

ST. JOHN'S CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31ST MARCH 2017

ST. JOHN'S CREDIT UNION LIMITED

FINANCIAL STATEMENTS
31ST MARCH 2017

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REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD OF DIRECTORS AND MEMBERS OF ST. JOHN'S CREDIT UNION LIMITED

We have audited the accompanying financial statements of St. John's Credit Union Limited which comprise the statement of financial position as at 31st March 2017 and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 auditor considers 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

REPORT OF THE INDEPENDENT AUDITOR (continued)

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

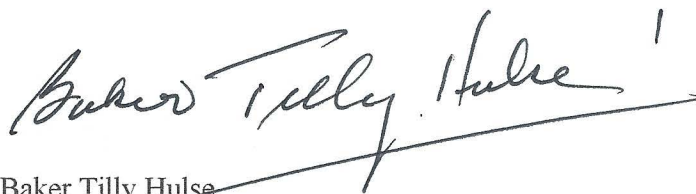
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. John's Credit Union Limited as at 31st March 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. John's Credit Union Limited as at 31st March 2017 and of its financial performance and cash flows for the year then ended in compliance with the Credit Union Act Chapter 34 of the Laws of Belize (revised 2003), modified by Act No. 34 of 2005 and Act No. 18 of 2007 as specified in note 2 of these financial statements.



Baker Tilly Hulse
Chartered Accountant
11th May 2017

Belize City,
Belize, C.A.

STATEMENT OF FINANCIAL POSITION
31ST MARCH 2017All amounts expressed in Belize dollars

	Notes	2017	2016
Assets:			
Cash and cash equivalents	2, 3	8,797,748	11,964,266
Investments	2, 3, 4	8,744,014	8,241,782
Loans receivable	2, 3, 5	61,480,316	53,546,750
Less: loan loss reserve	2, 3, 5	(2,415,787)	(1,919,691)
Other receivables and prepayments	2, 3, 6	355,443	134,091
Property and equipment	2, 7	2,983,324	2,758,122
Investment property	2, 8	302,217	307,814
Total assets		<u>80,247,275</u>	<u>75,033,134</u>
Liabilities:			
Members' deposits	2, 3, 9	19,305,685	21,608,996
Shares - non-mandatory	2, 3, 10	50,432,670	44,432,637
Accounts payable and accruals	2, 3, 11	65,075	70,198
Pension fund liability	2, 3, 12	463,443	414,781
Other liabilities	2, 3, 13	264,289	254,980
Burial scheme payable	2, 3, 14	531,756	416,358
Borrowings	2, 3, 15	111,212	111,212
Total liabilities		<u>71,174,130</u>	<u>67,309,162</u>
NET ASSETS		<u>9,073,145</u>	<u>7,723,972</u>
Members' equity (page 5):			
Shares - mandatory	2	2,798,778	2,405,652
Undivided earnings		1,166,575	1,410,528
Guarantee funds	2	4,697,670	2,972,892
Revaluation reserves	2	354,953	354,953
Other reserves	2	55,169	579,947
MEMBERS' EQUITY		<u>9,073,145</u>	<u>7,723,972</u>

Approved on behalf of the Board

_____ Director _____ Director

Dated:

Auditor's report pages 1 - 2.

The notes on pages 7 - 24 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST MARCH 2017All amounts expressed in Belize dollars

	Notes	2017	2016
INCOME:			
Interest income:			
Interest income	2, 16	6,115,505	5,364,654
Less: Interest expense	2, 16	<u>(430,833)</u>	<u>(595,324)</u>
Net interest income		5,684,672	4,769,330
Fee and commission income	2, 17	291,337	304,294
Other operating income	2, 18	<u>698,836</u>	<u>863,078</u>
OPERATING INCOME		6,674,845	5,936,702
Provision for losses	2, 19	(1,099,004)	(417,118)
Other operating expenses	2, 20	<u>(3,239,484)</u>	<u>(3,011,126)</u>
Operating income before taxes		2,336,357	2,508,458
Less: taxes	2, 21	<u>-</u>	<u>-</u>
Net income for the year		<u><u>2,336,357</u></u>	<u><u>2,508,458</u></u>

The notes on pages 7 - 24 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST MARCH 2017

