

NATIONAL WORKERS CO-OPERATIVE

CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2016

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

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REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

Opinion

We have audited the accompanying financial statements of National Workers Co-Operative Credit Union Limited which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of National Workers' Co-Operative Credit Union Limited as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 12 of the financial statements which shows the calculation of the provision for bad debts on delinquent loans based on mandated rates from the World Council of Credit Union PEARLS Standard. The Credit Union provides for a 100% allowance for all delinquent loans over 365 days and for a 35% provision rate allowance for all delinquent loans over 30 days. Our analysis of past trends and subsequent loan collection information indicates that recoverability of delinquent loans over 180 days are highly unlikely and a 35% provision rate allowance would not appear sufficient to cover the Credit Union's credit risk on loans. Should the provision for delinquent loans over 180 days be increased to 50%-75%, this will increase the allowance for bad debt and decrease the net income for the year by approximately \$41,062 to \$109,499 (2015: \$88,000 to \$236,000).

Key Audit Matters

Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements as at 31 December 2016. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



Key Audit Matters (cont)

Office Building Project

As disclosed in Note 14, included in land is a property in JFK Drive with a carrying value of \$763,315 which was purchased in 2013 as planned location to construct the Credit Union's future main office. The Credit Union has also incurred architectural design and other preliminary cost related to construction totalling \$295,665 (2015: \$253,765), an increase of \$41,900 from previous year. These costs were classified as construction in progress. A site inspection on the property performed by a third party resulted in several concerns including topography which should be addressed prior to the commencement of construction. The total cost in addressing these concerns is currently unknown. The project has since been put on hold and subsequent to the statement of financial position date, the Board of Directors have given instructions to its legal counsel to assess the Credit Union's recourse with regards to the recovery of all cost incurred related to the project.

Loans written-off

As disclosed in Note 12, loans receivable totalling \$5,548,075 were approved to be written-off during the year. These receivables have been fully provided with allowance for bad debt in previous years.

Dormant Accounts

Per the new Bahamas Co-operative Credit Unions Act, 2015, where a deposit account is declared dormant, the Board shall transfer the account, interest and other sums due or standing to the member's account to the Credit Union's statutory reserve fund. After the period of five years in the special reserve fund, the Board may transfer the dormant deposit account to the Central Bank of the Bahamas ("Central Bank") which shall maintain a separate accounting record of all such accounts. The Credit Union is in the process of clarifying this provision of the New Act with the Central Bank and has not yet transferred any dormant deposit account balance as at year-end.

Equity Requirement

The New Act requires that the Credit Union's statutory reserves, accumulated earnings/(deficit) and equity shares are at no stage less than 10.00% of its total assets except during the phase in period as permitted by the regulations. Subject to the approval of the Central Bank of the Bahamas, the Credit Union may apply funds from the statutory reserve to meet occasional deficiencies incurred by the Credit Union, to recoup losses on the Credit Union's operations, loans and investments, and for the improvement of the Credit Union's products, services technology and human resources.

The total of the statutory reserves, accumulated earnings/(deficit) and equity shares of \$4,770,266 (2015: \$4,749,802) is short of the minimum 10.00% total assets requirement by \$1,272,464 (2015: \$1,002,922).

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual General Meeting (AGM) Booklet, but does not include the financial statements and our auditor's report thereon.

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



Other Information (cont)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of the auditors' responsibilities for the audit of the financial statements is located in an Appendix to this report. This description forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditor's report is G. Clifford Culmer.

BDO

**Chartered Accountants
Nassau Bahamas
27 April 2017**

APPENDIX TO THE AUDITOR'S REPORT

Detailed Description of Our Responsibilities

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

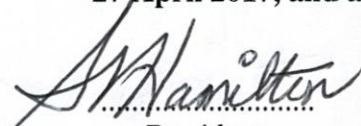
NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

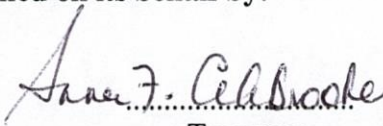
AS AT 31 DECEMBER 2016
(Expressed in Bahamian Dollars)

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
ASSETS			
Cash and cash equivalents	5	11,066,498	8,875,150
Short term investments	6	5,122,507	4,938,350
Deposits with the League	7	9,284,596	9,053,007
Other assets	8	619,769	407,319
Marketable securities	9	1,451,054	1,346,915
Bonds	10	100,000	100,000
Bahamas government registered stock	11	2,318,700	318,700
Loans receivable	12	27,756,837	29,781,076
Investment properties	13	892,094	932,944
Fixed assets	14	<u>1,815,246</u>	<u>1,773,780</u>
		\$60,427,301	\$57,527,241
		=====	=====
 LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accounts payable and accrued expenses	15	571,343	623,133
Accrued interest payable on members' deposits	16	951,753	889,800
Members' deposits	16	<u>53,686,763</u>	<u>50,887,269</u>
		55,209,859	52,400,202
 MEMBERS' EQUITY			
Qualifying shares	17	727,715	806,678
Statutory reserve fund	18	3,895,784	3,608,149
Fair value reserve		292,659	222,720
Revaluation reserve	27	154,517	154,517
Accumulated earnings		<u>146,767</u>	<u>334,975</u>
		5,217,442	5,127,039
		\$60,427,301	\$57,527,241
		=====	=====

The statements were approved by the board of directors and authorised for issue on 27 April 2017, and are signed on its behalf by:



 President



 Treasurer



 Secretary

The notes on pages 9 to 45 form an integral part of these financial statements.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
FINANCE INCOME			
Loan interest income	19	3,608,197	4,174,297
Investment interest income		399,175	187,394
Interest in deposits with League		<u>131,589</u>	<u>122,281</u>
		<u>4,138,961</u>	<u>4,483,972</u>
FINANCE COST			
Deposit interest expense	20	1,725,832	1,852,304
Borrowings		<u> --</u>	<u>26,616</u>
		<u>1,725,832</u>	<u>1,878,920</u>
NET FINANCE INCOME		2,413,129	2,605,052
OTHER INCOME	21	626,254	565,312
OPERATING EXPENSES			
Personnel	22	1,459,156	1,298,714
Bad debt expense		370,000	588,739
Occupancy		325,366	327,618
General business		211,757	258,404
Member insurance		216,356	219,848
Depreciation		117,743	138,446
Organisational		106,075	127,385
Marketing		81,969	95,187
Computer expense		<u>51,534</u>	<u>34,855</u>
		<u>2,939,956</u>	<u>3,089,196</u>
NET INCOME FOR THE YEAR		99,427	81,168
OTHER COMPREHENSIVE INCOME			
Fair value income on marketable securities		<u>69,939</u>	<u>33,528</u>
TOTAL COMPREHENSIVE INCOME		\$169,366 =====	\$114,696 =====

