

Financial Statements of

STUDENT REVOLVING LOAN FUND

March 31, 2018



Student Revolving Loan Fund

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INDEPENDENT AUDITORS' REPORT

**To the Management Committee of Student Revolving Loan Fund
Report on the Audit of the Financial Statements**

Qualified Opinion

We have audited the financial statements of Student Revolving Loan Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2018, the statements of changes in funds, profit or loss and other comprehensive income, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As described in note 2(i) to the financial statements, the Fund's current provisioning policy for the allowance for loan losses does not meet the requirements of International Accounting Standard No. 39 ("IAS 39"). Consequently as at March 31, 2017 and 2016 we were unable to assess the reasonableness of the allowance for loan losses and any adjustments that might be required to the allowance for loan losses, the (decrease) increase in the allowance for loan losses, comprehensive income and the general fund, if the Fund had applied the requirements of IAS 39.

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Management Committee of Student Revolving Loan Fund (continued)

Report on the Audit of the Financial Statements (continued)

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 IFRS, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing>. This description forms part of our auditors' report.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Management Committee of Student Revolving Loan Fund (continued)

Report on the Audit of the Financial Statements (continued)

Other Matter

This report is made solely to the Student Revolving Loan Fund Management Committee, as a body, in accordance with the Student Revolving Fund Loan Act Cap 54A, Section 4(1). Our audit work has been undertaken so that we might state to the Fund's management committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's management committee as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink, appearing to be 'KPMG' with a stylized flourish.

Chartered Accountants
Bridgetown, Barbados
March 26, 2019

Student Revolving Loan Fund

Statement of Financial Position

As at March 31, 2018

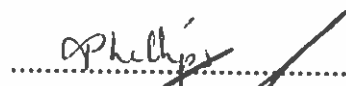
With comparative figures for 2017

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash and cash equivalents	4	\$ 8,535,094	10,096,656
Investments	5, 12	18,480,270	13,498,952
Receivables and prepaid expenses	6	363,331	369,576
Staff loans		130,638	125,038
Insurance receivable	7	630,255	639,024
Student loans receivable	8	75,701,735	75,435,792
Plant and equipment	11	<u>256,161</u>	<u>243,927</u>
Total Assets		\$ <u>104,097,484</u>	<u>100,408,965</u>
Liabilities and Funds			
Liabilities			
Accounts payable and accrued expenses		\$ 564,555	497,080
Advances from the Government of Barbados	10	<u>6,000,000</u>	<u>-</u>
Total liabilities		<u>6,564,555</u>	<u>497,080</u>
Funds			
Contribution		58,343,698	58,343,698
General fund		<u>39,189,231</u>	<u>41,568,187</u>
Total funds		<u>97,532,929</u>	<u>99,911,885</u>
Commitments	9	<u>-</u>	<u>-</u>
Total Liabilities and Funds		\$ <u>104,097,484</u>	<u>100,408,965</u>

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

Approved on behalf of the Management Committee on March 26, 2019



Chairman



Administrative Manager

Student Revolving Loan Fund

Statement of Changes in Funds

For the year ended March 31, 2018
With comparative figures for 2017

(Expressed in Barbados dollars)

		Contribution - Government of Barbados	General Fund	Total
Balance at April 1, 2016	\$	58,343,698	31,577,764	89,921,462
Comprehensive income		<u>-</u>	<u>9,990,423</u>	<u>9,990,423</u>
Balance at March 31, 2017		<u>58,343,698</u>	<u>41,568,187</u>	<u>99,911,885</u>
Balance at April 1, 2017		58,343,698	41,568,187	99,911,885
Comprehensive income		<u>-</u>	<u>(2,378,956)</u>	<u>(2,378,956)</u>
Balance at March 31, 2018	\$	<u><u>58,343,698</u></u>	<u><u>39,189,231</u></u>	<u><u>97,532,929</u></u>