	Notes	2017	2016
<u>All amounts expressed in Belize dollars</u>			
SHARES - MANDATORY	2.2		
Balance at the beginning of the year		2,405,652	1,384,370
Net increase in shares		393,126	1,021,282
		<u>2,798,778</u>	<u>2,405,652</u>
In January 2016, the Credit Union increased required mandatory shares from 2 shares at \$5 per share to 30 shares at \$5 per share. Mandatory shares was 559,755 shares at 31st March 2017 (2016 - 481,130 shares).			
UNDIVIDED EARNINGS			
Balance at the beginning of the year		1,410,528	1,224,053
Net income for the year (page 4)		2,336,357	2,508,458
Less: Transfers to guarantee fund reserve		(1,200,000)	(627,115)
Less: Transfers to education fund reserve		-	(50,169)
Less: Transfers to contingency and special reserve		-	(524,778)
Less: dividend paid		(1,380,310)	(1,119,921)
Balance at the end of the year		<u>1,166,575</u>	<u>1,410,528</u>
GUARANTEE FUND	2.8		
Balance at the beginning of the year		2,972,892	2,345,777
Transfers from the contingency and special reserves		524,778	-
Transfers from undivided earnings		1,200,000	627,115
Balance at the end of the year		<u>4,697,670</u>	<u>2,972,892</u>
REVALUATION RESERVE			
The revaluation reserve constitutes surplus arising from the revaluation of fixed assets (land) in 2004.			
Balance at the beginning and end of the year		<u>354,953</u>	<u>354,953</u>
OTHER RESERVES	2.9		
<u>Staff fund</u>			
Balance at the beginning and end of the year		<u>5,000</u>	<u>5,000</u>
Fund held for staff activities to be determined by the Board of Directors.			
<u>Education fund</u>			
Balance at the beginning of the year		50,169	-
Transfers from undivided earnings		-	50,169
Balance at the end of the year		<u>50,169</u>	<u>50,169</u>
Fund held for educational activities to be determined by the Board of Directors.			
<u>Contingency and special reserve</u>			
Balance at the beginning of the year		524,778	-
Transfer (to guarantee fund)/from undivided earnings		(524,778)	524,778
Balance at the end of the year		<u>-</u>	<u>524,778</u>
Fund held for contingencies to be determined by the Board of Directors.			
Total Other Reserves		<u>55,169</u>	<u>579,947</u>
TOTAL MEMBERS' EQUITY		<u>9,073,145</u>	<u>7,723,972</u>

The notes on pages 7 to 24 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
YEAR ENDED 31ST MARCH 2017

All amounts expressed in Belize dollars

	2017	2016
Cash flow from operating activities:		
Net income for the year	<u>2,336,357</u>	<u>2,508,458</u>
Adjustments for items not affecting operating cash:		
Depreciation expense	241,603	199,757
Disposal of fixed assets	88,655	-
Provision for loan losses	1,099,004	417,118
Write off of loans receivable (net)	<u>(602,908)</u>	<u>(90,066)</u>
Operating profit before working capital changes	3,162,712	3,035,267
Changes in working capital - add / (deduct)		
(Increase) in loans receivable	(7,933,566)	(3,073,458)
(Increase) in other receivables and prepayments	(221,352)	(2,752)
(Decrease) in members' deposits	(2,303,311)	(678,709)
Increase in non-mandatory shares	6,000,033	7,453,538
(Decrease) / increase in accounts payable and accruals	(5,123)	11,738
Increase in pension fund liability	48,661	74,387
Increase / (decrease) in other liabilities	9,309	(13,833)
Increase in burial scheme payable	<u>115,398</u>	<u>51,758</u>
Net cash (used by) provided by operating activities	<u>(1,127,240)</u>	<u>6,857,936</u>
Cash flow from investing activities:		
(Increase) / decrease in investments	(502,232)	5,474
Purchase of property, furniture and equipment	<u>(549,862)</u>	<u>(342,106)</u>
Net cash (used in) investing activities	<u>(1,052,094)</u>	<u>(336,632)</u>
Cash flow from financing activities:		
Net increase in shares - members (mandatory)	393,126	1,021,282
Dividends paid	<u>(1,380,310)</u>	<u>(1,119,921)</u>
Net cash flow (used by) financing activities	<u>(987,184)</u>	<u>(98,639)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(3,166,518)	6,422,665
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>11,964,266</u>	<u>5,541,601</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>8,797,748</u></u>	<u><u>11,964,266</u></u>

The notes on pages 7 to 24 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

1. GENERAL INFORMATION

St. John's Credit Union Limited (the "Credit Union") was incorporated under and by virtue of the Credit Union Act Chapter 34 of the Laws of Belize (Revised 2003), modified by Act No. 34 of 2005 and Act No. 18 of 2007.

