

**THE BARBADOS AGENCY FOR
MICRO ENTERPRISE
DEVELOPMENT LTD.
(FUNDACCESS)**

Annual report
December 31, 2016

(expressed in Barbados dollars)

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

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**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD.
(FUNDACCESS)**

**Corporate information
December 31, 2016**

Directors

Mr. Hugh McClean	- Chairman
Mr. Dale Lashley	- Deputy Chairman
Ms. Keisha King	
Mr. Anthony Hall	
Mr. Hyrone Boyce	
Mrs. Janice Estwick	
Mr. Peter Whitehall	

Officers

Mrs. Esther Lord-Graham	- General Manager (Ag.)
Mr. Carlisle Paul	- Finance Manager
Mr. Michael Callender	- Manager - Credit and Project Development
Ms. Sophia Forte	- Corporate Administrator

Registered Office

City Building
Pinfold Street
Bridgetown
Barbados

Secretary

Mrs. Esther Lord-Graham

Attorneys-at-law

Jones & Goodridge
Pinfold Street
St. Michael
Barbados

Avenel Hinkson - Forde
Trinity Law chambers
"Casa Modera"
Golf Club Road
Rockley
Christ Church

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD.
(FUNDACCESS)**

Corporate information

December 31, 2016

Bankers

RBC Royal Bank (Barbados) Limited

Broad Street

Bridgetown

St. Michael

Barbados

Republic Bank Barbados Limited

Broad Street

Bridgetown

St. Michael

Barbados

First Citizens Investment Services (Barbados) Limited

Warrens Great house

Warrens

St. Michael

Barbados

Auditors

Rudolph Prescod C.A.

#26 Gemswick Gardens

St. Philip

Barbados

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

**Directors' report
December 31, 2016**

Board Composition

The Board as constituted has been serving since mid-2013 and comprised:

Hugh McClean	-	Chairman
Dale Lashley	-	Deputy Chairman
Hyrone Boyce	-	Minister's appointee
Anthony Hall	-	Minister's appointee
Keisha King	-	Minister's appointee
Janice Estwick	-	NIS representative
Peter Whitehall	-	Central Bank representative

Focus 2016

A significant part of the Board's focus in 2016 was:

- (i) The review of policies with a view to revamping such where and how it was considered necessary.
- (ii) Examination of the financial performance and long term viability of the company.
- (iii) Improvement of operational efficiency and external financial reporting.

Substantial progress was made in the area of loans policies and external financial reporting but there was very limited progress with administrative policies. Much time was spent, particularly in 2016, on human resource matters, financial reporting, loan products and loans management and information technology.

At the close of 2016 several significant undertakings were in progress but not completed.

Funding & Financial Viability

The questions of viability, sustainability and growth engaged much of the Board's attention, especially in 2015. It was recognized that continuation of the existing model of financing and related method of operation would not allow the company to be self-sustaining, financially viable nor have the level of impact in the small and micro business sector that was desired.

Much discussion took place about possible options for enhanced funding and appropriate representation was made to the Minister of Industry, International business, Commerce and Small Business Development, the Honourable Donville Inniss. In the Budgetary Proposals presentation to Parliament on August 16, 2016, the Minister of Finance, the Honourable Christopher Sinckler announced that \$50 million would be made available to the company.

At financial yearend 2016, much preparatory work had been done in anticipation of receipt of the first tranche of this funding.

Human Resources

In mid-2016 the Board received the resignations of the General Manager and two other senior employees. Consequent upon this and after a thorough recruitment exercise, Mrs. Esther Lord-Graham was selected for the post of General Manager with her appointment to be made effective January 2017.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

**Directors' report
December 31, 2016**

The opportunity was also taken to effect some human resource re-alignment and rationalization and though these changes were not formalized at yearend 2016, it was determined that these matters would be addressed early in the new year.

Loan Policies and Products

In January 2015, following a decision made some months earlier, a Line-of-Credit facility was introduced. This facility was developed to provide a convenient option for clients whose business operations and needs would find such a facility useful.

From Fund Access' perspective, it is a mechanism intended to provide an efficient, cost effective channel of finance for some clients.

At the planning retreat held in November 2016 agreement was reached and a subsequent decision taken on the introduction of a revised suite of loan offerings inclusive of higher loan limits and varied interest rates.

Launch was set for the first quarter of 2017.

Accommodation

Significant effort, both searching and planning has been put into finding and developing alternative accommodation for the company's operations. This dates back some years and saw consideration of and design layout being done for options in three different locations. Two of these options would have been lease arrangements and the other an acquisition. Between 2015 and 2016, spaces in the Wildey Industrial park and the Small Business Development Centre owned by the Barbados Investment Development Corporation (BIDC) were examined and evaluated. All three were eventually abandoned because of high costs relative to the benefit that could be derived.