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

Student Revolving Loan Fund

Statement of Profit or Loss and Other Comprehensive Income

For the year ended March 31, 2018
With comparative figures for 2017

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Income			
Interest on student loans	2(d)	\$ 4,050,688	4,828,690
Interest on investments		784,856	708,796
Credit and adjudication fees		86,125	127,274
Government Funding		-	5,000,000
Gain on Sale of Plant & Equipment		8,935	-
Other		<u>81,229</u>	<u>121,799</u>
Total income		<u>5,011,833</u>	<u>10,786,559</u>
Expenses			
Advertising		21,922	58,651
40 th Anniversary expenses		75,293	-
Bad debt expense		666,289	1,234,037
Increase (decrease) in allowance for uncollectible insurance	7	13,167	(108,116)
Increase (decrease) in allowance for loan losses	8	212,186	(2,645,244)
Bank charges		3,612	4,292
Committee members' expenses		9,960	17,520
Commissions paid		72,226	66,604
Depreciation and amortisation		90,056	101,470
Dues and subscriptions		10,704	5,851
Insurance		7,483	7,525
Miscellaneous		3,395	4,458
Office expenses and supplies		147,248	125,149
Professional fees		72,402	109,781
License fees		8,916	9,138
Commitment Fees – Government of Barbados		1,637	-
Repairs and maintenance		55,144	61,236
Salaries and staff benefits		1,852,372	1,698,694
Telephone		30,097	27,382
Travel and entertainment		<u>9,352</u>	<u>17,708</u>
Total expenses		<u>3,363,461</u>	<u>796,136</u>
Decrease in value of investments due to Government Restructuring		<u>(4,027,328)</u>	<u>-</u>
Net (loss) income being comprehensive income for the year		\$ <u>(2,378,956)</u>	<u>9,990,423</u>

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

Student Revolving Loan Fund

Statement of Cash Flows

For the year ended March 31, 2018
With comparative figures for 2017

(Expressed in Barbados dollars)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Net (loss) income	\$ (2,378,956)	9,990,423
Adjustments for:		
Depreciation and amortisation	90,056	101,470
Interest income on investments	(784,856)	(708,796)
Interest income on student loans receivable	(4,050,688)	(4,828,690)
Decrease in value of investments due to Government Restructuring	4,027,328	-
Bad debts expense	666,289	1,234,037
Increase (decrease) in allowance uncollectible insurance	13,167	(108,116)
Gain on disposal of plant and equipment	(8,935)	-
Increase (decrease) in allowance loan losses	<u>212,186</u>	<u>(2,645,242)</u>
Operating (loss) income before working capital changes	(2,214,409)	3,035,086
Increase (decrease) in receivables and prepaid expenses	6,245	(35,321)
(Decrease) increase in staff loans	(5,600)	264
(Decrease) increase in insurance receivable	(4,398)	31,931
Increase (decrease) in accounts payable and accrued expenses	67,475	(29,547)
Net student loan receipts (advances)	<u>2,906,270</u>	<u>(1,486,500)</u>
Net cash from operating activities	<u>755,583</u>	<u>1,515,913</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(103,355)	-
Proceeds from sale of plant and equipment	10,000	(16,658)
Purchase of investments	(9,006,724)	(1,027,028)
Proceeds on maturity of investments	157,934	80,118
Interest received on investments	<u>625,000</u>	<u>626,991</u>
Net cash used in investing activities	<u>(8,317,145)</u>	<u>(336,577)</u>
Cash Flows from Financing Activities		
Advances from the Government of Barbados	<u>6,000,000</u>	-
Net cash from financing activities	<u>6,000,000</u>	-
Net (decrease) increase in cash and cash equivalents	<u>(1,561,562)</u>	<u>1,179,336</u>
Cash and cash equivalents - beginning of year	<u>10,096,656</u>	<u>8,917,320</u>
Cash and cash equivalents - end of year	\$ <u>8,535,094</u>	<u>10,096,656</u>

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

Student Revolving Loan Fund

Notes to the Financial Statements

For the year ended March 31, 2018

(Expressed in Barbados dollars)

1. Incorporation and Principal Activity

The Student Revolving Loan Fund (the "Fund") was established under the Student Revolving Loan Fund Act, 1976-20. The Fund is also governed by the Student Revolving Loan Fund (Amendment) Act 1984-38 and the Student Revolving Loan Fund (Amendment) Act 1991-5.

