

**THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021**

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 - 3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Comprehensive Income	6 - 7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 42

The Business Centre
Upton
Christ Church BB11103
Barbados

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
THE BARBADOS WORKERS' UNION CO-OPERATIVE
CREDIT UNION LIMITED**

T: +1 (246) 426-0420

ayub.kola@bakertillybarbados.com

Opinion

We have audited the financial statements of The Barbados Workers' Union Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as of March 31, 2021, statements of changes in equity, comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at March 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' 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' (IESBA) and International Code of Ethics for Professional Accountants (including International Independence Standards) and we have fulfilled our 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 qualified opinion.

Other Information

The financial statements of The Barbados Workers' Union Co-operative Credit Union Limited for the year ended March 31st, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on October 22nd, 2020.

Management is responsible for the other information. The other information comprises the Board of Directors' Report, Treasurer's Report and Supplementary 2020 - 2021 in the Annual Report 2020 - 2021 but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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

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 appears to be materially misstated.

When we read the Annual Report 2020 - 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Credit Union'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 Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union'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.

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 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 Credit Union'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 Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Credit Union 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Credit Union on business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.

Other Matters

This report is made solely to the Credit Union's members, in accordance with Section 109 of the Co-operatives Societies Act of Barbados. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, for our audit work, for this report, or for the opinion we have formed.

Baker Tilly

.....
Baker Tilly

BARBADOS
June 11th, 2021


THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31ST, 2021

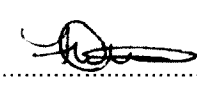
With comparative figures for 2020
 (Expressed in Barbados dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
ASSETS		\$	\$
Cash resources	5	14,291,763	11,877,551
Interest receivable	6	420,757	373,677
<i>Financial investments:</i>			
Amortized cost	8	34,952,991	29,147,344
Less expected credit allowance	8	(321,735)	(248,478)
FVOCI	8	5,017,810	4,920,616
FVTPL	8	21,020	21,020
Loans and mortgages to members	4(a) & 9	123,579,453	122,748,816
Less expected credit loss allowance	4(a) & 9	<u>(2,373,689)</u>	<u>(4,076,098)</u>
		<u>175,588,370</u>	<u>164,764,488</u>
OTHER ASSETS			
Accounts receivable - net	10	495,130	452,867
Prepaid expenses		102,101	82,333
Property and equipment	11	<u>8,192,414</u>	<u>8,129,226</u>
Total Other Assets		<u>8,789,645</u>	<u>8,664,426</u>
Total Assets		<u>184,378,015</u>	<u>173,428,874</u>
LIABILITIES AND MEMBERS' EQUITY			
Liability to Non-members			
Accounts payable and accrued expenses	12	<u>3,303,059</u>	<u>2,184,717</u>
		<u>3,303,059</u>	<u>2,184,717</u>
Liabilities to Members			
Deposits of members	13	167,218,232	160,330,134
Regulatory capital	14	<u>2,527,398</u>	<u>2,446,850</u>
		<u>169,745,630</u>	<u>162,776,984</u>
Members' Equity			
Statutory reserve	15(a)	9,623,173	8,935,808
Education fund	15(b)	20,700	20,700
Common good fund	15(c)	89,738	62,243
Unrealised gain on investments		2,805,664	2,684,511
Undivided earnings		<u>(1,209,949)</u>	<u>(3,236,089)</u>
Total Members' Equity		<u>11,329,326</u>	<u>8,467,173</u>
Total Liabilities and Members' Equity		<u>184,378,015</u>	<u>173,428,874</u>

See accompanying notes to the financial statements.

Approved by the Board of Directors:

Director: 

Director: 

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31ST, 2021

With comparative figures for 2020
(Expressed in Barbados dollars)