This matter remained unresolved at December 31, 2016.

IT System

From early 2015 the Board requested management to undertake a search for appropriate software for loan management and reporting.

Key features identified as being required included:

- i) Comprehensive loan management capabilities beyond what the current system provided.
- ii) Easy integration with select accounting software.
- iii) Ability to provide as a matter of course, accurate, detailed and summary reports as may be required/requested by the external auditor during annual audits.

In late 2015, a decision was taken to purchase new loan management software.

During 2016 management and the IT Department engaged the vendor and were working on content, design and pricing issues.

Planning Retreat

In November 2016, the first of an intended annual planning retreat was held.

It involved all staff and the directors and was used to undertake a broad review and assessment of the company's operations, review and revision of its Vision and Mission and set goals for the ensuing year.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Directors' report
December 31, 2016

Training

During the year staff benefited from training courses and seminars facilitated by the Barbados Association of Office professionals (BAOP), the Institute of Chartered Accountants of Barbados (ICAB) and the Barbados Institute of Management and Productivity (BIMAP). In 2016, 2 staff members attended training at the Small Business Development Centre at the University of Texas in San Antonio, as preparation for FundAccess' inclusion in the SBDC project hosted by the Ministry of Industry, International Business, Commerce and Small Business Development.

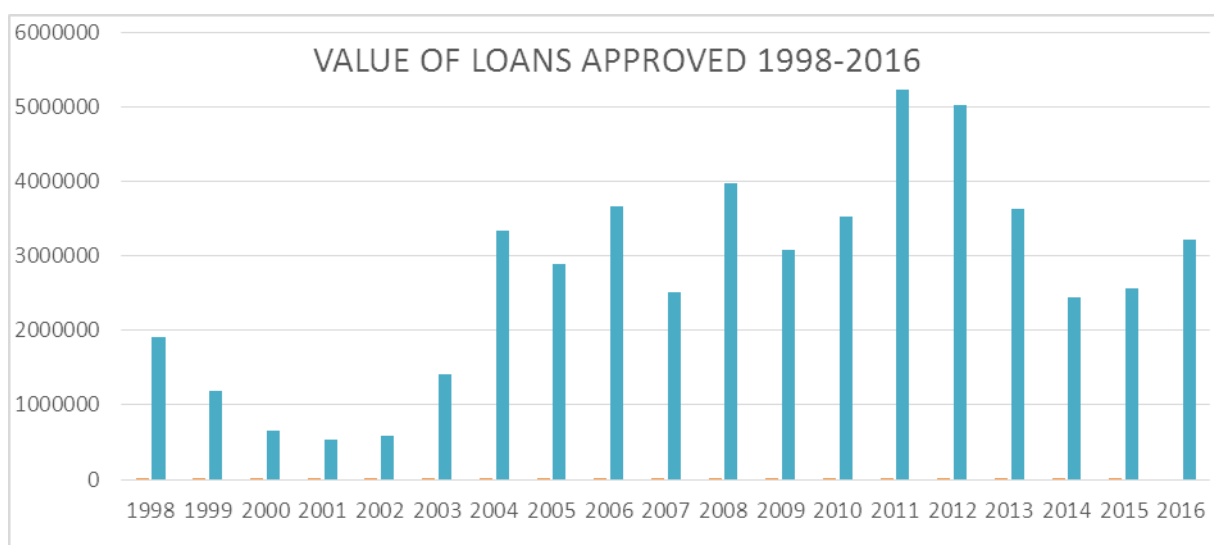
Technical Assistance

Through the Business Development Department, clients and partners were allocated the sum of \$312,261 in grants, sponsorship and training. Grants funding totaled \$113,000 and was used for the purposes of marketing, including labelling of products, repairs to equipment and repairs to work spaces. Training was provided in the areas of marketing, human resources, customer service, financial planning and microenterprise workshops. Sponsorship included participation in "BMEX", "Girlfriends Expo" and "Agrofest". The company also provided some sponsorship for the annual Careers Showcase event held by the Barbados Association of Guidance Counsellors.

Loans

The company recorded a pre-tax profit of \$571,049 from its operations for the year ended December 31, 2016. During the year, seventy-five (75) loans totaling \$3,214,818 were advanced to seventy-five (75) clients and one hundred and sixty-two (162) job opportunities were created.