The Credit Union operates from its principal office situated at No. 4 Basra Street, Belize City, Belize. Branch offices are located in Belmopan City and Dangriga Town, Stann Creek District, Belize. As At 31st March 2017, the Credit Union employed 34 employees.

The Credit Union promotes savings, enterprise and the cooperative principle among its members to pool members' financial resources and to provide personal and corporate banking, loans, and investments.

These financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Unless otherwise stated, monetary amounts are stated in Belize dollars. The accounting policies outlined in Note 2 have been consistently applied to all periods presented.

The Credit Union also complies with the Credit Union Act Chapter 34 of the Laws of Belize (Revised 2003), modified by Act No. 34 of 2005 and Act No 18 of 2007 as reflected in its policies in Note 2.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS

The significant accounting policies used in the preparation of these financial statements, including the accounting requirements prescribed by the Central Bank of Belize (CBB), are summarized below. These accounting policies conform to IFRS with the exception of:

(1) Interest income on loans receivable is recognized when collected instead of using the effective interest rate method in accordance with IFRS. Applying the effective interest rate method for interest income on loans receivable per IFRS would not result in material misstatement of the financial statements since management considers overdue interest income on loans as impaired.

(2) Provisioning for loan losses is guided by local regulations instead of based on management's computation of expected loan losses using a risk model in accordance with IFRS. Applying a risk based model in accordance with IFRS would not result in material misstatement of the financial statements.

2.1 General

Use of estimates and assumptions:

In preparing the financial statements, management is required to make subjective estimates and assumptions that affect the reported amount of assets, liabilities, net income, and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable.

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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.1 General (continued)

Use of estimates and assumptions (continued):

Key sources of estimation uncertainty include: assessments of impairment to investments, determination of fair value of financial instruments, the allowance for credit losses, post employment benefits, and accrued liabilities. Accordingly, actual results may differ from these and other estimates thereby impacting future financial statements. Refer to the relevant accounting policies in this note 2 for details on our use of estimates and assumptions.

Significant judgements:

In preparation of these financial statements, management is required to make significant judgements that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant judgements have been made in the following areas and discussed as noted in the financial statements:

Impairment of investments	Note 2.2 Note 3
Fair value of financial instrument	Note 2.2 Note 3
Provision for credit losses	Note 2.2 Note 5
Other provisions	Note 2.8

2.2 Financial instruments - recognition and measurement

Cash and cash equivalents:

Cash and cash equivalents comprises of cash balances and call deposits held with various financial institutions. All cash and cash equivalents have a term of less than 90 days in compliance with IFRS.

Investments:

Investments in debt instruments are measured at amortised cost if the debt instrument has a contractual term to issue regular cash flows of principal and interest and if the Credit Union intends to hold the investment to its contractual maturity. All other investments are initially measured at inception at fair value plus transaction costs and are subsequently measured at fair value with changes recorded through net profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.2 Financial instruments - recognition and measurement (continued)

Investments (continued):

At each reporting date, management evaluates investments to determine if there is objective evidence of impairment. Such evidence includes: when an adverse effect on future cash flows from the asset or group of assets can be reliably estimated and when there is a significant or prolonged decline in the fair value of the investment below its cost. The actual amount of future cash flows and their timing may differ from the estimates used by management and consequently may cause a different conclusion as to the recognition of impairment or measurement of impairment loss.

When assessing impairment on debt instruments, such as government treasury notes, management primarily considers third party information such as external ratings and comparable sales. Significant judgement is required in assessing impairment as management is required to consider all available evidence in determining where objective evidence of impairment exists and whether the principal and interest can be fully recovered.

When the investments are disposed of or impaired, the related gains and losses are included in the statement of comprehensive income as gains and losses from investment securities. Dividends received on investments are reported as dividend income. All purchases and sales of trading and investment securities are recognized at settlement date, which is the date the Credit Union completes the transaction.