	Notes	Statutory Reserves	Education Fund	Common Good Fund	Unrealised Gain (loss) on Investment	Undivided Earnings	Total
		\$	\$	\$	\$	\$	\$
Impact of IFRS 16 implementation	(3n)	-	-	-	-	(51,181)	(51,181)
Balance at April 1 st , 2019		7,484,428	700	23,688	2,519,000	(7,531,675)	2,496,141
Net profit for the year		-	-	-	-	5,805,521	5,805,521
Transfer to statutory reserves	15(a)	1,451,380	-	-	-	(1,451,380)	-
Transfer to education fund	15(b)	-	20,000	-	-	(20,000)	-
Transfer to common good fund	15(c)	-	-	58,055	-	(58,055)	-
Disbursements from fund		-	-	(19,500)	-	19,500	-
Unrealised gain on investments for the year		-	-	-	165,511	-	165,511
Balance at March 31st, 2020		8,935,808	20,700	62,243	2,684,511	(3,236,089)	8,467,173
Net profit for the year		-	-	-	-	2,741,000	2,741,000
Transfer to statutory reserves	15(a)	687,365	-	-	-	(687,385)	-
Transfer to education fund	15(b)	-	20,000	-	-	(20,000)	-
Transfer to common good fund	15(c)	-	-	27,495	-	(27,495)	-
Disbursements from fund		-	(20,000)	-	-	20,000	-
Unrealised gain on investments for the year		-	-	-	121,153	-	(121,123)
Balance at March 31st, 2021		9,623,173	20,700	89,738	2,805,664	(1,209,949)	11,329,326

See accompanying notes to the financial statements.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31ST, 2021
 With comparative figures for 2020
 (Expressed in Barbados dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
		\$	\$
Interest on loans		5,497,418	5,725,976
Interest on mortgages		<u>3,937,505</u>	<u>3,850,988</u>
Total Loan Interest Income		9,434,923	9,576,964
Less Interest on Members' Deposits			
Interest expense		<u>(1,160,081)</u>	<u>(1,655,901)</u>
Net Interest Income		<u>8,274,842</u>	<u>7,921,063</u>
INVESTMENT INCOME			
Dividend income		65,483	91,627
Interest on investments		666,179	521,443
Gain on sale of investment		<u>750</u>	<u>180</u>
Total Investment Income		732,412	613,250
Less investment fees and charges		<u>(51,150)</u>	<u>(44,028)</u>
Net Investment Income		<u>681,262</u>	<u>569,222</u>
OTHER INCOME			
Other operating income		834,451	910,681
Rental income		<u>29,603</u>	<u>39,517</u>
Total Other Income		<u>864,054</u>	<u>950,198</u>
Total Operating Income		<u>9,820,158</u>	<u>9,440,483</u>

See accompanying notes to the financial statements.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED MARCH 31ST, 2021
 With comparative figures for 2020
 (Expressed in Barbados dollars)

	<u>Notes</u>	<u>2021</u> \$	<u>2020</u> \$
OPERATING EXPENSES			
Payroll costs		3,285,360	3,075,943
Membership protection and governance	17	658,263	760,459
Occupancy costs	17	581,482	563,366
General and administrative expenses	17	496,759	381,049
Expected credit losses	7	43,048	(2,967,114)
Marketing costs		209,077	208,601
Depreciation		872,677	877,929
Information systems expense		870,970	700,718
Penalty and interest/ overages		<u>4,750</u>	<u>(867)</u>
Total Operating Expenses		<u>7,022,386</u>	<u>3,600,084</u>
Profit before Interest for the year		2,797,772	5,840,399
Interest expense		<u>(36,772)</u>	<u>(15,378)</u>
Net profit for the year after Interest and before disbursements to funds		2,761,000	5,825,021
Disbursement from funds:			
Common Good Fund	15(c)	-	(19,500)
Education Fund	15(b)	<u>(20,000)</u>	<u>-</u>
		<u>(20,000)</u>	<u>(19,500)</u>
Net Income for the year		<u>2,741,000</u>	<u>5,805,521</u>
OTHER COMPREHENSIVE INCOME			
Revaluation reserve owner occupied property			-
Unrealised gain on investments for the year		<u>121,153</u>	<u>165,511</u>
Other comprehensive income/(loss)		<u>121,153</u>	<u>165,511</u>
Total Comprehensive Income/(Loss) for the year		<u>2,862,153</u>	<u>5,971,032</u>

See accompanying notes to the financial statements.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31ST, 2021
With comparative figures for 2020
(Expressed in Barbados dollars)

