043,426	2,184,236
Business Loans	12%	791,561	5,809	4,795	179,250	48,555	553,152
Other Loans	9%	2,536,344	111,323	101,279	1,766,945	418,977	137,820
Real Estate Loans	6.5%-9%	24,566,731	10,164	4,270	669,894	4,191,749	19,690,654
Revolving Loans	17%	7,568,684	14,511	5,202	1,488,237	-	6,060,734
Back to School	17%	378,011	51,957	326,054	-	-	-
Christmas Loans	17%	892,965	368,094	523,773	1,098	-	-
Bridging Loans	6.5%-12%	2,508,450	-	-	19,257	167,519	2,321,674
Total		59,122,417	893,858	1,617,036	14,793,027	10,870,226	30,948,270
Liquidity Gap		12,354,021	51,131,975	1,231,996	(4,123,667)	(8,210,044)	(27,676,239)

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, 2013

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 addressed in detail every functional area of the Credit Union and provided for some of the more critical function; 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 12.5% (2012 – 11.4%).

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 16(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 values 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, 2013

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 and deposits 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:

	2013		Restated 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Cash resources	3,724,634	3,724,634	3,670,964	3,670,964
Accounts receivable	250,807	250,807	261,469	261,469
Interest receivable	257,684	257,684	344,283	344,283
Investments	13,586,992	N/A (see note 8)	12,499,380	N/A (see note 8)
Deposits of members	73,838,929	73,838,929	71,476,438	71,476,438
Accounts payable	681,127	681,127	921,925	921,925
Loans and mortgages (net)	61,882,054	N/A	59,122,417	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, 2013 the Credit Union held 4.9% (2012 – 5.5%) 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, 2013

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>2013</u>	<u>2012</u>
	\$	\$
Cash on hand	441,261	350,503
Cash at bank	<u>3,283,373</u>	<u>3,320,461</u>
	<u>3,724,634</u>	<u>3,670,964</u>

7. Interest Receivable

	<u>2013</u>	Restated <u>2012</u>
	\$	\$
Loan interest receivable	<u>257,684</u>	<u>344,283</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, 2013

8. Investments

(a) <i>Investments comprise:</i>	<u>Note</u>	<u>2013</u>	<u>2012</u>
<i>Equity securities and mutual funds, at fair value:</i>		\$	\$
Shares in Banks Holdings Ltd.		84,680	95,776
Shares in Insurance Corporation of Barbados		490,365	517,287
Royal Fidelity Mutual fund		597,427	554,156
Barclays "Blue Eagle" portfolio fixed income		2,950,691	2,959,937
Barclays "Blue Eagle" portfolio mutual funds/ equities		<u>514,810</u>	<u>526,048</u>
		<u>4,637,973</u>	<u>4,653,204</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.		3,882	3,882
Shares in Co-operators General Insurance Co. Ltd.		<u>979,650</u>	<u>942,900</u>
		<u>1,004,552</u>	<u>967,802</u>
<i>Other investments, held to maturity:</i>			
Barbados Co-operative Credit Union League Ltd.		5,209	5,209
Barclays "Blue Eagle" portfolio		26,227	898,373
First Citizens Investment Services Ltd.		3,342,253	3,279,551
Barbados Agriculture Management Company - Commercial Paper		-	256,263
CAPITA Financial Services Inc		1,645,513	1,080,319
Barbados Co-operative Credit Union League Ltd - Central Fund			
Facility Trust		306,845	293,120
Barbados Tourism Investment		1,509,396	-
Barbados Public Workers Co-operative Credit Union Ltd.		<u>1,109,024</u>	<u>1,065,539</u>
		<u>7,944,467</u>	<u>6,878,374</u>
Total Investments		<u><u>13,586,992</u></u>	<u><u>12,499,380</u></u>

The Credit Union outsources the management of its investment portfolio referred to as the "Blue Eagle" to CIBC First Caribbean International Bank's 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 \$3,491,728 (2012 - \$4,384,358). 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, 2013 the credit union is 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, 2013

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	<u>2013</u>	<u>2012</u>
	\$	\$
Loans	36,087,954	36,636,894
Mortgages	<u>31,159,500</u>	<u>27,075,181</u>
	67,247,454	63,712,075
Less Allowance for doubtful loans	<u>(5,365,400)</u>	<u>(4,589,658)</u>
	<u>61,882,054</u>	<u>59,122,417</u>

Loans are classified as personal, business, line of credit and other loans. Personal and business loans bear interest at a rate of 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 thirty years.