Loans receivable:

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are initially recognized at fair value which is represented by the cash advanced to members. Loans are subsequently measured at principal outstanding, net of unearned interest, less provision made for impairment. Provisions for impairment (loan loss reserve) is built based on the Credit Unions Act (CUA) Requirement No. 2 / 2013. All loans are recognized when cash is advanced to borrowers.

Loans are assessed at year end for objective evidence that the loans are impaired. Evidence for impairment include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy, and adverse changes in the payment status of the borrower.

Loans are assessed at year end for objective evidence that the loans are impaired. Evidence for impairment include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy, and adverse changes in the payment status of the borrower.

Provision for loan losses:

As required by the Credit Unions Act (CUA) Requirement No. 2 /2013 loans are individually assessed for losses. Provisions for impairment (loan loss reserve) is built based on the Credit Unions Act (CUA) Requirement No. 2/2013. The loan loss reserve is increased by the impairment losses recognized and decreased by the amount of write-offs, net of recoveries. All loans are recognized when cash is advanced to borrowers.

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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.2 Financial instruments - recognition and measurement (continued)

Provision for loan losses (continued):

Loans and the related loan loss reserve are written off, either partially or in full, when there is no realistic prospect of recovery. Write-offs are reduced by recoveries on property secured on the loan.

The loan loss reserve is management's best estimates, as guided by the Credit Unions Act (CUA) Requirement No. 2 /2013, of losses incurred on the loan portfolio at the statement of financial position date. Management's judgement is required in making assumptions and estimates when calculating allowances on each loan. The underlying assumptions and estimates in management's assessment can change from period to period and may significantly affect the results of the Credit Union's operations.

Prepayments and deposits:

Prepayments and deposits are initially recognized at fair value which is represented by the original payments advanced or assets exchanged. Subsequently, prepayments and deposits are measured at the statement date using the effective interest rate method.

Members' deposits:

Members' deposits are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Shares:

Mandatory shares are the minimum number of shares a person must have in order to be considered a member of the Credit Union. These are reflected in equity on the statement of financial position. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Non-mandatory shares are additional shares held by members of the credit union. These can be withdrawn at any time and may be used as collateral for loans by members. These are reflected as current liabilities on the statement of financial position.

Accounts payable:

Accounts payable is recognized on the accrual basis, when goods have been received or services have been rendered.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.2 Financial instruments - recognition and measurement (continued)

Determination of fair value:

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We determine fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches. Where an investment does not have an active market and observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data and information from similar transactions.

Borrowings:

All borrowings, including current and non-current debt, are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently remeasured using the effective interest rate method. Borrowings are classified as current liabilities unless the Credit Union has the right to defer payment for more than 12 months after the statement of financial position date.

Determination of fair value:

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We determine fair value by incorporating all factors that market participants would consider in setting a price, including commonly accepted valuation approaches. Where an investment does not have an active market and observable prices or inputs are not available, management judgement is required to determine fair values by assessing other relevant sources of information such as historical data and information from similar transactions.

Interest:

Interest income on loans receivable is recognized in the statement of comprehensive income at the time of collection. Interest income on term deposit investments is recorded using the effective interest rate method.

Loan application/processing/review fee revenue:

Loan application/processing and review fees on loans have been recognized as income when received. These fees are non-refundable. They are fully earned by the Credit Union at the outset on the loan application and at the time of review.

Offsetting financial assets and financial liabilities:

Financial assets and financial liabilities are offset on the statement of financial position when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the assets and settle the liability simultaneously.

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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.2 Financial instruments - recognition and measurement (continued)

Derecognition of financial assets & liabilities:

Financial assets are derecognized on the statement of financial position when the Credit Union's contractual rights to the cash flows from the assets have expired, when the Credit Union retains the right to receive the cash flows of the assets but assume an obligation to pay those cash flows to a third party, or when the Credit Union has transferred the contractual rights to receive the cash flows to a third party.

Financial liabilities are derecognized on the statement of financial position when the Credit Union's obligation specified in the contract expires, is discharged, or is cancelled. The difference between the carrying amount of the financial liability and the consideration paid is recognized in the statement of comprehensive income.

2.3 Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated in Belize dollars at midday rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognized in the statement of comprehensive income. Non-monetary assets and liabilities in foreign denominations are translated into Belize dollars at historical rates.