The notes on pages 9 to 45 form an integral part of these financial statements.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Qualifying</u> <u>shares</u>	<u>Statutory</u> <u>reserve fund</u>	<u>Fair value</u> <u>reserve</u>	<u>Revaluation</u> <u>reserve</u>	<u>Accumulated</u> <u>earnings</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
1 January 2015	804,320	3,108,149	189,192	154,517	753,807	5,009,985
Increase in memberships	2,358	--	--	--	--	2,358
Transfer to statutory reserve fund	--	500,000	--	--	(500,000)	--
Comprehensive income						
Net income for the year	--	--	--	--	81,168	81,168
Other comprehensive income						
Fair value gain on marketable securities	--	--	<u>33,528</u>	--	--	<u>33,528</u>
31 December 2015	806,678	3,608,149	222,720	154,517	334,975	5,127,039
Decrease in memberships	(78,963)	--	--	--	--	(78,963)
Transfer to statutory reserve fund	--	287,635	--	--	(287,635)	--
Comprehensive income						
Net income for the year	--	--	--	--	99,427	99,427
Other comprehensive income						
Fair value gain on marketable securities	--	--	<u>69,939</u>	--	--	<u>69,939</u>
31 December 2016	<u>\$727,715</u>	<u>\$3,895,784</u>	<u>\$292,659</u>	<u>\$154,517</u>	<u>\$146,767</u>	<u>\$5,217,442</u>

The notes on pages 9 to 45 form an integral part of these financial statements.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	99,427	81,168
Adjustment for items not involving the movement of cash:		
Loss on sale of fixed assets	318	3,657
Depreciation	<u>117,743</u>	<u>138,447</u>
Operating income before working capital changes	217,488	223,272
Increase in deposits with the League	(231,589)	(1,622,280)
Increase in other assets	(212,450)	(87,326)
Net movement in loans receivable	2,024,239	5,981,664
(Decrease)/increase in accounts payable and accrued expenses	(51,790)	31,789
Increase in accrued interest payable on members' deposits	61,953	164,211
Increase in members' deposits	<u>2,799,494</u>	<u>3,387,220</u>
Net cash provided by operating activities	<u>4,607,345</u>	<u>8,078,550</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short term investments	(184,157)	(4,938,350)
Purchase of marketable securities	(34,200)	(34,000)
(Purchase)/proceeds on maturity of Bahamas government registered stock	(2,000,000)	50,000
Proceeds on sale of fixed asset	--	1,000
Purchase of fixed assets	<u>(118,677)</u>	<u>(324,101)</u>
Net cash used by investing activities	<u>(2,337,034)</u>	<u>(5,245,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Deductions)/additions to qualifying shares	(78,963)	2,358
Repayment of long term debt	--	(1,240,311)
Net cash used by financing activities	<u>(78,963)</u>	<u>(1,237,953)</u>
Net increase in cash and cash equivalents	2,191,348	1,595,146
Cash and cash equivalents at beginning of the year	<u>8,875,150</u>	<u>7,280,004</u>
Cash and cash equivalents at end of the year	\$11,066,498 =====	\$8,875,150 =====

The notes on pages 9 to 45 form an integral part of these financial statements.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****1. INCORPORATION AND ACTIVITIES**

The National Workers Co-operative Credit Union Limited (“the Credit Union”) was established in 1976 under the provisions of The Commonwealth of The Bahamas Co-operative Societies Act, 2005 (“the Old Act”).

On 12 May 2015, the government enacted The Bahamas Co-operative Credit Unions Act, 2015 (“the New Act”) which superseded the Old Act. Under the new Act, The Central Bank of The Bahamas is responsible for the administration of all co-operative credit unions. Effective 1 June 2015, the Credit Union was granted a Certificate of Continuance by The Central Bank of The Bahamas to continue as a co-operative credit union.

The Credit Union’s primary purpose is to:

- (i) Promote thrift among its members by affording them an opportunity to accumulate their savings.
- (ii) Create for its members a source of credit for provident or productive purposes at reasonable rates of interest.
- (iii) Provide the opportunity for members to use and control their money for their mutual benefit in accordance with co-operative principles.

The Credit Union is affiliated with The Bahamas Co-operative League Limited (“the League”) and The Caribbean Confederation of Credit Union.

The registered office of the Credit Union is located on Tonique Williams-Darling Highway, Nassau, Bahamas.

2. BASIS OF PREPARATION

These financial statements are prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared under the historical cost convention as modified by the revaluation of marketable securities and fixed assets.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2. BASIS OF PREPARATION (cont)

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates.

3. ACCOUNTING POLICIES

Cash at bank

Cash and cash equivalents are comprised of cash in banks as well as and short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Short term investments

Short term investments are highly liquid investments with original maturities between 3 months to 1 year and subject to an insignificant risk of change in value. These investments are financial assets categorised as loans and receivables.

Loans receivable

Loans are recorded at their outstanding principal balances less allowance for doubtful accounts. A loan becomes delinquent immediately after 1 day of payment missed. Delinquent loans over 90 days will be placed in a loans' suspense account after the outstanding loan balance has been applied to the member's share and deposit balances. Calculation of interest on delinquent loans will cease after 180 days. All loans must be secured by a member share, chattel mortgage on automobile loans or approved collateral.

Allowance for doubtful loans

The provision is increased by charges to operating expense and decreased by loans written-off, net of recoveries. Provisions are calculated as follows:

1 to 30 days	0%
31 to 90 days	35%
91 to 180 days	35%
181 to 365 days	35%
Greater than 365 days	100%

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (cont)

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line basis over the following estimated useful lives of the respective assets:

Building	25 years
Furniture and fixtures	10 years
Leasehold improvements	10 years
Computer hardware and software	5 years
Automobiles	2.5 years

Expenses incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In a situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard of performance, the expenditures are capitalised as an addition to the cost of fixed assets.

Investment properties

Investment properties consist of properties that are held to earn rentals and/or for capital appreciation and are not occupied by the Credit Union. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

The Credit Union uses the cost method in subsequent recognition of its investment properties. Under the cost method, investment properties are subsequently measured at depreciated cost less any accumulated impairment losses.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the period in which the costs are incurred.

Land is carried at cost less any impairment value. Depreciable investment properties are computed using the straight-line method over the estimated useful lives of the respective assets:

Building	25 years
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NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****3. ACCOUNTING POLICIES (cont)****Financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- available-for-sale financial assets
- held-to-maturity investments

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Discounting, however, is omitted where the effect of discounting is immaterial. Included in this category are the Credit Union's cash at bank, short term investments, loans receivable, deposits with the League and other receivables and prepayments

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the valuation reserve within equity, except for impairment losses which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Dividends are recognised in profit or loss.

The Credit Union's marketable securities are considered available-for-sale financial assets.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****3. ACCOUNTING POLICIES (cont)***Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Credit Union has the intention and ability to hold them until maturity.

They are subsequently measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

The Credit Union's investments in bonds and Bahamas Government Registered Stock are considered held-to-maturity investments.

Financial liabilities

The Credit Union's financial liabilities include bank overdrafts, accounts payable, accrued expenses, and members' deposits which are measured subsequently at amortised cost using the effective interest rate method. Discounting, however, is omitted where the effect of discounting is immaterial.

Impairment of assets

An assessment is made at each financial position date to determine whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognised on an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to current operations.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****3. ACCOUNTING POLICIES (cont)****Members' equity**

Qualifying shares are the minimum shares required to become a member as described in the Credit Union's by-laws.

Statutory and liquidity reserves are set up in accordance with the provisions of the Act. The proceeds of these reserves are to be deposited with the League.

Revenue and expenses recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. Revenue is recognised when earned and expenses are recognised when incurred on an accrual basis.

Value added tax

On 1 January 2015, The Value Added Tax (VAT) Act became effective in The Commonwealth of The Bahamas with 3 categories for goods and services: tax at 7.50%, exempt and zero-rated.