Figure 1



**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD.
(FUNDAACCESS)**

**Directors' report
December 31, 2016**

Table 1 LOANS APPROVED 1998-2016

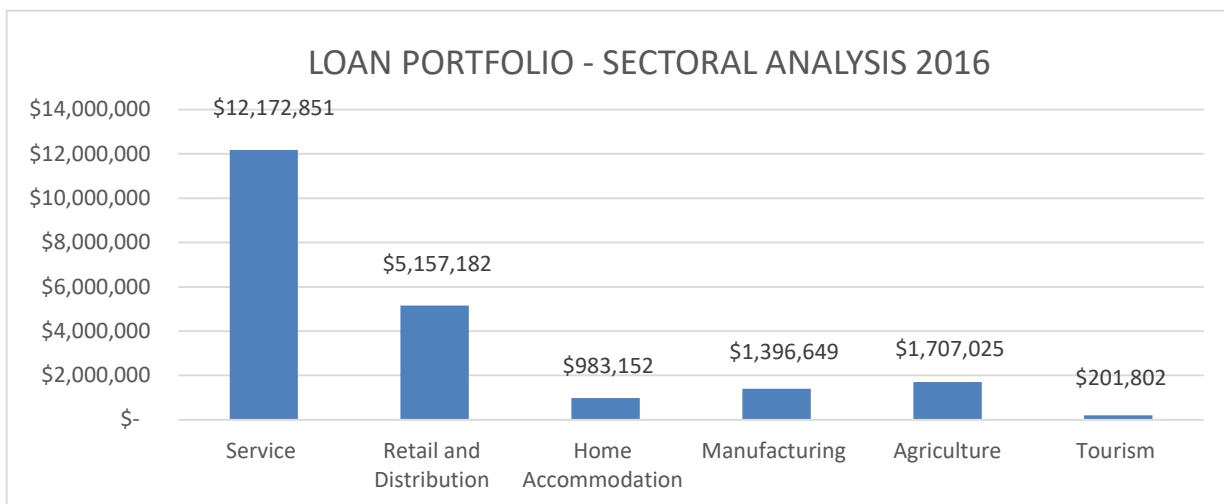
Calendar Year	\$ Value of Loans Approved	Job Opportunities
1998	1,909,042	200
1999	1,190,205	86
2000	646,123	63
2001	525,691	26
2002	581,677	23
2003	1,403,840	72
2004	3,339,653	113
2005	2,897,570	105
2006	3,662,163	93
2007	2,513,331	72
2008	3,981,641	119
2009	3,081,814	73
2010	3,520,449	106
2011	5,236,704	175
2012	5,031,027	155
2013	3,623,780	126
2014	2,438,302	136
2015	2,556,729	139
2016	3,214,818	162

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD.
(FUNDACCESS)**

**Directors' report
December 31, 2016**

At December 31, 2016, the loan portfolio was valued at \$21,618,661 with the service sector accounting for 56% of the total portfolio as illustrated below.

Sector	\$ Value	%
Service	12,172,851	56%
Retail and Distribution	5,157,182	24%
Home Accommodation	983,152	5%
Manufacturing	1,396,649	6%
Agriculture	1,707,025	8%
Tourism	201,802	1%
	\$21,618,661	100%



Plans For 2017

The board determined that in 2017 special focus would be paid to:

- i) Completing outstanding financial audits.
- ii) Finalizing alternative accommodation for the office.
- iii) Accelerating loan approval and disbursement mechanisms to match the anticipated increase in available funds for lending to clients.
- iv) Human resource considerations that would likely arise with the planned increase in lending and tightening of collection efforts.
- v) Implementation of IT upgrades particularly the new loan management software and website improvements.
- vi) Greater marketing of the company and its services.
- vii) Full review of all policies and where relevant procedures.

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD.
(FUNDACCESS)**

**Directors' report
December 31, 2016**

Acknowledgement

Despite some human resources challenges during the period, the staff at FundAccess continued to be dedicated to the task of ensuring that the company advanced to meeting its objective of being the premier lending agency for micro and small business finance in Barbados. The Board therefore takes this opportunity to express its appreciation to the General Manager (Acting) and her staff for their efforts during the period particularly the latter half of 2016.

We also express our gratitude to the parent ministry, The Ministry of Industry, International Business, Commerce and Small Business Development and the Minister, The Honourable Donville Inniss for being understanding of and accommodating to the requests and representation made by us regarding approaches to making the company better able to fulfil its mandate while at the same time being more viable, more profitable and ultimately also paying financial dividends to the Treasury.



Mr. Hugh McClean
Chairman

Independent Auditor's Report

To the Shareholders

The Barbados Agency for Micro Enterprise Development Ltd. (FundAccess)

Opinion

I have audited the accompanying financial statements of The Barbados Agency for Micro Enterprise Development Ltd. (FundAccess) which comprise the statement of financial position as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Barbados Agency for Micro Enterprise Development Ltd. (FundAccess) as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and for such internal control as management determines is necessary to enable the preparation of the 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.

Independent Auditor's Report

To the Shareholders

The Barbados Agency for Micro Enterprise development Ltd. (FundAccess)

Auditors' Responsibilities for the Audit of the Financial Statements

My objective is 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 auditor's report that includes my 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.