2.4 Employee benefit obligations

Termination benefit - severance:

The Credit Union has not recognised termination benefits in accordance with the labour laws of Belize which states that employees with at least five years or more of continuous employment are entitled to a minimum of one week's pay for each year of service prior to May 2011 and two week's pay for each year of service subsequently. The Union has decided not to record severance provision.

Termination benefit - pension:

The Credit Union has available on a voluntary basis, a defined contribution pension plan for all permanent employees. The pension plan is not financially separate from the Credit Union and is funded by contributions from both employees and the Credit Union at fixed rates of 3 - 5% of salary respectively.

The Credit Union's contributions to the defined contribution plan are expensed when employees have rendered services in exchange for such contributions.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.5 Property and equipment

Property and equipment includes land, buildings, motor vehicles, furniture, fixtures, computer equipment, and other equipment. Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and the initial estimate of any disposal costs.

Property and equipment are carried at cost and are depreciated using the reducing balance method at the following rates:

Building, driveways & leasehold improvements	5, 25 and 50 years
Furniture and fixtures	5 and 10 years
Computer, equipment and accessories	5 and 10 years
Motor vehicle	5 years

Land is not amortized as the useful life cannot be estimated. Property is not amortized until it is available for use.

Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful life or the initial lease term.

Property and equipment are assessed for indicators of impairment at each reporting date. If there is an indication that the asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. The recoverable amount is the higher of the asset's value in use or fair value less costs of disposal.

2.6 Investment property

Investment property is land and buildings which are held to earn rental income. Investment property is measured using the cost model in accordance with IAS 40. As such it is initially recorded and subsequently amortized using the same policies as Property and equipment (refer to note 2.8).

Investment property is assessed for indicators of impairment at each reporting date. If there is an indication that the asset may be impaired, an impairment test is performed by comparing the asset's carrying amount to its recoverable amount. The recoverable amount is the higher of the asset's value in use or fair value less costs of disposal.

Rental income from investment property is recognized on the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.7 Provisions

Provisions are liabilities of uncertain timing or amount and are recognized when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgement is required to determine whether a present obligation exists and in estimating the probability, timing and amount of any cash outflows. Provisions are recorded related to litigation, future employee benefits, the allowance for off-balance sheet items and other items. Provisions are recorded on the basis of all available information at the end of the reporting period. In the event that results differ from management expectations, the Credit Union may incur expenses in excess of the provisions recognized.

Dividend income is recognized when the right to receive payment is established such as when the shareholders have approved the dividend for unlisted equity securities.

2.8 Guarantee Fund

The Guarantee Fund is a reserve fund that is mandated by the Credit Union Act, Chapter 314 of the Laws of Belize (Amended 2005) (Revised 2003). At least 10% of the net earnings of the Credit Union must be added to the fund at the end of each fiscal year. The Guarantee Fund cannot be distributed to members.

2.9 Other reserves

Other reserves are amounts set aside by the Board of Directors to be used for any purpose that the Credit Union may need to utilize it for. They are a portion of equity not available for distributions to members.

2.10 Leasing

A lease is an agreement in which the lessor grants the lessee the right to use an asset for an agreed upon period of time in return to a payment or series of payments. A finance lease is a lease the transfers substantially all the risk and rewards incidental to ownership of the leased asset to the lessee, where title may or may not eventually be transferred. An operating lease is a lease other than a financing lease.

Operating leases:

The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.10 Leasing (continued)

Finance leases:

In the event that the Credit Union is a lessee in a financing lease, the leased asset is recorded to property and equipment and the related lease obligation is recorded as a liability on the statement of financial position. The amount recorded is the lower of the fair value of the leased asset and the minimum lease payments.

2.11 FINANCIAL RISK MANAGEMENT

By its nature the Credit Union's activities are principally related to the use of financial instruments. The Credit Union accepts cash as deposits and purchase of shares from customers and seeks to earn above average interest margins by investing these funds in high quality assets. The Credit Union seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher interest rates whilst maintaining sufficient liquidity to meet all claims that may fall due.

The Credit Union is also exposed to fraud risks, market risks, cash flow risks, and interest rate risks. The Credit Union's risk management program seeks to minimize potential adverse effects on the overall financial performance. Risk management is executed through policies approved by the Board of Directors and are executed by management who identify and evaluate risks and establish procedures to minimize risks.

Credit risk:

The Credit Union takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. Management structures its credit risk by placing limits on the amount of credit extended in relation to one borrower or group. This is monitored on a revolving basis and subject to annual review. Limits are also regulated by Credit Union Act Chapter 34 of the Laws of Belize (Revised 2003).