The Fund provides financial assistance to eligible Barbadians pursuing full-time studies in post-secondary, technical, vocational, undergraduate and graduate programmes. Its registered office is located at the Elsie Payne Complex, Constitution Road, St. Michael.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board. They have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Actual amounts may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgments that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

2. Significant Accounting Policies ...continued

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

Impairment of financial assets

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the asset or group of assets that can be reliably estimated.

The criteria that the Fund uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payment of principal and interest; and
- Breach of loan covenants or conditions.

The Fund reviews its individually significant loans at each reporting date to assess whether impairment should be recorded in the Statement of Comprehensive Income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining individual impairment and also in the determination of collective impairment.

In estimating these cash flows, the Fund makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation of balances in United States currency has been made at the rate of US\$1 = BDS\$2, which is the official fixed rate of the Barbados Dollar (BDS\$).

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

2. Significant Accounting Policies ...continued

(d) Revenue recognition

Interest revenue

Interest on student loans is recognised on the accrual basis. At the end of each financial year all loans which have instalments in arrears for 180 days or over are classified as loans of doubtful value (LDV). Interest on loans classified as LDV is recognised only to the extent that cash is received.

Credit fees

Credit fees are recognised on an accrual basis.

Investment income

Investment income is recorded in the Statement of Comprehensive Income for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, transaction costs and other premiums or discounts) through the expected life of the instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank.

(f) Financial assets

Held-to-maturity investments

Investments are represented by term deposits with financial institutions and Government treasury bills. These investments are classified as held-to-maturity investments, which are non-derivative financial assets with fixed or determinable payments and fixed maturities. Management has reviewed the Fund's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Fund's positive intention and ability to hold those assets to maturity.

Held-to-maturity investments are initially measured at fair value and subsequently carried at amortised cost less any provision for impairment.

Regular-way purchases and sales of investments are recognised on the trade date.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

2. Significant Accounting Policies ...continued

(f) *Financial assets ...continued*

Loans and receivables

Non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost less any provision for impairment.

The Fund assesses at each reporting date whether there is evidence that a financial asset is impaired. If any such evidence exists a provision is established and the impairment loss reported in the Statement of Comprehensive Income.

(g) *Plant and equipment*

All assets are stated at cost less accumulated depreciation and impairment losses.

Subsequent cost is included in an asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits will flow to the Fund. All repairs and maintenance are charged to the Statement of Comprehensive Income in the period in which they are incurred.

Depreciation is computed using the straight-line method at rates considered adequate to write off the cost of depreciable assets over their estimated useful lives.

The annual rates used are:

Computer equipment	10% & 33.3%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvement	10%

(h) *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

2. Significant Accounting Policies ...continued

(i) Allowance for loan losses

The allowance for possible loan loss is based upon detailed analyses of loans in repayment mode in the 'Recoveries' portfolio and reflects an amount which, in Management's judgement, provides adequately for potential losses. All loans deemed uncollectible are fully provided for in the year that they are deemed to be uncollectible. The rates used to provide for potential losses and the corresponding categories to which they apply are as follows:

<u>Rate</u>	<u>Period of Arrears</u>
1%	Current – 180 days
25%	181 – 365 days
50%	1 – 2 years
100%	over 2 years
100%	deemed uncollectible

International Accounting Standard No. 39 ("IAS 39") requires that the Fund assess at the end of each reporting period whether there is any objective evidence that its loan portfolio, measured at amortized cost, is impaired. IAS 39 specifies that when using historical loss rates in estimating future cash flows, it is important that information about historical loss rates is applied to groups that are defined in a manner consistent with the groups for which the historical loss rates were observed. The method used should enable each group to be associated with information about past loss experience in groups of assets with similar credit risk characteristics and relevant observable data that reflect current conditions.