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

- Identify and assess the risks 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 that fair presentation.

I 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 I identify during my audit.


Independent Auditor's Report

To the Shareholders

The Barbados Agency for Micro Enterprise development Ltd. (FundAccess)

Other matter

This report is made solely to the company's shareholder, as a body, in accordance with Section 147 of the Companies Act of Barbados. My audit work has been undertaken so that I might state to the company's shareholders those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for my audit work, for this report, or for the opinions I have formed.



Rudolph R. Prescod

Chartered Accountant

December 28, 2017

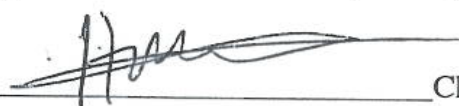
**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT
LTD. (FUNDACCESS)**

Statement of financial position
As at December 31, 2016


(expressed in Barbados dollars)

	Notes	2016	2015
Assets			
Current assets			
Cash at bank		978,412	1,014,728
Accounts receivable and prepayments		659,582	463,199
Receivable from government	3	<u>2,021,805</u>	<u>1,483,334</u>
		<u>3,659,799</u>	<u>2,961,261</u>
Non-current assets			
Loans receivable	4	15,126,324	15,630,818
Property, plant and equipment	5	<u>56,500</u>	<u>73,840</u>
		<u>15,182,824</u>	<u>15,704,658</u>
Total assets		\$ <u>18,842,623</u>	\$ <u>18,665,919</u>
Liabilities			
Current liabilities			
Accounts payable and accruals	6	95,650	87,718
Current portion of loans payable	7	1,300,000	1,400,000
Current taxation		<u>2,322</u>	<u>2,322</u>
		<u>1,397,972</u>	<u>1,490,040</u>
Non-current liabilities			
Loans payable	7	1,300,000	1,600,000
Deferred revenue	8	<u>465,349</u>	<u>467,626</u>
		<u>1,765,349</u>	<u>2,067,626</u>
Shareholders' equity			
Stated capital	9	10,676,700	10,676,700
Retained earnings		<u>5,002,602</u>	<u>4,431,553</u>
		<u>15,679,302</u>	<u>15,108,253</u>
Total equity and liabilities		\$ <u>18,842,623</u>	\$ <u>18,665,919</u>

Approved on December 28, 2017 by the Board.



Chairman
Hugh McClean



Director
Dale Lashley

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

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT
LTD. (FUNDACCESS)**

Statement of changes in equity

For the year ended December 31, 2016

(expressed in Barbados dollars)

	Stated capital	Retained earnings	Total
Balances – January 1, 2015	10,676,700	4,330,519	15,007,219
Net income for the year	-	101,034	101,034
Balances – December 31, 2015	10,676,700	4,431,553	15,108,253
Net income for the year	-	571,049	571,049
Balances – December 31, 2016	\$ 10,676,700	\$ 5,002,602	\$ 15,679,302

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

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT
LTD. (FUNDACCESS)**

Statement of comprehensive income
For the year ended December 31, 2016

(expressed in Barbados dollars)

	Notes	2016	2015
Revenue			
Interest subsidy	10	1,838,471	1,838,471
Interest on loans		774,317	799,379
Technical assistance grant	11	600,000	600,000
Bad debt recoveries	4	222,831	242,950
Fees	8	107,447	104,827
Interest – other	12	31,905	32,843
Other income		18,540	643
		<u>3,593,511</u>	<u>3,619,113</u>
Expenses			
Operating		2,130,480	2,179,175
Impairment losses on loans	4	780,320	1,190,980
Interest and bank charges		76,575	92,339
Depreciation	5	35,087	55,585
		<u>3,022,462</u>	<u>3,518,079</u>
Income before taxation		571,049	101,034
Taxation	14	-	-
Net income being comprehensive income		<u>\$ 571,049</u>	<u>\$ 101,034</u>

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

**THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT
LTD. (FUNDACCESS)**

Statement of cash flows

For the year ended December 31, 2016

(expressed in Barbados dollars)