The Credit Union's risk management policies are designed to achieve a balance between risk and return and minimize potential adverse effects of its' financial performance. The Credit Union therefore identifies and analyses these risks, designs internal controls to set appropriate limits, and to monitor these limits through reliable and up to date information systems and reports.

Exposure to credit risk is managed through regular analysis of the borrowers ability to repay, current exposure to individual customers and the likelihood of default and the recovery ratio on any defaulted obligation. Exposure is also managed in part by obtaining marketable collateral, personal guarantees and authority for salary deductions for instalment payments.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, AND JUDGEMENTS (continued)

2.11 FINANCIAL RISK MANAGEMENT (continued)

Market risk/interest rate risk:

The Credit Union is exposed to market risk, which is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risk for the Credit Union arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Credit Union's Board of Directors sets limits on the amount of risk that may be accepted, which is monitored on a daily basis and reviewed by the Board monthly.

The Credit Union takes on interest rate risk in that it pays interest on deposits and that fluctuations in interest rates may affect its capacity to on-lend at competitive rates. The Credit Union manages this risk by maintaining an adequate interest rate spread between interest paid and interest received.

The Credit Union takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Liquidity risk:

Liquidity risk is the risk that the Credit Union is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The Credit Union manages this risk by closely monitoring customer payments, setting credit limits and by obtaining credit facilities from other sources to ensure cash availability. The Credit Union also maintains highly liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.

Fraud risk:

The Credit Union is exposed to fraud risks from customers as well as employees. The Credit Union seeks to minimize these risks by internal controls, authorizations for payments, checks and balances as well as requiring valid identification documents.

3. CARRYING VALUE AND FAIR VALUE OF SELECTED FINANCIAL INSTRUMENTS

Management has not observed any material differences between the carrying value of financial instruments and the fair value. Fair value are computed based on quoted prices for similar instruments and directly observable market inputs with the exception of unlisted securities. Fair value of unlisted securities has been determined using other inputs such as expected future cash flows or the audited net asset value since market information and comparable sales information is not available.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

4. INVESTMENTS	2017	2016
Investments consist of the following:		
<u>Debt instruments (measured at amortized cost):</u>		
Belize Electricity Limited Series 2 rolled over to series 7 debentures with interest rate of 9.5% per annum payable quarterly, maturity date of 31st March 2021.	-	160,000
Belize Electricity Limited Series 7 debentures with interest rate of 6.5% per annum payable quarterly, maturity date of 31st July 2022.	2,850,000	2,850,000
Belize Electricity Limited Series 7 debentures with interest rate of 10% per annum payable quarterly, maturity date of 30th September 2027.	2,035,000	1,875,000
Term deposits for terms greater than 90 days ending by April 2017 held with Atlantic Bank Limited; with interest accruing at 1.75% - 3.65% per annum.	1,790,000	1,790,000
Government of Belize Treasury Notes with interest rate of 6% per annum payable by half-yearly installments, maturity date of 10th December 2017.	500,000	500,000
Term deposit for terms greater than 90 days ending January 2018 held with Blue Creek Credit Union Limited; with interest accruing at 3.50% per annum.	500,000	-
Accrued interest on debt instruments	19,014	16,782
	<u>7,694,014</u>	<u>7,191,782</u>
<u>Unlisted securities (measured at fair value):</u>		
Investment in Belize Credit Union League Limited - 50 redeemable preferred shares	50,000	50,000
Investment in Belize Telemedia Limited - 200,000 common shares (less than 1%	1,000,000	1,000,000
	<u>1,050,000</u>	<u>1,050,000</u>
Total investments	<u>8,744,014</u>	<u>8,241,782</u>

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

5. LOANS RECEIVABLE	2017	2016
Loans receivable consist of the following:		
Total loans before provision for loan losses	<u>61,480,316</u>	<u>53,546,750</u>
The movements in the loan loss provision for the year are as follows:		
At the beginning of the year	1,919,691	1,592,639
Provision for the year (note 19)	1,099,004	417,118
Write offs - net of collections	<u>(602,908)</u>	<u>(90,066)</u>
At the end of the year	<u>2,415,787</u>	<u>1,919,691</u>
Net loans receivable	<u>59,064,529</u>	<u>51,627,059</u>

Collateral is held on loans in order to minimize the Credit Union's exposure to credit risk. Collateral includes lands, buildings, and equipment.