The Credit Union's operations included services which are subject to 7.50% VAT rate and exempt. The standard method of apportionment is used to calculate the allowable VAT Input in accordance with the Act and associated regulations. Any unallowable VAT Input is recognised through profit or loss.

4. NEW AND AMENDED STANDARDS

The Credit Union has adopted the following new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Credit Union's operations and effective for the current accounting period.

Amendments to IAS 1 – Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments being made to IAS 1 include:

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

4. NEW AND AMENDED STANDARDS (cont)

Amendments to IAS 1 – Disclosure Initiative (cont)

- Materiality: Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by IFRSs.
- Line items in primary financial statements: Additional guidance for the list of line items required to be presented in primary statements, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals.
- Notes to the financial statements: Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in IAS 1.114(c) is illustrative only.
- Accounting policies: Removal of the examples in IAS 1.120 in respect of income taxes and foreign exchange gains and losses.

In addition, the following amendments to IAS 1 were made which arose from a submission received by the IFRS Interpretations Committee:

- Equity accounted investments: An entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Mandatory adoption for periods beginning on or after 1 January 2016.

Adoption of the above amendment did not have significant impact on the Credit Union's financial statements.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - effective 1 January 2016

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment;

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)**

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation - effective 1 January 2016 (cont)

- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Adoption of the above amendment did not have a significant impact since the Credit Union does not use a depreciation method based on revenue for its fixed assets.

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 31 December 2016. They have not been adopted in preparing the financial statements and are expected to affect the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated below.

IFRS 9 (issued November 2009 and amended October 2010 and July 2014)

This standard amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IAS 39 have been eliminated. Under IFRS 9, there are three categories of financial assets:

- Amortized cost
- Fair value through profit or loss
- Fair value through other comprehensive income

IFRS 9 also requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the fair value of a financial liability that is designated at fair value through profit or loss (using the fair value option) that relate to changes in the reporting entity's own credit risk are normally recognised in other comprehensive income.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)**

IFRS 9 (issued November 2009 and amended October 2010 and July 2014) (cont)

The changes are to be applied prospectively from the date of adoption. The effective date of the amendments is 1 January 2018.

The Credit Union will check the classification and measurement of its financial assets and liabilities upon the future adoption of the above amendment.

IFRS 15 - Revenue from Contracts with Customer

This standard contains comprehensive guidance for accounting for revenue and will replace existing requirements which are currently set out in two existing standards (IAS 18 - Revenue and IAS 11- Construction Contracts) and related interpretations.

IFRS 15 contains significantly more prescriptive and precise requirements in comparison with existing IFRS. In future, revenue will be recognised from the application of the following five steps:

1. Identify the contract
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when each performance obligation is satisfied.

The introduction of the new requirements means that for many entities the timing and profile of revenue recognition will change. In some areas the changes will be very significant and will require careful planning, including for commercial effects

IFRS 15 was originally effective for periods beginning on or after 1 January 2017, with early application permitted. In September 2015 the IASB issued an amendment to IFRS 15 to defer the effective date of IFRS 15 by one year to 1 January 2018.

The Credit Union will review its revenue recognition policy upon the future adoption of this standard.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)***IFRS 16 Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. For many entities the effect of bringing all leases on the statement of financial position will be very significant and will require careful planning, including for commercial effects.

In the income statement, the application of IFRS 16 will result in a depreciation charge (within operating expenses) and an interest expense.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

IFRS 16 has an effective date of 1 January 2019, with early application permitted only if IFRS 15 has also been adopted.

The Credit Union will review any contract that meets the definition of a lease upon the future adoption of this standard.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses – effective 1 January 2017

The amendment to IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired. Deductible temporary differences arise from unrealised losses on debt instruments measured at fair value. This is regardless of whether the instrument is recovered through sale, or holding it to maturity. Therefore, entities are required to recognise deferred taxes for temporary differences from unrealised losses of debt instruments measured at fair value if all other recognition criteria for deferred taxes are met.

The Credit Union does not expect any changes on the financial statements upon the future adoption of the above amendment.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)***Amendment to IAS 7 – Disclosure Initiative*

This amendment aims to improve information about an entity's debt, including movements in that debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to provide this disclosure would be to provide a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities. The reconciliation would include:

- Opening balance
 - Movements in the period including:
 - Changes from financing cash flows;
 - Changes arising from obtaining or losing control of subsidiaries or other businesses;
 - Other non-cash exchanges (e.g. changes in foreign exchange rates, new finance leases and changes in fair value); and
- Closing balance.

Mandatory adoption for periods beginning on or after 1 January 2017. The Credit Union will review its disclosure requirements when this amendment is first adopted for 31 December 2017 year-end.

Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions – effective 1 January 2018

This amendment addresses the classification and measurement of share-based payment transactions for a number of situations where existing guidance is not clear. The following is a summary of the clarifications and additional guidance:

- The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment transaction are accounted for in accordance with the guidance for equity-settled share-based payments.
- Share-based payment transactions with certain net settlement features are classified as equity-settled if they would have been classified as equity settled without the net settlement feature. This applies to certain arrangements where an employer is required to withhold an amount for an employee's tax obligation related to a share-based payment, and pays the tax authority in cash.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)**

Amendment to IFRS 2 – Classification and Measurement of Share Based Payment Transactions – effective 1 January 2018 (cont)

- Accounting for a modification that changes the classification of a share-based payment agreement from cash-settled to equity-settled has been clarified with regard to the measurement of, and accounting for, the replacement equity-settled share-based payment, derecognition of the liability, and accounting for any difference between the carrying amount of the liability and the amount recognised for the equity-settled award (these amounts will reflect the extent to which goods and services have been received at the date of modification).

The amendment will not have a significant effect on the Credit Union's future financial statements.

Amendment to IAS 40 – Transfer of Investment Property – effective 1 January 2018

This amendment clarifies that a transfer of a property to, or from, investment property is made when, and only when, there is a change in use. It also clarifies that the following scenarios in IAS 40.57 are examples of evidence that may support a change in use and not the only possible circumstances in which there is a change in use:

- Commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property; and
- Commencement inception of an operating lease to another party, for a transfer from inventories to investment property.

The amendment will not have a significant effect on the Credit Union's future financial statements.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)***Annual Improvements to IFRSs 2014-2016 Cycle*

There were three amendments as part of the 2014-2016 Annual Improvements Cycle. These were made to IFRS 1, IAS 12 and IAS 28.

- **IFRS 1 – effective 1 January 2018**

A number of short-term exemptions in IFRS 1 First Time Adoption of International Financial Reporting Standards were deleted. The reliefs provided by these exemptions were no longer applicable.

- **IFRS 12 – effective 1 January 2017**

The scope of IFRS 12 was clarified to make it clear that the disclosure requirements in this Standard, except for those in paragraphs B10 - B16, apply to interests irrespective of whether they are classified as held for sale, as held for distribution to owners or as discontinued operations in accordance with IFRS 5. The IASB noted that the disclosure objective of IFRS 12 Disclosure of Interests in Other Entities is relevant to interests in other entities regardless of whether or not they are classified as held for sale, as held for distribution to owners or as discontinued operations.