Mortgages usually bear a floating interest rate of 6.5% per annum on the reducing balance. As of March 2013 mortgages are being offered at a variable rate of 6.5 to 8% (2012 – 6.5 to 8%) 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>2013</u>	Restated <u>2012</u>
	\$	\$
Opening balance	(4,589,658)	(3,945,465)
Charge for the year	<u>(775,742)</u>	<u>(644,193)</u>
Ending balance	<u>(5,365,400)</u>	<u>(4,589,658)</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>2013</u>	<u>2012</u>
	\$	\$
Accounts receivable	210,002	219,166
Interest receivable - Investments	<u>40,805</u>	<u>42,303</u>
	<u>250,807</u>	<u>261,469</u>

Accounts receivable mainly represents amounts receivable from the Government of Barbados for taxes withheld on the Blue Eagle Portfolio. The Bank's representatives have applied for the refund since Credit Unions are exempt from taxation.

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, 2013

11. Property and Equipment

2013	Equipment & Computer Software	Motor Vehicles	Land & Buildings @ Valuation	Leasehold Improve- ments	Total
Cost/Valuation	\$	\$	\$	\$	\$
At beginning of year	2,161,752	199,377	3,000,000	589,132	5,950,261
Revaluation	-	-	1,200,000	-	1,200,000
Additions	298,648	-	-	21,205	319,853
Disposals	-	-	-	(1600)	(1,600)
At end of year	2,460,400	199,377	4,200,000	608,737	7,468,514
Accumulated Depreciation					
At beginning of year	1,388,444	16,614	147,229	380,602	1,932,889
Charge for year	155,686	39,875	-	59,770	255,331
Disposals	-	-	(147,229)	-	(147,229)
At end of year	1,544,130	56,489	-	440,372	2,040,991
Net Book Value	916,270	142,888	4,200,000	168,365	5,427,523
2012					
Cost/Valuation	\$	\$	\$	\$	\$
At beginning of year	1,593,893	141,344	3,000,000	589,132	5,324,369
Additions	567,859	199,377	-	-	767,236
Disposals	-	(141,344)	-	-	(141,344)
At end of year	2,161,752	199,377	3,000,000	589,132	5,950,261
Accumulated Depreciation					
At beginning of year	1,281,032	97,894	100,729	321,688	1,801,343
Charge for year	107,412	22,408	46,500	58,914	235,234
Disposals	-	(103,688)	-	-	(103,688)
At end of year	1,388,444	16,614	147,229	380,602	1,932,889
Net Book Value	773,308	182,763	2,852,771	208,530	4,017,372

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 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, 2013

12. Building held for Sale

In 2011 the Board of Directors authorized the sale of property located at Pinfold Street instead of refurbishing it for their new headquarters. This decision was taken in light of the economic conditions being experienced at the time. The impairment loss at the time of initial classification was appropriately recognised in other expense in 2012. The Property was sold in the current financial year with the loss on sale reported in the statement of comprehensive income.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	<u>2013</u>	<u>2012</u>
	\$	\$
Interest payable on deposits	114,855	619,514
Non Member Deposits	143,616	147,466
Professional fees	88,953	65,918
Other payables	<u>333,703</u>	<u>89,027</u>
	<u>681,127</u>	<u>921,925</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.

14. Deposits of Members

Members' deposits comprise the following:

	<u>2013</u>	<u>2012</u>
	\$	\$
Term deposits	4,565,984	4,645,852
Other deposits	16,354,023	14,380,810
Prime deposits	<u>52,918,922</u>	<u>52,449,776</u>
	<u>73,838,929</u>	<u>71,476,438</u>

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 3.25% to 5% (2012 – 3.25% to 5%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 2.75% - 3.25% (2012 – 3.00%).

Prime Deposits, previously known as Members' Shares, is an interest bearing deposit account which has attracted an average rate of 2.5% (2012 – 2.5%) during the financial year.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements
For The Year Ended March 31, 2013

15. Qualifying Shares

Qualifying Shares 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.

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

16. 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 31st, 2013 capital ratio was 12.5% (2012 revised - \$11.4%).

(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.

(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.