The Fund does not conduct a review in the manner described above to be able to make an assessment of the accuracy of its provisioning policy compared to actual losses incurred at the end of each reporting period. The absence of such a review could lead to the under or overstatement of the impairment of its portfolio and the loan loss recognized for the reporting period.

(j) Allowance for uncollectible insurance

The allowance for uncollectible insurance is determined on the same basis as the allowance for loan losses.

(k) Taxation

The Fund is exempt from income and any other form of tax under section 8 of the Student Revolving Loan Fund Act, Cap 54A.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended March 31, 2018, and have not been applied in preparing these financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Fund's financial statements is provided below:

- IFRS 9 – Financial Instruments (annual reporting periods beginning on or after January 1, 2018);

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

2. Significant Accounting Policies ...continued

(l) *New standards and interpretations not yet adopted ...continued*

- IFRS 15 – Revenue from Contracts with Customers (annual reporting periods beginning on or after January 1, 2018); and
- IFRS 16 – Leases (annual reporting periods beginning on or after January 1, 2019)

It is not anticipated that the application of IFRS 15 or IFRS 16 will have a significant impact on the S Fund's financial statements in the period of application. IFRS 9 is expected to alter the recognition of impairment and the calculation of the allowance for loan losses and could have a significant impact on the amounts reported by the Fund.

(m) *Standards, interpretations and amendments to existing standards effective for the current year*

During the year, certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that these new standards, interpretations and amendments to the existing standards, where relevant, did not have any significant impact on the preparation of these financial statements.

3. Financial Risk Management

The Fund's activities expose it to a variety of financial risks including the effects of credit risk, liquidity risk and interest rate risk.

Risk management assessments are carried out by the Fund's management team under the direction of the Management Committee through review of the Fund's performance; and its investment and loan disbursements, internal procedures, policies and practices.

Capital management

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide financial assistance to eligible Barbadians as mandated in its governing Act. The Fund is not subject to any externally imposed capital requirements.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily on the loans disbursed to borrowers. Credit risk also arises from cash and cash equivalents, government securities and deposits with banks and financial institutions.

The Fund employs a range of policies and practices to mitigate credit risk relating to its loan portfolio. Each loan application is first reviewed and rated by a loans officer before being presented to the Management Committee for approval. In addition, based on the amount of the loan disbursed by the Fund, suitable sureties and or collateral is required of the loan applicant. The principal collateral types for loans within the Fund are:

- Mortgages over residential properties
- Charges over financial instruments such as debt securities and equities

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

3. Financial Risk Management ...continued

Credit risk ... continued

The Fund evaluates the financial institutions with which it places cash and cash equivalents.

The maximum credit risk exposure is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 8,535,094	10,096,656
Investments (i)	22,507,598	13,498,952
Staff loans	130,638	125,038
Receivables	300,434	280,991
Insurance receivables (net of allowance)	630,255	639,024
Student loans receivable (net of allowance) (ii)	<u>75,701,735</u>	<u>75,435,792</u>
	<u>\$ 107,805,754</u>	<u>100,076,453</u>

As at March 31, 2018, the Fund holds \$22,507,598 (2017: \$13,498,952) in Government of Barbados debt securities representing 100% (2017: 100%) of the Fund's total investment portfolio.

- (i) The above balance of student loans receivable (net of allowance) represents the maximum credit risk exposure of the Fund as of March 31, 2018 and 2017, without taking account of any collateral held or other credit enhancements attached.

Credit quality of student loan receivable

As at March 31, 2018, the aging analysis of gross student loans receivable is as follows:

	Neither	Past Due	Current to	Past Due and Impaired		
				Total	Past Due Not Impaired	180 Days
2018	\$ 109,206,056	63,504,471	11,215,120	8,477,058	6,689,757	19,319,650
2017	\$ 108,727,927	66,947,734	10,244,183	6,152,211	5,326,841	19,961,308
2016	\$ 103,646,774	55,113,441	13,405,131	5,720,969	5,498,733	23,908,500
2015	\$ 92,517,577	48,879,009	10,977,582	4,553,177	4,575,694	23,532,115
2014	\$ 85,054,856	42,905,906	10,985,561	3,610,795	4,395,737	23,156,857
2013	\$ 81,712,843	41,059,467	9,588,121	3,619,727	4,662,620	22,782,908
2012	\$ 78,973,084	36,173,088	10,813,483	4,239,820	5,287,537	22,459,156