	<u>2021</u>	<u>2020</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	2,741,000	5,805,521
<i>Adjustments for:</i>		
Depreciation	872,677	877,929
Expected credit loss	43,048	(2,967,114)
Dividend income	(65,483)	(91,627)
Interest income	(10,101,102)	(10,098,407)
(Gain) on sale of asset	(750)	(180)
Interest expense	<u>1,196,853</u>	<u>1,671,279</u>
Operating loss before working capital changes	(5,313,757)	(4,802,599)
Increase in accounts payable	1,254,359	979,562
Decrease in prepaid expenses	(19,768)	(7,645)
Increase in accounts receivable	(106,935)	(90,266)
Increase in loans to members	(2,502,837)	(8,552,292)
Increase in regulatory capital	<u>80,548</u>	<u>137,300</u>
Net Cash used in Operations	(6,608,390)	(12,335,940)
Interest received – loans	9,387,843	9,510,681
Interest paid	<u>(1,247,992)</u>	<u>(1,516,869)</u>
Net Cash from/(used in) Operating Activities	<u>1,531,461</u>	<u>(4,342,128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(935,865)	(430,034)
Net proceeds from sale of assets	750	40,050
Interest received on investments	730,851	427,142
Dividends received	65,483	91,627
Increase in investments - net	<u>(5,781,688)</u>	<u>(4,212,727)</u>
Net Cash used in Investing Activities	<u>(5,920,469)</u>	<u>(4,083,942)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in members' deposits	6,888,098	7,356,170
Payment of lease liability	(84,878)	(870,901)
Repayment of loan principal	<u>-</u>	<u>(231,501)</u>
Net Cash from Financing Activities	<u>6,803,220</u>	<u>6,253,768</u>
Increase/(Decrease) in cash resources during year	2,414,212	(2,172,302)
Cash resources, beginning of year	<u>11,877,551</u>	<u>14,049,853</u>
Cash resources, end of year	<u>14,291,763</u>	<u>11,877,551</u>

See accompanying notes to the financial statements.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

1. Reporting Entity

The Credit Union was registered on July 8, 1983 under the Co-operative Societies Act, Cap 378 and was continued under the Co-operative Societies Act 1990-23 as evidenced by a Certificate of Continuance dated July 14, 1994. Its principal objectives include:

- (a) the promotion of thrift among its members by providing means whereby savings can be effected and shares in the society can be acquired, and
- (b) the creation out of savings of its members of a source of credit available to its members on reasonable terms and conditions.

The Credit Union's registered office is located at the corner of Fairchild & Nelson Streets, Bridgetown, Barbados.

These financial statements were authorised for issue by the Directors on June 11, 2021

2. Basis of Preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and investments measured at fair value.

(b) The Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and contingent liabilities at the reporting date and income and expenses for the year then ended. Actual results could differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

2. Basis of Preparation (continued)

(b) The Use of Estimates and Judgments (cont'd)

Key sources of estimation and uncertainty

Classification of financial assets:

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding

Expected credit losses (ECL):

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information. (See Note 3 (j) for further information).

Measurement of fair values:

A number of the Credit Union's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Credit Union uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as disclosed in Note 4 (f).

3. Significant Accounting Policies

(a) Functional and Presentation Currency

The financial statements are presented in Barbados dollars, which is the Credit Union's functional and presentation currency. All financial information presented in Barbados dollars has been rounded to the nearest dollar.

(b) Revenue Recognition

Interest:

Interest income is recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(b) Revenue Recognition (cont'd)

Dividend:

Dividend income is recorded by the Credit Union when the rights to receive income are established.

Rent:

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(c) Foreign Currency

Transactions in foreign currencies are translated to Barbados dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into Barbados dollars at the exchange rate ruling at that date and the resulting gain or loss is included in the statement of comprehensive income.

(d) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, except for the building which is stated at valuation less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is recognised in the statement of comprehensive income on the straight-line and reducing balance bases at rates designed to write off the cost of the assets over the periods of their estimated useful lives. Land is not depreciated. No depreciation is charged on buildings in the year of valuation.

The following annual rates apply:

Computer equipment	-	10% to 20%
Other furniture and equipment	-	10%
Motor vehicle	-	20% (reducing balance method)
Building	-	2%
Leasehold improvements	-	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(d) Property and Equipment (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and these are included in the statement of comprehensive income.

(e) Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

(f) Taxation

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

(g) Impairment of Non-Financial Assets

At each reporting date, the Credit Union reviews the carrying amounts of its property and equipment and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Provisions

A provision is recognised if, as a result of a past event, the Credit Union has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected cash flows at a rate that reflects current market assessments and, where appropriate, the risks specific to the liability.