- **IAS 28 – effective 1 January 2018**

IAS 28 Investments in Associates and Joint Ventures, permits an investment in an associate or joint venture to be measured at fair value through profit or loss, instead of the equity method being applied, if the investment is held directly or indirectly through a venture capital organisation, unit trust or similar entities. IAS 28 was amended to specify that a qualifying entity may elect to measure investments in associates and joint ventures at fair value through profit or loss on an investment-by-investment basis, upon initial recognition.

The Credit Union will review its disclosure requirements upon future adoption of the amendments.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****4. NEW AND AMENDED STANDARDS (cont)**

IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration – effective 1 January 2018

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of:

- (a) The date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and
- (b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

The Credit Union will review its recognition policy upon future adoption of this interpretation.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

5. CASH AND CASH EQUIVALENTS

	<u>Rate</u>	<u>2016</u>	<u>Rate</u>	<u>2015</u>
		\$		\$
Cash on hand and at bank				
Interest bearing	1.25%	1,620,778	1.75%	2,479,397
Non-interest bearing accounts		<u>1,098,049</u>		<u>2,119,559</u>
		<u>2,718,827</u>		<u>4,598,956</u>
 Term deposits with banks				
Scotiabank (Bahamas) Limited	0.14%	142,245	0.14%	142,225
Bank of The Bahamas Limited	2.06%	4,098,127	2.00%	1,055,842
Fidelity Bank Bahamas Limited	2.75%	<u>4,107,299</u>	3.17%	<u>3,078,127</u>
		<u>8,347,671</u>		<u>4,276,194</u>
		\$11,066,498		\$8,875,150
		=====		=====

6. SHORT TERM INVESTMENTS

Short term investments pertains to 2.50% Fixed Rate Bahamas Government Treasury Notes with maturity of 180 days.

7. DEPOSITS WITH THE LEAGUE

	<u>2016</u>	<u>2015</u>
	\$	\$
Statutory reserve deposit	3,927,110	3,871,064
Liquidity reserve deposit	<u>5,357,486</u>	<u>5,181,943</u>
	\$9,284,596	\$9,053,007
	=====	=====

The statutory reserve deposit and liquidity reserve deposit bears interest at a rate of 1.45% per annum (2015: 1.45%).

Statutory reserve deposit

Part IX Section 65 (1) of the New Act requires the Credit Union to establish and maintain a statutory reserve fund as may be prescribed by the regulations. As disclosed in Note 19, the Credit Union has transferred a total of \$3,895,784 (2015: \$3,608,149) to the statutory reserve fund from accumulated earnings.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7. DEPOSITS WITH THE LEAGUE (cont)

The New Act further requires that the Credit Union deposit with the Apex body (the “League”) an amount equal to the statutory reserve fund. As at 31 December 2016, the Credit Union has deposited a total of \$3,927,110 (2015: \$3,871,064) with the League, which represents an excess of \$31,326 (2015: \$262,915).

Liquidity reserve deposit

Part IX Section 65 (2) of the New Act requires the Credit Union to ensure that not less than 10.00% of its members deposits are kept in a liquidity reserve fund and that the corresponding fund be deposited and administered by the League. As at 31 December 2016, the Credit Union has deposited a total of \$5,357,486 (2015: \$5,181,943) with the League which represents a shortfall of \$(11,190) (2015: surplus of \$93,216).

The New Act further requires that the Credit Union’s statutory reserves, accumulated earnings/(deficit) and equity shares are at no stage less than 10.00% of its total assets except during the phase in period as permitted by the regulations. Subject to the approval of the Central Bank of the Bahamas, the Credit Union may apply funds from the statutory reserve to meet occasional deficiencies incurred by the Credit Union, to recoup losses on the Credit Union’s operations, loans and investments, and for the improvement of the Credit Union’s products, services technology and human resources. The total of the statutory reserves, accumulated earnings/(deficit) and equity shares of \$4,770,266 (2015: \$4,749,802) is short of the minimum 10.00% total assets requirement by \$1,272,464 (2015: \$1,002,922).

8. OTHER ASSETS

	<u>2016</u>	<u>2015</u>
	\$	\$
Accounts receivable and prepayments	243,408	165,589
Other assets	131,425	131,425
Interest receivable on term deposits and investments held to maturity	<u>244,936</u>	<u>110,305</u>
	\$619,769	\$407,319
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. MARKETABLE SECURITIES

The Credit Union's investment in securities are ranked into Levels 1 to 3, based on the degree to which the fair value is observable:

Level 1 - Fair value measures are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<u>Fair Value Level</u>			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2016				
Marketable securities	\$1,400,904	\$--	\$50,150	\$1,451,054
	=====	==	=====	=====
2015				
Marketable securities	\$1,299,165	\$--	\$47,750	\$1,346,915
	=====	==	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****9. MARKETABLE SECURITIES (cont)**

<u>2016</u>	<u>Number of shares</u>	<u>Cost</u> \$	<u>Market value</u> \$
Common shares			
Colina Money Market Investment Fund A	236,034	374,213	457,438
Fanguard Corporation Limited	7,000	21,000	40,740
Freeport Oil Holdings Company Limited	24,000	30,000	209,760
ICD Utilities Limited	5,000	60,000	33,750
The Bahamas Co-operative League Limited	1,003	<u>50,150</u>	<u>50,150</u>
		<u>535,363</u>	<u>791,838</u>
Preference Shares			
CFAL MSI Preferred Investment Fund Limited	7,155	14,813	28,016
Fanguard Corporation Limited 7.50%	500	500,000	500,000
FOCOL Holdings Limited A prime plus 1.75%	43,200	43,200	43,200
FOCOL Holdings Limited B prime plus 1.75%	88,000	<u>88,000</u>	<u>88,000</u>
		<u>646,013</u>	<u>659,216</u>
		\$1,181,376	\$1,451,054
		=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

9. MARKETABLE SECURITIES (cont)

<u>2015</u>	<u>Number of shares</u>	<u>Cost</u> \$	<u>Market value</u> \$
Common shares			
Colina Money Market Investment Fund A	202,397	310,795	413,803
Fanguard Corporation Limited	7,000	21,000	39,200
Freeport Oil Holdings Company Limited	24,000	30,000	157,200
ICD Utilities Limited	5,000	60,000	31,050
The Bahamas Co-operative League Limited	955	<u>47,750</u>	<u>47,750</u>
		<u>469,545</u>	<u>689,003</u>
Preference Shares			
CFAL MSI Preferred Investment Fund Limited	7,155	14,813	26,712
Fanguard Corporation Limited 7.50%	500	500,000	500,000
FOCOL Holdings Limited A prime plus 1.75%	43,200	43,200	43,200
FOCOL Holdings Limited B prime plus 1.75%	88,000	<u>88,000</u>	<u>88,000</u>
		<u>646,013</u>	<u>657,912</u>
		\$1,115,558	\$1,346,915
		=====	=====

The movement in marketable securities during the year is summarised as follows:

	<u>2016</u> \$	<u>2015</u> \$
Balance at beginning of year	1,346,915	1,279,387
Purchases	34,200	34,000
Unrealised gain	<u>69,939</u>	<u>33,528</u>
Balance at end of year	\$1,451,054	\$1,346,915
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

10. BONDS

	<u>2016</u>	<u>2015</u>
	\$	\$
Bahamas First Holdings Limited Series II		
Maturity 15/10/2025 (Interest: Prime plus 2.00%)	\$100,000	\$100,000
	=====	=====