Liquidity risk

Liquidity risk is the risk that the Fund does not have sufficient financial resources available to meet its obligations and commitments as they fall due. Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they are disbursed to borrowers and creditors.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

3. Financial risk management ...continued

Liquidity risk ...continued

The Fund's liquidity management process includes:

- (a) Monitoring future cash flows and liquidity on a monthly basis;
- (b) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption of cash flow; and
- (c) Optimising cash returns on investment.

As at date of the Statement of Financial Position, the Fund's liabilities related only to accounts payable and accrued liabilities of \$564,555 (2017: \$497,080), and the CDB principal of \$6,000,000. As at the similar date the Fund had \$8,535,094 (2017: \$10,096,656) in unrestricted cash and cash equivalents.

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. The Fund's income and operating cash flows are substantially dependent on interest rates as the Fund has significant interest-bearing assets. However, the rates to which the Fund is subject are fixed and consequently, it is not exposed to any significant interest rate risks.

Fair value

Except for student loans receivable, the carrying values of the Fund's financial assets and liabilities in the Statement of Financial Position approximate their fair values.

There is currently no active market for the loans receivable held by the Fund. In addition, the Fund has approximately 234 loans with a carrying value of \$10.45 million that have reached maturity and for which new repayment terms have not been negotiated with the borrowers. It is therefore impracticable to determine the fair value of the student loans receivable portfolio.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

4. Cash and Cash Equivalentents

	<u>2018</u>	<u>2017</u>
Cash in hand	\$ 8,999	8,401
Cash at bank	<u>8,526,095</u>	<u>10,088,255</u>
	<u>\$ 8,535,094</u>	<u>10,096,656</u>

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

5. Investments

2018	<u>Remaining term to contractual maturity</u>			<u>Total</u>	<u>APR</u>
	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>		
Treasury note (Note 12)	\$ 10,000,000	-	-	10,000,000	6.25%
Treasury bills (Note 12)	11,863,303	-	-	11,863,303	3.51%
Treasury bills-collateral (Note12)	351,771	-	-	351,771	3.51%
Accrued Interest	292,524	-	-	292,524	3.51%
Impairment (Note 12)	<u>(4,027,328)</u>	-	-	<u>(4,027,328)</u>	
	\$ <u>18,480,270</u>	<u>-</u>	<u>-</u>	<u>18,480,270</u>	

2017	<u>Remaining term to contractual maturity</u>			<u>Total</u>	<u>APR</u>
	<u>Within 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>		
Term deposits	\$ -	-	-	-	
Treasury bills/note	<u>3,498,952</u>	<u>10,000,000</u>	-	<u>13,498,952</u>	3.51% & 6.25%
	\$ <u>3,498,952</u>	<u>10,000,000</u>	<u>-</u>	<u>13,498,952</u>	

Accrued interest on the Treasury note and treasury bills for the year ended March 31, 2018 amounted to \$292,524 (2017: \$290,602).

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

6. Receivables and Prepaid Expenses

	<u>2018</u>	<u>2017</u>
Other receivables	\$ 300,434	280,991
Prepaid expenses	<u>62,897</u>	<u>88,585</u>
	<u>\$ 363,331</u>	<u>369,576</u>

7. Insurance Receivable

	<u>2018</u>	<u>2017</u>
Insurance receivable, gross	\$ 879,507	876,211
Allowance for uncollectible insurance	<u>(249,252)</u>	<u>(237,187)</u>
Insurance receivable, net	<u>\$ 630,255</u>	<u>639,024</u>

The change in the allowance for uncollectible insurance is as follows:

	<u>2018</u>	<u>2017</u>
Balance – beginning of year	\$ 237,187	345,420
Write-offs against the provision	(1,102)	(117)
Add: increase (decrease) during the year	<u>13,167</u>	<u>(108,116)</u>
Balance – end of year	<u>\$ 249,252</u>	<u>237,187</u>

8. Student Loans Receivable

	<u>2018</u>	<u>2017</u>
Student loans receivable, gross	\$ 109,206,056	108,727,927
Allowance for loan losses	<u>(33,504,321)</u>	<u>(33,292,135)</u>
Student loans receivable, net	<u>\$ 75,701,735</u>	<u>75,435,792</u>

The balance of student loans receivable of \$109,206,056 (2017: \$108,727,927) includes principal and interest receivable.

Interest on loans classified as loans of doubtful value (LDV) is recognised only to the extent that cash is received. Unpaid interest on LDV is recorded in an interest receivable account and is offset by a deferred income contra account to net to zero. When cash is received for outstanding interest on LDV the interest receivable and deferred income balances are derecognised and the interest income recorded through the Statement of Comprehensive Income. As at the date of the Statement of financial position, the balance in the deferred income account exceeded the balance in the interest receivable account due to interest receivable capitalised in a prior period.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

8. Student Loans Receivable ...continued

The change in the student loans receivable, net is derived as follows:

	<u>2018</u>	<u>2017</u>
Disbursements	\$ 10,871,285	15,013,721
Interest	<u>4,050,688</u>	<u>4,828,690</u>
	14,921,973	19,842,411
Deduct:		
Write-offs	(666,289)	(1,225,958)
Repayments	<u>(13,777,554)</u>	<u>(13,535,300)</u>
Gross loans receivable	478,130	5,081,153
(Increase) decrease in allowance for loan losses	<u>(212,186)</u>	<u>2,645,244</u>
Increase in student loans receivable	\$ <u><u>265,944</u></u>	<u><u>7,726,397</u></u>

The change in the allowance for loan losses is as follows:

	<u>2018</u>	<u>2017</u>
Balance – beginning of year	\$ 33,292,135	35,937,379
Increase (decrease) during the year	<u>212,186</u>	<u>(2,645,244)</u>
Balance – end of year	\$ <u><u>33,504,321</u></u>	<u><u>33,292,135</u></u>

9. Commitments

As at March 31, 2018, loans approved but not yet disbursed amounted to \$ 12,957,986 (2017 - \$17,077,132).

10. Advances from the Government of Barbados

On January 16, 2017 the Government of Barbados (the Borrower) and Student Revolving Loan Fund (the Executing Agency) entered into a loan agreement with the Caribbean Development Bank to lend the Borrower an amount not exceeding US\$7,750,000.

The purpose of the loan in the amount of US\$7,500,000 is to provide cash resources to Student Revolving Loan Fund to lend to eligible students attending local, regional and international tertiary institutions. An amount not exceeding US\$250,000 is to assist in the financing of a consultancy to undertake an independent diagnostic review of the Fund.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

10. Advances from the Government of Barbados ...continued

An On-Lending Agreement will be put in place between the Government of Barbados and the Student Revolving Loan Fund regarding the loan. The Government of Barbados will fully service the loan to maturity and the Student Revolving Loan Fund will reimburse the Government of Barbados' debt service payments after the five (5) year moratorium.

The Loan is repayable in forty-eight (48) equal or approximately equal and consecutive quarterly instalments due on January 1, April 1, July 1 and October after the expiry of five (5) years following the date of the Loan Agreement of January 16, 2017 or on such later due date as the Caribbean Development Bank may specify in writing.

Interest is payable at the rate of 3.43% per annum on the amount withdrawn and outstanding. Interest is payable quarterly on the following dates January 1, April 1, July 1 and October 1.

A Commitment charge of 0.25% per annum is due on any portion of the amount of the Loan unwithdrawn.