	2016	2015
Operating activities		
Income before taxation	571,049	101,034
Adjustments for:		
Bad debt recoveries	(222,831)	(242,950)
Impairment losses on loans	780,320	1,190,980
Gain on disposal of property, plant and equipment	(18,000)	-
Amortisation of deferred revenue	(107,447)	(104,827)
Depreciation	35,087	55,585
<i>Operating profit before working capital changes</i>	1,038,178	999,822
(Increase) decrease in accounts receivable and prepayments	(196,383)	84,700
Increase in receivable from government	(538,471)	(667,548)
(Increase) decrease in loans receivable	(52,995)	19,830
Increase (decrease) in accounts payable and accruals	7,932	(67,818)
Increase in deferred revenue	105,170	94,125
<i>Net cash from operating activities</i>	363,431	463,111
Investing activities		
Proceeds from disposal of property, plant and equipment	18,000	-
Purchase of property, plant and equipment	(17,747)	(26,486)
<i>Net cash from (used) in investing activities</i>	253	(26,486)
Financing activities		
Repayment of loans payable	(400,000)	(494,866)
<i>Net cash used in financing activities</i>	(400,000)	(494,866)
Net decrease in cash	(36,316)	(58,241)
Cash – beginning of year	1,014,728	1,072,969
Cash – end of year	\$ 978,412	\$ 1,014,728

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

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Notes to the financial statements

For the year ended December 31, 2016

(expressed in Barbados dollars)

1. Corporate status and principal activity

The Barbados Agency for Micro Enterprise Development Ltd. (FundAccess) (the Company) is incorporated in Barbados as a company authorised to issue an unlimited number of Class A common shares and an unlimited number of Class B common shares, both without par value.

The principal activity of the Company is to provide financial and technical assistance by way of loans to micro enterprise businesses located in Barbados.

2. Significant accounting policies

Basis of preparation

The financial statements are expressed in Barbados dollars and have been prepared under the historical cost convention.

Statement of Compliance

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs).

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Changes in accounting policies and disclosures

During the year the Company adopted IFRS for SMEs as its reporting framework. The change had no impact on the amounts reported, but resulted in less disclosure in the financial statements.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Notes to the financial statements

For the year ended December 31, 2016

(expressed in Barbados dollars)

2. Significant accounting policies (continued)

Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and liabilities are based on historical experience and other factors that are considered to be relevant. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

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

Other than the establishment of routine provisions for receivables and provision for accounts payable, the following are the key estimates or judgements which are required in applying policies which may have a material impact on the Company's reported assets, liabilities, revenue and expenses.

Estimates and assumptions

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year.

The Company based its assumptions and estimates on parameters available when the statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment

The Company reviews the estimated lives of property, plant and equipment at the end of each annual reporting period. There have been no changes to the estimates of the useful lives of property, plant and equipment for the current year.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Notes to the financial statements

For the year ended December 31, 2016

(expressed in Barbados dollars)

2. Significant accounting policies (continued)

Impairment losses on loans and receivables

Impairment losses on loans and receivables comprise specific provisions and a general provision. Specific provisions are made, on an individual basis, where management is of the opinion that collection is doubtful. The provision made during the year is charged against income. Recoveries of loan losses previously provided for are credited to income.

Key sources of estimation uncertainty

Impairment losses on loans and receivables

An allowance for loan impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount of the estimated recoverable amount being the present value of expected future cash flows including amounts recoverable from guarantees and collateral.

Financial instruments

Financial assets and liabilities are recognised in the financial statements when the Company becomes a party to the contractual provisions of the instruments.

The Company has classified its other financial assets as “loans and receivables”. These consist of accounts receivable and prepayments, receivable from government and loans receivable. These have been measured at amortised cost using the effective interest method, less any provision for impairment.

Government grants and subsidies

The technical assistance grants which are reimbursements of specific expenses, are recorded in the statement of income in the period when due. The interest subsidy which is allocated to cover the shortfall in interest income resulting from the reduction in the interest rate is also recorded in the statement of income when due. Any amounts due from the technical assistance grants and the interest subsidy at year end is recorded as receivable from government in the balance sheet. Additional subsidies which are for onward lending and general purpose are recorded as income when received.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Notes to the financial statements

For the year ended December 31, 2016

(expressed in Barbados dollars)

2. Significant accounting policies (continued)

Loans receivable

Loans are stated net of unearned interest and allowance for impairment.

Impairment of financial assets

The Company 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 group of financial assets is impaired and impairment losses are incurred, if and only if there is objective evidence of impairment. If there is such evidence, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount being the estimated present value of expected cash flows.

The carrying amounts of financial assets are reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and loans receivable, where the carrying amount is reduced through the use of an allowance account. When a receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of income. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

Classification as debt or equity

Debt and equity instruments are classified as either “other financial liabilities” or as “equity” in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

The Company’s principal financial liabilities are measured at cost being fair value of the consideration received and include accounts payable and accruals, technical assistance grant, deferred revenue and loans payable.

THE BARBADOS AGENCY FOR MICRO ENTERPRISE DEVELOPMENT LTD. (FUNDACCESS)

Notes to the financial statements

For the year ended December 31, 2016

(expressed in Barbados dollars)

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided on the straight line basis at rates designed to write off the cost of the asset over its estimated useful life. The rates applied are:

Furniture and equipment	10% to 20%
Computer equipment	25 %
Motor vehicles	20%

Deferred revenue

Deferred revenue represents fees and other income chargeable on loans and is amortised over the period of repayment of the loans. Deferred revenue is derived based on an average loan period.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will accrue to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable.