Total value of loans which do not have collateral by the Credit Union	<u>1,265,982</u>	<u>1,178,778</u>
Percentage of loan portfolio of loans which do not have collateral	2%	2%

6. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayment consist of the following:

Employee loans	-	2,233
HBL ATM/POS Project (see below)	50,000	50,000
Other receivables	269,889	51,182
Prepayments	<u>35,554</u>	<u>30,676</u>
	<u>355,443</u>	<u>134,091</u>

The Credit Union has entered into a Joint Investment Agreement with the Heritage Bank Limited and five other institutions, called the ATM/POS Project. Since the formation of the new company is still in process, the initial investment is classified as other receivables and prepayment at 31st March 2017.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

2017	Land, driveway, buildings & Leasehold improvements	Furniture & fixtures	Motor vehicle, computer equipment & accessories	Total
Cost:				
At 31st March 2016	2,544,008	376,258	1,286,837	4,207,103
Additions	208,406	50,733	290,723	549,862
Disposals	-	-	(32,750)	(32,750)
Transfers (out)	(55,904)	-	-	(55,904)
At 31st March 2017	2,696,510	426,991	1,544,810	4,668,311
Accumulated Depreciation:				
At 31st March 2016	338,044	244,185	866,752	1,448,981
Additions	69,529	26,001	140,476	236,006
At 31st March 2017	407,573	270,186	1,007,228	1,684,987
Net Book Value at 31st March 2017	2,288,937	156,805	537,582	2,983,324
Net Book Value at 31st March 2016	2,205,964	132,073	420,085	2,758,122

8. INVESTMENT PROPERTY

Investment property consists of the following:

2017	Land & building
Cost:	
At 31st March 2016	365,000
Additions	-
At 31st March 2017	365,000
Accumulated Depreciation:	
At 31st March 2016	57,186
Additions	5,597
At 31st March 2017	62,783
Net Book Value at 31st March 2017	302,217
Net Book Value at 31st March 2016	307,814

During the year ended 31st March 2016 all investment property generated rental income.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

9. MEMBERS' DEPOSITS	2017	2016
Members' deposits consist of the following:		
Regular deposits	4,031,204	3,553,251
Term deposits	15,274,481	18,055,745
	<u>19,305,685</u>	<u>21,608,996</u>

10. NON-MANDATORY SHARES

Movement in non mandatory shares is as follows:

Balance at the beginning of the year	44,432,637	36,979,099
Net increase in shares	6,000,033	7,453,538
Balance at the end of the year	<u>50,432,670</u>	<u>44,432,637</u>

Central Bank of Belize Regulations require that members' share accounts are divided into mandatory and non-mandatory shares. Mandatory shares are reflected in equity; non-mandatory shares are reflected as current liabilities.

11. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable consist of the following:

Belize Credit Union Assurance Services	45,203	36,170
Other	19,872	34,028
	<u>65,075</u>	<u>70,198</u>

12. PENSION FUND LIABILITY

Pension liabilities consist of the following:

Balance at the beginning of the year	414,781	340,394
Employee contributions for the year	34,576	33,854
Employer contributions for the year	34,576	33,854
Income earned	26,539	8,500
Withdrawals	(47,030)	(1,821)
	<u>463,443</u>	<u>414,781</u>

At 31st March, the pension fund was represented by:

Bank balance (due from SJCUC)	200,314	156,037
Investments - Atlantic Bank Limited term	40,000	40,000
Investments - Belize Electricity Limited Series 7 debentures	10,000	10,000
Loan receivable	0	(205)
SJCUC - fixed deposit held by SJCUC for the Pension Fund	213,128	208,949
	<u>463,443</u>	<u>414,781</u>

The pension fund bank balance is not completely restricted and segregated to specific bank accounts. The due from SJCUC (bank balance) constitutes pension funds included in the operating funds of SJCUC.