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

11. Plant and Equipment	Cost	Furniture and Fittings	Motor Vehicles	Computer Equipment	Leasehold Improvement	Total
Balance at April 1, 2016	\$ 428,329	42,608	482,295	356,332	1,309,564	
Additions	5,591	-	11,067	-	16,658	
Disposals	-	-	-	-	-	
Balance at March 31, 2017	\$ <u>433,920</u>	<u>42,608</u>	<u>493,362</u>	<u>356,332</u>	<u>1,326,222</u>	
Balance at April 1, 2017	\$ 433,920	42,608	493,362	356,332	1,326,222	
Additions	8,844	67,784	26,727	-	103,355	
Disposals	-	(42,608)	-	-	(42,608)	
Balance at March 31, 2018	\$ <u>442,764</u>	<u>67,784</u>	<u>520,089</u>	<u>356,332</u>	<u>1,386,969</u>	
Accumulated Depreciation						
Balance at April 1, 2016	\$ 352,576	33,731	408,256	186,262	980,825	
Charge for the year	39,734	4,261	26,482	30,993	101,470	
Disposals	-	-	-	-	-	
Balance at March 31, 2017	\$ <u>392,310</u>	<u>37,992</u>	<u>434,738</u>	<u>217,255</u>	<u>1,082,295</u>	
Balance at April 1, 2017	\$ 392,310	37,992	434,738	217,255	1,082,295	
Charge for the year	25,989	6,941	27,344	29,782	90,056	
Disposals	-	(41,543)	-	-	(41,543)	
Balance at March 31, 2018	\$ <u>418,299</u>	<u>3,390</u>	<u>462,082</u>	<u>247,037</u>	<u>1,130,808</u>	
Net Book Value						
Balance at March 31, 2017	\$ <u>41,610</u>	<u>4,616</u>	<u>58,624</u>	<u>139,077</u>	<u>243,927</u>	
Balance at March 31, 2018	\$ <u>24,465</u>	<u>64,394</u>	<u>58,007</u>	<u>109,295</u>	<u>256,161</u>	

Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2018

(Expressed in Barbados dollars)

12. Subsequent Events

On September 14, 2018 the Government of Barbados issued an official Offer to Exchange existing government issued instruments for new instruments. On September 30, 2018 this offer was executed.

Treasury notes

At March 31, 2018, the Fund held Treasury note #257 with a face value of \$10,000,000, maturity date of October 31, 2018 and an interest rate of 6.25% per annum. Interest accrued on this Treasury note for the period April 30, 2018 to September 30, 2018 amounted to \$261,417. On September 30, 2018 the note was converted to a Series D treasury paper with a face value of \$10,261,417.

The Series D treasury paper issued by the Government of Barbados is divided into 20 strips maturing in 16 – 35 years.

Interest rates applied to the strips are as follows:

- 1.5% per annum for first 5 years
- 4.25% per annum for years 6-10
- 6.0% per annum for years 11-15
- 7.5% per annum until maturity

The principal of each strip will be repaid in four equal quarterly instalments in the final year prior to maturity commencing on 30 November 2033 with the exception of the final strip, which will be repaid in three instalments with a final payment on 31 August 2053.

The restructuring of the Treasury note #257 resulted in a decrease in value of \$4,027,328 as at March 31, 2018. This impairment recognizes the extended payment terms of the new instrument.

Treasury bills

The Fund held the following treasury bills as at March 31, 2018 amounting to \$11,863,303 which were converted to Series B treasury paper with a value of \$11,962,330 with an interest rate of 1% per annum on September 30, 2018. The difference between the value of the investment and the value of the new treasury paper represents the interest accrued from the issue date to September 30, 2018.

The fund also held the following treasury bills amounting to \$351,771 as at March 31, 2018, assigned to the Fund by borrowers as collateral for their loans, which were converted to Series B treasury paper with a value of \$332,374 and interest rate of 1% per annum on September 30, 2018.

The Series B treasury paper issued by the Government of Barbados is divided into 11 strips maturing in 5 to 15 years.

Interest rates applied to the strips are as follows:

- 1.0% per annum for first 3 years
- 2.5% per annum for year 4
- 3.75% to maturity

The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip.

These instruments were not deemed to be impaired as at March 31, 2018 as interest continued to be received on these instruments.