Interest on loans

Interest revenue on loans is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimate future cash receipt through the expected life of the financial asset to the asset's net carrying amount.

Interest subsidy, technical assistance grant, fees and other interest are recognised on the accrual basis.

Accrual of interest ceases when instalments are unpaid for ninety days and at such time, all accrued interest is reversed against income of the current period. In subsequent periods, interest received on non-accrual loans is recorded as income only if management has determined that the loans do not require specific provisions, otherwise all amounts received are credited to the related principal.

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2. Significant accounting policies (continued)

Borrowing costs

Borrowing costs include interest and finance charges which arise as a result of bank, other loans and the bank overdraft, and are recognised in the statement of comprehensive income in the year in which they are incurred.

Taxation

Current taxation is provided on the basis of the income before taxation for financial reporting purposes, adjusted for income and expense items, which are not assessable or deductible for tax purposes. Deferred taxation is provided under the balance sheet liability method whereby significant temporary differences arising between the carrying values of the asset and liability for financial reporting purposes and for income tax purposes are provided for at rates that have been enacted or substantially enacted at year end date, and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences can be utilised.

Employee benefits

The Company operates a defined contribution plan, the assets of which are held in a separate fund administered by the trustees. Contributions to the plan are charged to income when they are due and are included in operating expenses.

3. Receivable from government

	2016	2015
Interest subsidy receivable (see note 10)	1,546,805	1,012,493
Technical assistance grant (see note 11)	<u>475,000</u>	<u>470,841</u>
	<u>\$ 2,021,805</u>	<u>\$ 1,483,334</u>

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4. Loans receivable

Sectoral analysis of gross loans receivable

	2016	2015
Service	12,172,851	11,797,331
Retail and distribution	5,157,182	5,594,402
Home accommodation	983,152	1,019,465
Manufacturing	1,396,649	1,482,292
Agriculture	1,707,025	1,543,571
Tourism	201,802	202,618
	\$ 21,618,661	\$ 21,639,679
Line of credit	132,297	58,284
	21,750,958	21,697,963
Allowance for impairment		
Balances – beginning of year	6,067,145	5,167,312
Recoveries	(222,831)	(242,950)
Loans written-off	-	(48,197)
Increase in allowance	780,320	1,190,980
Balances – end of year	\$ 6,624,634	\$ 6,067,145
Total loans receivable	\$ 15,126,324	\$ 15,630,818
Maturity profile of gross loans receivable		
Repayment due:		
On demand or within one year	5,382,180	5,123,205
In the second year	1,919,869	1,071,583
In the third to fifth year, inclusive	11,069,062	6,815,611
After five years	3,247,550	8,629,280
	\$ 21,618,661	\$ 21,639,679
Average interest rate	6 %	6%

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4. Loans receivable (continued)

Effective May 19, 2005, the Government of Barbados through the Ministry of Finance advanced the sum of \$5,000,000 for the Bed and Breakfast Home Accommodation Project (See Note 7). As of December 31, Home Accommodation loans amounted to \$983,152 (2015-\$1,019,465).

Loans include non-accrual loans of \$ 4,797,068 (2015 - \$4,772,304).

As part of its risk management policy, the Company uses an external referencing system to assist in assessing the potential client's credit quality. The Company also uses historical experience and other factors that are judged to be relevant in advancing loans to different sectors.

Included in the Company's loan receivable balance are debtors with a carrying amount of \$1,284,792 (2015 - \$1,096,790) which are due at the reporting date for which the Company has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The collateral over these balances is a mixture of personal guarantees and bills of sale over equipment.

	2016	2015
Aging of past due but not impaired:		
90 – 120 days	162,811	69,724
120 days – 1 year	336,225	327,672
> 1 year	785,756	699,394
Total	\$ <u>1,284,792</u>	\$ <u>1,096,790</u>
Aging of non-accrual loans:		
90 – 120 days	318,956	300,482
120 days – 1 year	1,990,547	1,786,131
> 1 year	2,487,565	2,685,691
Total	\$ <u>4,797,068</u>	\$ <u>4,772,304</u>

In determining the recoverability of a loan receivable, the Company considers any change in the credit quality of the loan receivable from the date the loan was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of allowance for impairment losses.