11. BAHAMAS GOVERNMENT REGISTERED STOCK

	<u>2016</u>	<u>2015</u>
	\$	\$
Maturity 21/7/2017 (Interest: Prime plus 0.188%)	11,000	11,000
Maturity 29/7/2018 (Interest: Prime plus 0.125%)	2,000	2,000
Maturity 4/5/2024 (Interest: Prime plus 0.250%)	3,700	3,700
Maturity 22/9/2025 (Interest: Prime plus 0.281%)	102,000	102,000
Maturity 26/8/2036 (Interest: 5.40%)	2,000,000	--
Maturity 26/7/2037 (Interest: Prime plus 0.625%)	<u>200,000</u>	<u>200,000</u>
	\$2,318,700	\$318,700
	=====	=====

12. LOANS RECEIVABLE

The Credit Union has a lien on the shares, deposits and savings of all members with outstanding loan balances. Interest is charged at various rates per month on the outstanding principal balance of members' loans over the term of the loan. The rate is based on the type of loan. In most instances, loans receivable are repaid via salary deductions, which are established at the time the various loans are granted.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****12. LOANS RECEIVABLE (cont)**

	<u>2016</u>	<u>2015</u>
	\$	\$
Consumer	16,052,756	14,200,395
Revolving line of credit	5,009,612	10,170,886
Mortgage	6,479,433	6,536,501
Debt consolidation	179,124	624,658
Auto	48,279	121,395
Computer	11,893	16,081
Loans in Collection	<u>236,238</u>	<u>3,565,906</u>
	28,017,335	35,235,822
Interest receivable	314,287	298,114
Less: Provision for loan losses	<u>(574,785)</u>	<u>(5,752,860)</u>
	\$27,756,837	\$29,781,076
	=====	=====

Loans receivable presently on a non-accrual status amount to \$2,725,023 (2015: \$5,339,446).

Non-accrual loans receivable consist of the following:

	<u>2016</u>	<u>2015</u>
	\$	\$
Residential mortgages	1,653,931	1,963,623
Demand loans	<u>1,071,092</u>	<u>3,375,823</u>
	\$2,725,023	\$5,339,446
	=====	=====

Loans receivable classified as non-accrual represent 9.73% (2015: 15.15%).

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. LOANS RECEIVABLE (cont)

The movement on loan receivable during the year is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance at beginning of year	35,235,822	40,566,455
Loans disbursed	8,225,979	8,554,483
Loans re-paid	<u>(15,444,466)</u>	<u>(13,885,116)</u>
	28,017,335	35,235,822
Interest receivable	<u>314,287</u>	<u>298,114</u>
	28,331,622	35,533,936
Less: Provision for loan losses	<u>(574,785)</u>	<u>(5,752,860)</u>
	\$27,756,837	\$29,781,076
	=====	=====

The movement on the provision for loan losses during the year is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Balance at beginning of year	5,752,860	5,094,556
Bad debt expense on loans	370,000	588,739
Loans in collection provision	--	69,565
Loans written-off	<u>(5,548,075)</u>	<u> --</u>
	\$574,785	\$5,752,860
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****12. LOANS RECEIVABLE (cont)**

Concentration of loans receivable is as follows:

	<u>%</u>	<u>2016</u> \$	<u>%</u>	<u>2015</u> \$
\$0 - \$100,000	86.08	24,117,711	87.72	30,910,777
\$100,001 - \$300,000	11.41	3,197,437	10.30	3,628,496
\$300,001 - \$500,000	<u>2.51</u>	<u>702,187</u>	<u>1.98</u>	<u>696,549</u>
	100.00	28,017,335	100.00	35,235,822
Accrued interest receivable		314,287		298,114
Less: Provision for loan losses		<u>(574,785)</u>		<u>(5,752,860)</u>
		\$27,756,837		\$29,781,076
		=====		=====

The following is an aged analysis of all loans receivable that were past due as of the date of the statement of financial position:

<u>Days in arrears</u>	<u>Number of accounts</u>	<u>Delinquent loans</u> \$	<u>Savings held against loans</u> \$	<u>Portion of loans not covered by savings</u> \$	<u>Loan loss provision</u> \$	<u>Provision rate %</u>
<u>2016</u>						
1 to 30 days	24	243,304	148,718	94,587	--	0%
31 to 90 days	56	415,314	272,680	142,634	49,922	35%
91 to 180 days	88	378,027	176,828	201,199	70,420	35%
181 to 365 days	115	1,058,326	784,578	273,748	95,812	35%
> 365 days	74	<u>1,792,863</u>	<u>1,434,198</u>	<u>358,631</u>	<u>358,631</u>	100%
		\$3,887,834	\$2,817,002	\$1,070,799	\$574,785	
		=====	=====	=====	=====	

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

12. LOANS RECEIVABLE (cont)

<u>Days in arrears</u>	<u>Number of accounts</u>	<u>Delinquent loans</u> \$	<u>Savings held against loans</u> \$	<u>Portion of loans not covered by savings</u> \$	<u>Loan loss provision</u> \$	<u>Provision rate %</u>
<u>2015</u>						
1 to 30 days	306	3,700,283	2,718,659	981,624	--	0%
31 to 90 days	170	706,164	491,615	214,549	75,092	35%
91 to 180 days	119	1,380,121	1,036,822	343,299	120,155	35%
181 to 365 days	209	741,250	152,475	588,775	206,071	35%
> 365 days	1,878	<u>6,435,722</u>	<u>1,084,180</u>	<u>5,351,542</u>	<u>5,351,542</u>	100%
		\$12,963,540	\$5,483,751	\$7,479,789	\$5,752,860	
		=====	=====	=====	=====	

13. INVESTMENT PROPERTIES

	<u>Land</u> \$	<u>Building</u> \$	<u>Total</u> \$
<u>COST</u>			
1 January and 31 December 2016	<u>475,167</u>	<u>1,021,250</u>	<u>1,496,417</u>
<u>DEPRECIATION</u>			
1 January 2016	--	563,473	563,473
Depreciation	--	<u>40,850</u>	<u>40,850</u>
31 December 2016	--	<u>604,323</u>	<u>604,323</u>
<u>NET BOOK VALUE</u>			
31 December 2016	\$475,167	\$416,927	\$892,094
	=====	=====	=====
31 December 2015	\$475,167	\$457,777	\$932,944
	=====	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

14. FIXED ASSETS (cont)

Included in land is a property in JFK Drive with a carrying value of \$763,315 which was purchased in 2013 as planned location to construct the Credit Union's future main office. The Credit Union has also incurred architectural design and other preliminary cost related to construction totalling \$295,665 (2015: \$253,765), an increase of \$41,900 from previous year. These costs were classified as construction in progress. A site inspection on the property performed by a third party resulted in several concerns including topography which should be addressed prior to the commencement of construction. The total cost in addressing these concerns is currently unknown. The project has since been put on hold and subsequent to the statement of financial position date, the Board of Directors have given instructions to its legal counsel to assess the Credit Union's recourse with regards to the recovery of all cost incurred related to the project.

The Credit Union's Poinciana Drive property is comprised of land and building with net book value of \$157,500 and \$216,327, respectively. The property has been appraised in October 2008 as disclosed in Note 27.

The remaining land pertains to a property in George Town, Exuma with a carrying value of \$108,752.

15. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<u>2016</u>	<u>2015</u>
	\$	\$
Members' salary deductions received in advance	371,846	397,542
Travel benefit program payable	81,331	117,855
Insurance payable	33,847	37,760
Professional fees payable	17,747	24,597
Rent payable	13,850	13,100
Value added tax payable	17,317	7,765
Accounts payable	20,638	11,759
Others	<u>14,767</u>	<u>12,755</u>
	\$571,343	\$623,133
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

16. MEMBERS' DEPOSITS

	<u>2016</u>	<u>2015</u>
	\$	\$
Members' share deposits	25,549,170	24,270,270
Term deposits	21,221,069	21,318,492
Educational savings	1,914,683	1,723,587
House plan savings	1,105,831	658,942
Deposit accounts	942,388	512,309
Dormant accounts	829,950	1,058,563
Retirement savings	513,376	455,155
Credit card security account	475,239	21,861
Vacation club savings	246,961	186,709
Christmas savings	244,003	245,174
Debit card account	200,880	208,820
Back to school savings	84,258	53,554
Other deposit accounts	<u>358,955</u>	<u>173,833</u>
	53,686,763	50,887,269
Accrued interest payable	<u>951,753</u>	<u>889,800</u>
	\$54,638,516	\$51,777,069
	=====	=====

Included in deposits, is an amount of \$1,458,651 (2015: \$1,458,651) that is attributable to non-members.

Concentration of members' deposits is as follows:

	<u>%</u>	<u>2016</u>	<u>%</u>	<u>2015</u>
		\$		\$
\$0 - \$100,000	77.64	41,679,958	78.38	39,886,699
\$100,001 - \$300,000	14.75	7,920,225	14.36	7,308,045
\$300,001 - \$500,000	2.96	1,589,181	3.37	1,715,545
\$500,001 and over	<u>4.65</u>	<u>2,497,399</u>	<u>3.89</u>	<u>1,976,980</u>
	100.00	53,686,763	100.00	50,887,269
Accrued interest payable		<u>951,753</u>		<u>889,800</u>
		\$54,638,516		\$51,777,069
		=====		=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****16. MEMBERS' DEPOSITS (cont)***Members' Share Deposits*

This account is the anchor for the Credit Union, it is mandatory that members deposit a minimum of \$20.00 per week or \$80.00 per month. This account can be used as a retirement account as members are discouraged from making withdrawals from this account except under extreme circumstances. This account can also be used as the collateral account for consumer loans. Interest is paid on this account at a range of 3.00% to 3.50% (2015: 3.00% to 3.50%) per annum depending on the balance of the account.

Term Deposits

Term deposits have a minimum duration of 1 year (2015: 1 year) and a minimum deposit requirement of \$1,000. The deposits bear interest at rates ranging from 3.00% to 6.50% (2015: 3.00% to 4.00%).

Educational Savings

Educational savings account is designed to assist members preparing for their children education or for a designated child college expenses. A child must be named for this account and must not be over the age of 18 years old. Interest on this account is paid at 6.00% per annum (2015: 6.00%).

Christmas Savings

The christmas savings account is an additional savings vehicle for members, during the Christmas period. Members can deposit funds to this account at any time during the year. Interest is calculated at 4.00% (2015: 4.00%).

House Plan Savings

This account is designed to assist members in saving for acquisition of a home. Interest is calculated at 4.00% (2015: 4.00%).

Back-to-School Account

The purpose of this account is to aide members in preparing for school fees and associated expenses that are due at the beginning of each semester/term. Interest is paid on this account at 2.00% (2015: 2.00%).

Deposit Account

This is a regular savings account. There is a free access to the balance of this account and may use this account for salary deposit or any other saving purpose. No interest is paid on this account.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

17. QUALIFYING SHARES

Qualifying shares are the minimum shares that are required to become a member as outlined in the Credit Union's by-laws. Every member must have a minimum of two shares with a value of \$100 which must be fully paid. Dividends may be paid on qualifying shares based on available earnings.

18. STATUTORY RESERVE

Part IX Section 65 (1) of the New Act requires the Credit Union to establish and maintain a statutory reserve fund as may be prescribed by the regulations.

As at 31 December 2016, the Credit Union has transferred a total of \$3,895,784 (2015: \$3,608,149) to the statutory reserve fund from accumulated earnings.

19. LOAN INTEREST INCOME

Loan interest income consists of interest earned on loans receivable from members.

	<u>2016</u>	<u>2015</u>
	\$	\$
Consumer	1,964,978	1,673,361
Revolving line of credit	1,166,365	1,978,982
Mortgage	407,449	371,363
Debt consolidation	59,810	127,989
Auto	5,258	4,577
Other	<u>4,337</u>	<u>18,025</u>
	\$3,608,197	\$4,174,297
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

20. DEPOSIT INTEREST EXPENSE

Interest on deposits range from 1.00% to 4.00% per annum and is based on the type of deposit as well as the balance on deposit. Interest is calculated on the average daily balance. The interest bands on the two most significant types of deposits are as follows:

	<u>Interest rate per annum</u>
Members' share deposits	
\$ 100.00 - \$ 4,999.00	2.00%
\$ 5,000.00 - \$ 9,999.99	2.25%
\$ 10,000.00 - \$ 19,999.99	2.75%
\$ 20,000.00 and over	3.00%
Term deposits	
1 year	3.00%
2 years	3.25%
3 years	3.50%
4 years	3.75%
5 years +	4.00%

Interest expense on members' deposits during the year is as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Members' share deposits	740,069	765,331
Term deposits	780,453	913,945
Educational savings	110,729	98,875
Christmas saving	23,739	23,304
House plan savings	37,305	19,417
Other deposit accounts	<u>33,537</u>	<u>31,432</u>
	\$1,725,832	\$1,852,304
	=====	=====

Included in interest expense on members' share deposits, is an amount of \$64,872 (2015: \$64,872) that is attributable to two non-member depositors.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

21. OTHER INCOME

	<u>2016</u>	<u>2015</u>
	\$	\$
Service charges	314,094	273,324
Lease income	85,850	80,350
Dividends	51,726	46,808
Debit card membership and withdrawal	28,472	32,047
Entrance fees	7,224	8,510
Other	<u>138,888</u>	<u>124,273</u>
	\$626,254	\$565,312
	=====	=====

Lease income pertains to rentals earned on the Credit Union's investment properties.

22. PERSONNEL

	<u>2016</u>	<u>2015</u>
	\$	\$
Salaries	982,957	863,542
Group health insurance	105,273	103,793
Vacation pay	91,280	90,016
Employee training and development	80,158	50,173
Staff pension	62,102	57,672
Christmas bonus	56,012	51,891
National insurance contribution	49,529	47,337
Overtime	11,528	17,288
Other employee benefits	<u>20,317</u>	<u>17,002</u>
	\$1,459,156	\$1,298,714
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

23. RELATED PARTY BALANCES AND TRANSACTIONS

The following balances and transactions are held or conducted directly or indirectly by or with related parties:

	<u>2016</u>	<u>2015</u>
	\$	\$
Assets		
Loans receivable, net	530,565	538,412
Liabilities		
Interest payable	3,315	3,862
Term deposits	347,008	250,258
Other deposits	72,807	77,188
Share deposits	518,478	474,697
Equity		
Qualifying shares	1,600	1,700
Income		
Interest income on loans receivable	47,537	46,538
Expenses		
Interest expense on deposits	34,060	29,029
Key management, board and committee compensation	146,510	137,103

24. PENSION PLAN

The Credit Union has a Participation Agreement with Bahamas Hotel and Allied Industries Pension Fund (BHAIPF). BHAIPF is a defined contribution retirement plan ("the Plan") administered by Providence Advisors Limited. The Credit Union contributes an amount equivalent to 5.00% of the employees' weekly salaries to the Plan. Total pension cost charged to operations amounted to \$62,102 (2015: \$57,672).