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

13. OTHER LIABILITIES	2017	2016
Other liabilities consist of the following:		
Beneficiary payable	149,884	222,957
HBL payable (ATM Settlement)	114,405	32,023
	<u>264,289</u>	<u>254,980</u>
14. BURIAL SCHEME PAYABLE		
Balance at the beginning of the year	416,358	364,600
Plus: Net increase for year	115,398	51,758
Balance at end of the year	<u>531,756</u>	<u>416,358</u>

The Burial Scheme is a death benefit of \$5,000 which will be paid to plan member's selected dependant based on their years of membership in the plan. The obligation has been estimated without actuarial information and therefore the Credit Union has accrued for total benefits payable should all eligible members to collect the death benefit in the following year.

15. BORROWINGS

Borrowings consist of the following:

Social Investment Fund

Agreement #1

Social Investment Fund interest-free loan of \$100,000 for a period of 25 years. Loan is to be used for on-lending to eligible borrowers for housing construction or improvement in accordance with agreement dated 19th September 2005.

11,212	11,212
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Agreement #2

Social Investment Fund interest-free loan of \$100,000 for a period of 25 years. Loan is to be used for on-lending to eligible borrowers for housing construction or improvement in accordance with agreement dated 28th December 2006.

<u>100,000</u>	<u>100,000</u>
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<u>111,212</u>	<u>111,212</u>
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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

16. INTEREST ON MEMBERS' LOANS	2017	2016
<u>Interest income</u>		
Interest Income - personal and business loans	4,426,755	3,656,583
Interest Income - residential mortgage loans	1,688,750	1,708,071
	<u>6,115,505</u>	<u>5,364,654</u>
<u>Interest expense</u>		
Members' deposits	<u>430,833</u>	<u>595,324</u>
Net interest income	<u>5,684,672</u>	<u>4,769,330</u>
17. FEE AND COMMISSION INCOME		
<u>Fee and commission income</u>		
Credit related fees and commissions	283,364	296,538
Other	7,973	7,756
	<u>291,337</u>	<u>304,294</u>
18. OTHER OPERATING INCOME		
Other operating income consists of the following:		
Investment income	516,912	594,367
Rental income	26,580	30,480
Loan write off recoveries	-	149,350
Other income	155,344	88,881
	<u>698,836</u>	<u>863,078</u>
19. PROVISION FOR LOSSES		
Provision for losses consists of the following:		
Provision for loan loss reserve (note 5)	<u>1,099,004</u>	<u>417,118</u>

NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

20. GENERAL AND ADMINISTRATIVE EXPENSE 2017 2016

General and administrative expense consists of the following:

Advertising	144,720	146,709
Annual general meeting	60,259	78,158
Bank service charges	14,445	13,507
BCUAS Insurance	491,684	466,667
Christmas expense	42,438	44,581
Committee meetings	11,892	8,929
Credit Union Week	8,785	14,267
Delinquency expenses	124	9,797
Depreciation expense	241,603	199,757
Donations	9,255	16,883
Education expense	28,888	19,652
General insurance expense	29,947	34,564
Office stationery	116,582	87,330
Other expense	99,787	131,048
Pension expense	37,805	34,354
Professional fees	19,575	24,602
Property taxes	7,522	923
Rental expense	28,940	37,769
Repairs & maintenance	155,701	107,903
Security expense	235,149	215,453
Salaries, wages and allowance	1,073,952	976,221
Social security expense	29,751	27,967
Software system maintenance	87,016	71,202
Supervision fees	12,000	12,000
Travel and subsistence	64,683	49,300
Uniform expense	11,934	13,065
Utilities	175,045	168,518
	<u>3,239,484</u>	<u>3,011,126</u>

21. TAXATION

As a credit union licensed under the Credit Union Act, the Union is exempted from taxes on profits, gains, interest and dividends earned.

22. KEY MANAGEMENT COMPENSATION

Key management compensation	<u>384,916</u>	<u>337,577</u>
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NOTES TO THE FINANCIAL STATEMENTS
31ST MARCH 2017

All amounts expressed in Belize dollars

23. RELATED PARTY TRANSACTIONS 2017 2016

The Board of Directors and management have loan balances with the Credit Union which are included in the loans receivable balance on the statement of Financial position. These loans total the following as of the year end:

Assets held at year-end with related parties

<i>Officers' loans receivable</i>	1,553,698	538,514
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Liabilities held at year-end with related parties

<i>Officers' deposits and shares</i>	1,131,286	283,198
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Transactions with related parties throughout the year are as follows:

<i>Officers' allowances paid</i>	17,338	17,081
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<i>Interest income earned from related parties</i>	60,438	38,642
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