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5. Property, plant and equipment

	Furniture and equipment	Computer equipment	Motor vehicles	Total
Cost				
Balances – beginning of year	355,583	477,110	77,202	909,895
Additions	9,186	8,561	-	17,747
Disposals	-	-	(77,202)	(77,202)
Balances – end of year	364,769	485,671	-	850,440
Accumulated depreciation				
Balances – beginning of year	312,719	446,134	77,202	836,055
Charge for the year	20,030	15,057	-	35,087
Disposals for the year	-	-	(77,202)	(77,202)
Balances – end of year	332,749	461,191	-	793,940
Net book value				
Beginning of year	42,864	30,976	-	73,840
End of year	\$ 32,020	24,480	-	56,500

6. Accounts payable and accruals

	2016	2015
Accounts payables	32,085	17,854
Accrued expenses	63,565	69,864
	\$ 95,650	\$ 87,718

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade payables.

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7. Loans payable

	2016	2015
Opening balance	3,000,000	3,494,866
Repayments	(400,000)	(494,866)
Ending balance	2,600,000	3,000,000
Current Portion	1,300,000	1,400,000
Long term portion	\$ 1,300,000	\$ 1,600,000
Loan – Ministry of Finance	1,000,000	1,100,000
Loans – Central Bank of Barbados	1,600,000	1,900,000
	\$ 2,600,000	\$ 3,000,000

Loan – Ministry of Finance

On 19 May 2005, the Company received the sum of \$5,000,000 as a loan from the Government of Barbados to establish the Bed and Breakfast Home Accommodation Loan Fund, an initiative of the Ministry of Tourism (See note 4).

The loan bears interest at a rate of 2.5% per annum on the reducing balance and is for a period of 10 years with a 2 year moratorium on principal and interest. Repayments were to commence on June 30, 2007 and consist of 16 semi-annual instalments of principal and interest. On October 17, 2007 the Company sought and received approval from the Ministry of Finance to a waiver of interest for the first two years of the loan. Such approval was granted and the repayment period commenced on June 30, 2008 based on the new terms of the loan. The loan matured in 2015 but a balance remains outstanding which will be offset against subsidies received in the future.

Loans – Central Bank of Barbados

On December 14, 2010, the Company signed an agreement with the Central Bank of Barbados to access \$1,000,000 through the Industrial Credit Fund. The loan was disbursed in January of 2011 and is repayable in forty quarterly instalments of \$25,000 plus interest commencing March 31, 2011 with the final instalment due on December 31, 2020. Interest is charged on the reducing balance at a rate of 2.25% per annum.

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7. Loans payable (continued)

On February 12, 2012, the Company signed a second loan agreement with the Central Bank of Barbados for \$1,000,000. This loan is repayable in forty quarterly instalments of \$25,000 plus interest commencing March 31, 2012 with the final instalment due on December 31, 2021. Interest is charged on the reducing balance at a rate of 2.25% per annum.

On December 31, 2013, the Company signed a third loan agreement with the Central Bank of Barbados for \$1,000,000. The loan was disbursed in January of 2014 and is repayable in forty quarterly instalments of \$25,000 plus interest commencing March 31, 2014 with the final instalment due on December 31, 2024. Interest is charged on the reducing balance at a rate of 2.25% per annum.

Repayment profile

	2016	2015
On demand or within one year	1,300,000	1,400,000
In the second year	300,000	300,000
In the third to fifth year inclusive	1,000,000	900,000
After five years	-	400,000
	\$ 2,600,000	\$ 3,000,000

8. Deferred revenue - fees

	2016	2015
Deferred revenue - beginning of year	467,626	478,328
Additions	105,170	94,125
Amortization	(107,447)	(104,827)
Deferred revenue - end of year	\$ 465,349	\$ 467,626

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9. Stated Capital

Authorised

The company is authorised to issue an unlimited number of Class A and Class B common shares.

Issued

	2016	2015
106,767 (2013– 106,767) Class “A” common shares	\$ <u>10,676,700</u>	\$ <u>10,676,700</u>

10. Interest subsidy

In November 2003, the Board of Directors agreed to reduce the interest rate charged on new loans from 11.5% to 6%. Effective January 1, 2004, all existing loans were refinanced at the lower interest rate. The Government of Barbados has undertaken to cover the shortfall resulting from the reduced rate. The amount received during the year was \$1,304,159 (2015 - \$1,263,671).

11. Technical assistance grant

The technical assistance grant is comprised of a fixed amount of \$600,000 from the Government of Barbados to be allocated to the technical assistance programme and is exempt from taxation.