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****25. FINANCIAL RISK MANAGEMENT**

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

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

This note presents information about the Credit Union's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework.

The Credit Union's risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Credit Union's activities.

Credit risk

Credit risk is the risk of financial loss arising if a customer or counter-party fails to meet its contractual obligations. The Credit Union is exposed to risk for various financial instruments, for example by granting loans and receivables to members, investing in bonds, etc. The Credit Union's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

The Credit Union controls credit risk by the application of credit approvals, limits, and monitoring procedures. The Credit Union ensures that loans are extended to members with appropriate credit history and an internal mechanism exists to monitor the granting of credit and the management of credit exposures. It is also the Credit Union's policy to trade with recognised and creditworthy third parties.

The Credit Union has made provisions, where necessary, for potential losses on loans and are controlled using specific policies which are designed to maximise the risk/return trade off.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****25. FINANCIAL RISK MANAGEMENT (cont)****Liquidity risk**

Liquidity risk is the risk that the Credit Union will not be able to meet its financial obligation as they fall due. The Credit Union's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Credit Union ensures that it has sufficient liquid assets to settle currently maturing obligations. Maturity profile of the Credit Union's financial liabilities is disclosed in Note 26.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 is exposed to market risk on investments in that the Credit Union may not be able to readily dispose of its holdings when it chooses and also that the price obtained on disposal is below that at which the investment is included in the Credit Union's financial statements.

The Credit Union's market risk is managed by the Board of Directors through diversification of the investment portfolio across a wide range of financial assets.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Cash balances and short term investments are not subject to significant interest rate risk due to their short-term nature. The Credit Union's loans receivable and members' deposits have fixed interest thus there is no significant exposure to interest rate risk on these instruments.

The investments in bonds and Bahamas Government Registered Stock have interest rates based on the Bahamas Prime rate of 4.75% which is set by the Central Bank of the Bahamas and is also not considered exposed to significant fluctuations.

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

26. MATURITY OF SIGNIFICANT ASSETS & LIABILITES

<u>2016</u>	<u>Within 3 Months</u> \$	<u>3 to 6 Months</u> \$	<u>6 to 12 months</u> \$	<u>1 to 3 Years</u> \$	<u>3 to 5 years</u> \$	<u>Over 5 years</u> \$	<u>TOTAL</u> \$
Financial Assets:							
Cash and cash equivalents	6,966,498	--	2,000,000	2,100,000	--	--	11,066,498
Short Term Investment	--	5,122,507	--	--	--	--	5,122,507
Deposits with the League	9,284,596	--	--	--	--	--	9,284,596
Other assets	619,769	--	--	--	--	--	619,769
Marketable securities	1,451,054	--	--	--	--	--	1,451,054
Bonds	--	--	--	--	--	100,000	100,000
Bahamas government registered stock	--	--	--	11,000	2,000	2,305,700	2,318,700
Loans receivable	<u>1,050,172</u>	<u>84,467</u>	<u>209,182</u>	<u>4,320,532</u>	<u>10,396,919</u>	<u>11,695,565</u>	<u>27,756,837</u>
	<u>\$19,372,089</u>	<u>\$5,206,974</u>	<u>\$2,209,182</u>	<u>\$6,431,532</u>	<u>\$10,398,919</u>	<u>\$14,101,265</u>	<u>\$57,719,961</u>
Financial Liabilities:							
Accounts payable and accrued expenses	571,343	--	--	--	--	--	571,343
Members' deposits and accrued interest payable	<u>39,991,305</u>	<u>3,471,587</u>	<u>5,970,839</u>	<u>3,863,766</u>	<u>1,341,019</u>	--	<u>54,638,516</u>
	<u>\$40,562,648</u>	<u>\$3,471,587</u>	<u>\$5,970,839</u>	<u>\$3,863,766</u>	<u>\$1,341,019</u>	<u>\$--</u>	<u>\$55,209,859</u>
Liquidity Gap	<u>\$(21,190,559)</u>	<u>\$1,735,387</u>	<u>\$(3,761,657)</u>	<u>\$2,567,766</u>	<u>\$9,057,900</u>	<u>\$14,101,265</u>	<u>\$2,510,102</u>

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2016****27. APPRAISAL SURPLUS**

In October 2008, Bahamas Realty Limited, an independent qualified real estate broker and appraiser, conducted an appraisal of the Poinciana Drive property.

The restated fair market value resulted in a revaluation surplus of \$154,517 (land: \$123,900 and building: \$30,617), which is included in equity.

The land and building has a net book value of \$157,500 and \$216,327, respectively, as disclosed in Note 14.

28. CAPITAL REQUIREMENTS

The Credit Union maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the credit Union's capital is monitored using, among other measures, the rules and ratios established by the Department of Cooperatives.

The primary objectives of the Credit Union's capital management are to ensure that it complies with externally imposed capital requirements and that the Credit Union maintains strong capital ratios in order to support its business and to safe guard its ability to continue as a going concern to maximize members' value.

At 31 December 2016, the capital structure of the Credit Unions consists of qualifying shares, reserves and accumulated earnings. On-going capital management includes the payment of dividends, new qualifying share issuances and obtaining accumulated earnings.

29. COMPARATIVE FIGURES

Presentation of certain comparative balances has been re-stated in order to conform with the current year's presentation.

**REPORT OF THE AUDITORS TO THE BOARD OF DIRECTORS OF
NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
ON THE SUPPLEMENTARY INFORMATION**

The primary purpose of our examination for the year ended 31 December 2016 was to formulate an opinion on the basic financial statements of National Workers Co-operative Credit Union and notes thereto appearing on pages 3 through 45.

The supplementary information as at 31 December 2016 and for the year then ended contained on pages 47 through 52, is presented for the purpose of facilitating analysis. These statements should be read in conjunction with the financial statements of the Credit Union and notes thereto as detailed on pages 3 through 45.

We have audited the financial statements of the Credit Union for the year ended 31 December 2016, from which the supplementary information was derived. We do not express an opinion on the supplementary information.

During the year, the Poinciana Drive Branch has been converted as the Credit Union's Collections Department. Member accounts under this branch were transferred to the Nassau Head Office. Consequently, all operating cost related to this branch were also allocated to the Nassau Head Office.