17. 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, 2013

18. Major Operating Expenses

These comprise:

	2013	2012
	\$	\$
General and Administrative Expenses		
Motor Vehicle Expense	18,251	16,797
Motor Vehicle Insurance	9,523	1,868
Equipment Maintenance	21,184	24,196
Stationery Office supplies	78,119	61,780
Supplies	15,217	17,252
Postage	24,774	40,833
Professional Fees	29,848	11,491
Audit Fees	91,820	93,928
Miscellaneous expense	2,800	-
	<u>291,536</u>	<u>268,145</u>
Occupancy Costs		
Maintenance	58,672	60,069
Other Property Expenses	-	2,274
Land Tax	18,150	19,800
Property Insurance	56,430	59,713
Telephone	79,621	93,826
Utilities	127,829	135,037
Other Office Expenses	18,889	22,719
Miscellaneous	57	-
Television Charges	1,166	3,008
Security	71,802	74,908
Rental Expense	93,096	66,963
	<u>525,712</u>	<u>538,317</u>
Membership Protection and Governance Expenses		
Convention	87,673	56,330
League Dues	79,898	75,000
Annual Meeting	34,978	48,661
Committee Meetings	23,605	21,670
Other Meetings	1,465	3,748
Special Meeting	1,108	-
Reimbursable Expenses	40,200	40,200
Group Health – Members	868	977
MBP Premiums	177,655	165,659
	<u>447,450</u>	<u>412,245</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements
For The Year Ended March 31, 2013

19. 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	
	2013	2012
	\$	\$
Investments	13,586,992	12,499,380
Loans and receivables	62,390,545	59,728,169
Cash and cash equivalents	3,724,634	3,670,964
Total	<u>79,702,171</u>	<u>75,898,513</u>

Interest rate risk Profile

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

	Carrying amount	
	2013	2012
	\$	\$
Fixed Rate Instruments		
Fixed Financial Assets	50,284,148	38,147,260
Fixed Financial Liabilities	<u>(4,565,984)</u>	<u>(4,645,852)</u>
Net Fixed Rate Instruments	<u>45,718,164</u>	<u>33,501,408</u>
Variable Rate Instruments		
Financial Assets	34,275,273	37,145,501
Financial Liabilities	<u>(69,272,945)</u>	<u>(66,830,586)</u>
Net Variable Rate Instruments	<u>(34,997,672)</u>	<u>(29,685,085)</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to Financial Statements
For The Year Ended March 31, 2013

20. Interest and Dividend Income

Recognised in profit or loss	<u>2013</u>	Restated <u>2012</u>
	\$	\$
Interest on loans	3,781,303	3,987,285
Interest on mortgages	2,114,719	1,943,348
Interest income on held-to-maturity investments	444,019	488,578
Interest income on bank deposits	42,068	37,098
Dividend income held to maturity financial assets	<u>76,778</u>	<u>86,029</u>
Interest and dividend income – gross	6,458,887	6,542,338
Interest expense on financial liabilities measured at amortised cost	(1,888,323)	(1,858,472)
Loss on asset held for sale	(168,383)	-
Asset held for sale – Fair Value adjustment	<u>-</u>	<u>(671,783)</u>
Net interest, realised gain and dividend income recognised in profit or loss	<u>4,402,181</u>	<u>4,012,083</u>
Recognised directly in equity		
Net unrealized loss on investments for the year	<u>(14,522)</u>	<u>(139,724)</u>

21. 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>
	\$	\$	
Related party balances	<u>1,030,847</u>	<u>650,342</u>	<u>1,500</u>

(c) *Key Management personnel compensation:*

	<u>2013</u>	<u>2012</u>
	\$	\$
Wages and salaries	<u>458,630</u>	<u>523,292</u>
Reimbursable expenses for directors and committee members	<u>40,200</u>	<u>40,200</u>

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Notes to Financial Statements
For The Year Ended March 31, 2013

22. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31, 2013 amounted to \$5,172,447 (2012 - \$5,974,073).

23. 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>2013</u>	<u>2012</u>
	\$	\$
Less than one year	68,400	63,000
Between two and five years	193,800	262,200

During the year ended March 31, 2013, \$69,600 (2012 - \$61,200) 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. The future minimum lease payments under terms of the leases as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Less than one year	65,332	60,985
Between two and five years	336,052	268,372

During the year ended March 31, 2013, \$93,096 (2012 - \$66,963) was recognised as rental expense in the statement of comprehensive income.

24. 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.

25. Prior Period Adjustment

Since the implementation of the new core processor, the Credit Union is now able to more accurately accrue interest on the collective loan balance at each reporting period. As a result the cumulative effect of the over accrual of interest in the amount of \$66,700 has been adjusted in the prior year ended March 31st, 2012.