12. Interest – Other

	2016	2015
Staff loans	24,525	24,409
Bank account	6,914	6,508
The Barbados Light & Power - deposit	466	1,926
	\$ <u>31,905</u>	\$ <u>32,843</u>

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13. Compensation of key management personnel

The remuneration of directors and other members of key management during the year included in operating expenses are as follows:

	2016	2015
Salaries and staff costs	369,831	456,401
Directors' fees	51,855	52,260
	<u>\$ 421,686</u>	<u>\$ 508,661</u>

14. Taxation

	2016	2015
The taxation charge comprises:		
Current taxation	-	-
	<u>\$ -</u>	<u>-</u>
Reconciliation of taxation charge:		
Income before taxation	<u>571,049</u>	<u>101,034</u>
Tax charge at 25 %	142,762	25,259
Tax effect of losses not recognised	4,734	118,799
Under accrual of deferred tax credit	2,504	5,942
Tax effect of income not subject to tax	<u>(150,000)</u>	<u>(150,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

Tax losses

The Company has unutilised tax losses of \$1,390,577 (2015- \$1,371,640) and the potential tax benefit of these losses is \$347,644 (2015 - \$342,910). The deferred tax asset associated with these tax losses was not recognised in the financial statements, due to the uncertainty that sufficient future taxable income would have been available for utilisation of these losses. The estimated amount of the tax assets calculated at the tax rate enacted at year end is stated below.

Year of income	Losses b/f	Incurred	Utilised	Losses c/f	Tax effect	Expiry date
2011	317,349	-	-	317,349	737	2020
2013	243,149	-	-	243,149	678	2022
2014	335,947	-	-	335,947	837	2023
2015	475,195	-	-	475,195	11	2022
2016		1837	-	18,937	4734	2023
	<u>\$ 1,371,640</u>	<u>1837</u>	-	<u>1,390,577</u>	34	

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14. Taxation (continued)

These losses have not been agreed with the Barbados Revenue Authority, but are not in dispute.

15. Employee benefits

The Company operates a defined contribution pension plan which commenced on April 1, 2013. Contributions to the plan are determined by an independent qualified actuary. Members of the plan contribute 2.5% of their pensionable salary below the NIS maximum plus 7.5% of any salary in excess of this maximum to the pension plan. The Company's contribution is equal to 100% of the total employee contribution plus past service contributions for members at inception of the plan. The Company has no further payment obligations once the contributions have been paid.

Total contributions for the year amounted to \$87,782 (2015 - \$106,417). At year end, the market value of the assets of the plan was \$300,784. These assets are held in a combination of shares and local mutual funds.

16. Commitments

As at December 31, 2016, commitments to provide funding for new loans amounted to \$340,286 (2015- \$265,333).

17. Financial instruments

The Company's activity as providers of financial assistance to emerging micro enterprises is one which involves transactions that are speculative in nature. Financial instruments consist of cash at bank, accounts receivable and prepayment, receivable from government, accounts payable and accruals and loans payable.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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17. Financial instruments (continued)

Borrowings

The interest rates on loans payable disclosed in Note 10 are fixed and therefore the company is not exposed to variations in interest rates on its borrowings.

Loans

The interest rate on loans advanced is currently subsidized by the Government of Barbados. At the end of the financial year, the company recorded a receivable which was a result of the non-coterminus fiscal periods of the company and the Government of Barbados.

There is nothing to suggest that the subsidy arrangement will cease, and in the event that this occurs, the Board of Directors will alter the interest rate to minimize the company's exposure.

Credit risk

Credit risk arises from the possibility that counter parties may default in their obligations to the Company.

Concentration of credit risk exists if a number of clients are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The maximum credit risk exposure of financial assets recognised in the statement of financial position is represented by the carrying amount of the financial assets.

Liquidity risk

The company manages its liquidity risk by monitoring future cash flows to ensure that cash requirements can be met.

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17. Financial instruments (continued)

Fair value

Fair value amounts represent the approximate values at which financial assets and liabilities could be exchanged in current transactions between willing parties. The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short term financial assets and liabilities comprise cash at bank, accounts receivable and prepayments, receivable from government and accounts payable and accruals.

Loan receivable

The estimated fair value of loans receivable is determined by discounting expected cash flows at the prevailing market rates.

Loans payable

The estimated fair value of loans payable is based on discounted cash flows at prevailing market rates for obligations of similar risk and maturity.

However, it is not possible to determine independently the estimated fair value of the Company's other financial instruments which are considered to approximate their book values.

18. Economic dependence

The Company depends on subsidies and grants from the government of Barbados in order to sustain its operations. (Refer to Note 20.)

19. Capital risk management policies and objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt that includes the borrowings disclosed in Note 10 and equity comprising stated capital and retained earnings as disclosed in the statement of changes in shareholders' equity.

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19. Capital risk management policies and objectives (continued)

The Board of Directors reviews the capital structure on an annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board of Directors, the Company will balance its overall capital structure, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Company's overall strategy remains unchanged from 2015.

20. Subsequent events

Subsequent to year end, the Company received a grant of \$10 million dollars from the Government of Barbados. This advance is part of a proposed \$50 million dollar funding whereby the policy to provide annual subventions to the Company would be discontinued and the Company would pursue measures to become self-sustaining in the future.