**Chartered Accountants
Nassau Bahamas
_____2017**

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED

UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
NASSAU HEAD OFFICE

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
FINANCE INCOME		
Loan interest income	2,713,279	3,108,352
Investment interest income	281,930	168,843
Interest in deposits with League	116,426	109,356
Interest income on branch funding	<u> --</u>	<u>160,408</u>
	<u>3,111,635</u>	<u>3,546,959</u>
FINANCE COST		
Deposit interest expense	1,311,108	1,425,117
Borrowings	<u> --</u>	<u>234,366</u>
	<u>1,311,108</u>	<u>1,659,483</u>
NET FINANCE INCOME	1,800,527	1,887,476
OTHER INCOME	519,247	451,779
OPERATING EXPENSES		
Personnel	1,052,820	915,366
Bad debt expense	434,000	417,738
Occupancy	257,595	258,210
General business	172,358	218,693
Member insurance	162,180	155,258
Depreciation	106,978	125,148
Organisational	63,845	69,197
Marketing	59,696	70,223
Computer expense	<u>39,952</u>	<u>25,401</u>
	<u>2,349,424</u>	<u>2,255,234</u>
NET (LOSS)/INCOME FOR THE YEAR	(29,650)	84,021
OTHER COMPREHENSIVE INCOME		
Fair value income on marketable securities	<u>69,939</u>	<u>33,528</u>
Nassau Head Office – net comprehensive income	40,289	117,549
Freeport Branch – net comprehensive income	<u>129,077</u>	<u>(2,853)</u>
NET COMPREHENSIVE INCOME	<u>\$169,366</u>	<u>\$114,696</u>

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
NASSAU HEAD OFFICE
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
PERSONNEL EXPENSES		
Salaries	664,090	568,040
Group health insurance	85,221	83,742
Vacation pay	74,143	72,677
Staff pension	51,049	46,618
Christmas bonus	47,114	43,274
National insurance contribution	39,961	38,003
Overtime	10,882	15,438
Employee training and development	62,937	33,876
Other employee benefits	<u>17,423</u>	<u>13,698</u>
	<u>1,052,820</u>	<u>915,366</u>
BAD DEBT EXPENSE	<u>434,000</u>	<u>417,738</u>
OCCUPANCY EXPENSES		
Rent	60,292	54,792
Utilities	111,797	118,682
Building maintenance	38,007	34,532
Real property tax	3,840	5,123
Security and armoured car service	<u>43,659</u>	<u>45,081</u>
	<u>257,595</u>	<u>258,210</u>
GENERAL BUSINESS EXPENSE		
Professional fees	12,850	76,154
Insurance	35,939	36,570
Vehicle	22,573	26,948
Stationery supplies	29,600	23,203
Bank charges	22,965	18,661
Equipment maintenance	18,673	15,586
Office furniture, equipment & supplies	16,079	19,622
Courier and postage	7,012	8,737
Loss on disposal of assets	319	3,657
Unclaimed value added tax input	28,428	40,109
Other expenses/(recoveries)	<u>(22,080)</u>	<u>(50,554)</u>
	<u>172,358</u>	<u>218,693</u>

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
NASSAU HEAD OFFICE

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
MEMBER INSURANCE		
Share/loan insurance premium	138,964	130,289
Blanket bond insurance	4,760	4,757
Stabilisation fee	<u>18,456</u>	<u>20,212</u>
	<u>162,180</u>	<u>155,258</u>
DEPRECIATION EXPENSE		
Building – investment property	40,850	56,254
Computer hardware and software	18,563	34,354
Building and improvements	16,312	--
Furniture and fixtures	22,314	20,416
Vehicles	4,071	10,013
Leasehold improvements	<u>4,868</u>	<u>4,111</u>
	<u>106,978</u>	<u>125,148</u>
ORGANISATIONAL EXPENSE		
Board and committee meetings	42,253	38,945
Officials development and travel	11,215	9,585
Annual general meeting	7,977	18,467
Other expenses	<u>2,400</u>	<u>2,200</u>
	<u>63,845</u>	<u>69,197</u>
MARKETING EXPENSE		
Advertising and promotions	57,238	64,512
Donations	<u>2,458</u>	<u>5,711</u>
	<u>59,696</u>	<u>70,223</u>
COMPUTER EXPENSE		
Computer maintenance	36,329	23,198
Computer stationery supplies	<u>3,623</u>	<u>2,203</u>
	<u>39,952</u>	<u>25,401</u>

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FREEPORT BRANCH
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
FINANCE INCOME		
Loan interest income	894,918	1,065,945
Investment interest income	117,245	18,551
Interest in deposits with League	15,163	12,925
Interest income on branch funding	<u> --</u>	<u> 47,342</u>
	<u>1,027,326</u>	<u>1,144,763</u>
FINANCE COST		
Deposit interest expense	<u>414,724</u>	<u>427,187</u>
NET FINANCE INCOME	612,602	717,576
OTHER INCOME	107,007	113,533
OPERATING EXPENSES		
Personnel	406,336	383,348
Bad debt expense	(64,000)	171,001
Occupancy	67,771	69,408
General business	39,399	39,711
Member insurance	54,176	64,590
Depreciation	10,765	13,298
Organisational	42,230	58,188
Marketing	22,273	24,964
Computer expense	<u>11,582</u>	<u>9,454</u>
	<u>590,532</u>	<u>833,962</u>
NET INCOME/(LOSS) FOR THE YEAR	\$129,077	\$(2,853)
	=====	=====

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FREEPORT BRANCH
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
PERSONNEL EXPENSES		
Salaries	318,867	295,502
Group health insurance	20,051	20,051
Vacation pay	17,137	17,340
Staff pension	11,054	11,054
Christmas bonus	8,898	8,618
National insurance contribution	9,568	9,333
Overtime	646	1,850
Employee training and development	17,221	16,297
Other employee benefits	<u>2,894</u>	<u>3,303</u>
	<u>406,336</u>	<u>383,348</u>
BAD DEBT EXPENSE	<u>(64,000)</u>	<u>171,001</u>
OCCUPANCY EXPENSES		
Rent	6,000	7,200
Utilities	36,683	40,735
Building maintenance	14,104	10,122
Security and armoured car service	<u>10,984</u>	<u>11,351</u>
	<u>67,771</u>	<u>69,408</u>
GENERAL BUSINESS EXPENSE		
Professional fees	6,730	6,874
Insurance	5,662	7,645
Vehicle	6,361	7,516
Stationery supplies	3,615	3,922
Bank charges	7,040	6,380
Equipment maintenance	8,416	1,630
Office furniture, equipment & supplies	5,009	3,813
Courier and postage	1,036	885
Unclaimed value added tax input	6,679	5,050
Other (recoveries)/expenses	<u>(11,149)</u>	<u>(4,004)</u>
	<u>39,399</u>	<u>39,711</u>

NATIONAL WORKERS CO-OPERATIVE CREDIT UNION LIMITED
UNAUDITED SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FREEPORT BRANCH
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
MEMBER INSURANCE		
Share/loan insurance premium	46,221	56,439
Blanket bond insurance	2,240	2,239
Stabilisation fee	<u>5,715</u>	<u>5,912</u>
	<u>54,176</u>	<u>64,590</u>
DEPRECIATION EXPENSE		
Computer hardware and software	2,182	2,263
Furniture and fixtures	6,858	6,556
Vehicles	--	3,005
Leasehold improvements	<u>1,725</u>	<u>1,474</u>
	<u>10,765</u>	<u>13,298</u>
ORGANISATIONAL EXPENSE		
Board and committee meetings	36,992	45,619
Officials development and travel	--	4,624
Annual general meeting	<u>5,238</u>	<u>7,945</u>
	<u>42,230</u>	<u>58,188</u>
MARKETING EXPENSE		
Advertising and promotions	18,563	22,844
Donations	<u>3,710</u>	<u>2,120</u>
	<u>22,273</u>	<u>24,964</u>
COMPUTER EXPENSE		
Computer maintenance	6,657	7,576
Computer stationery supplies	<u>4,925</u>	<u>1,878</u>
	<u>11,582</u>	<u>9,454</u>