(i) Leases

The Credit Union has applied IFRS 16 using the modified retrospective approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(i) Leases (cont'd)

Credit Union acting as a lessee:

At commencement or on modification of a contract that contains a lease component, the Credit Union allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Credit Union recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Credit Union's incremental borrowing rate. Generally, the Credit Union uses its incremental borrowing rate as the discount rate.

The Credit Union determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Credit Union is reasonably certain to exercise, lease payments in an optional renewal period if the Credit Union is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Credit Union is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Credit Union's estimate of the amount expected to be payable under a residual value guarantee, if the Credit Union changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(i) Leases (cont'd)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Credit Union presents right-of-use assets in property and equipment and lease liabilities in other liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Credit Union has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Credit Union recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee

The Credit Union did not have any finance leases under IAS 17.

Leases were classified as operating leases and were not recognised in the Credit Union's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

Right of Use Assets

IFRS 16 replaced leases guidance 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 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous standard – i.e. lessors continue to classify leases as finance or operating leases.

The Credit Union applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at April 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(i) Leases (cont'd)

Definition of a lease:

Previously, the Credit Union determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Credit Union now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(i).

On transition to IFRS 16, the Credit Union elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Credit Union applied IFRS 16 only to contracts that were previously identified as leases.

As a lessee:

As a lessee, the Credit Union leases branches and office premises. The Credit Union previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Credit Union. Under IFRS 16, the Credit Union recognises right-of-use assets and lease liabilities for leases of branches and office premises.

At commencement or on modification of a contract that contains a lease component, the Credit Union allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises the Credit Union has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Credit Union's incremental borrowing rate as at April 1, 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Credit Union's incremental borrowing rate at the date of initial application.

The Credit Union used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Credit Union:

- relied on its assessment of whether leases are onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets (i.e. IT equipment);

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(j) Financial instruments

Non-derivative financial assets and liabilities:

The Credit Union initially recognises cash resources, financial investments, loans and advances, accounts receivable, other assets, deposits, loans payable, regulatory capital shares and other liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date, which is the date that the Credit Union becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Non-derivative financial assets – Classification and subsequent measurement:

The Credit Union classified its financial assets into one of the following categories:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through the profit or loss (FVTPL)

Financial assets measured at amortized cost:

The Credit Union's non-derivative financial assets measured at amortized cost comprise cash and cash equivalents, term deposits, sovereign debt securities, loan and advances and accounts receivable. The Credit Union measures these assets at amortized cost as its business model is to hold them to collect contractual cash flows. Its contractual terms also give rise to the receipt of principal and interest on specified dates. These financial assets are not reclassified subsequent to their initial recognition unless the Credit Union changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets measured at FVOCI:

The Credit Union's non-derivative financial assets measured at FVOCI comprise equity securities. The Credit Union measures these assets at FVOCI as these equity investments are not held for trading and the Credit Union has irrevocably elected to present subsequent changes in the investments' fair value in OCI. These assets are measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the statement of comprehensive income.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Financial assets measured at FVTPL:

The Credit Union's non-derivative financial assets measured at FVTPL comprise equity securities. These assets are measured at fair value. Net gains and losses, including dividend income are recognized in the statement of comprehensive income.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Credit Union changes its business model for managing financial assets.

Non-derivative financial liabilities – Classification and subsequent measurement

Financial liabilities other than loan commitments are classified and measured at amortized cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised deposits, regulatory capital, loans payable and accounts payable and accrued expenses.

Business model assessment

The Credit Union makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Credit Union's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Credit Union's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Non-derivative financial assets – Classification and subsequent measurement

Derecognition

Financial assets:

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as FVOCI is not recognized in the statement of comprehensive income on derecognition of such securities but transferred to retained earnings.

The Credit Union enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

In certain transactions, the Credit Union retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria.

Financial liabilities

The Credit Union derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Credit Union also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on the modified terms is recognised at fair value.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Modifications of Financial Assets and Liabilities

Financial assets:

If the terms of a financial asset are modified, then the Credit Union evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Credit Union plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Credit Union first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Expected Credit Losses and Impairment

The Credit Union recognises loss allowance for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments issued

No impairment loss is recognised on equity investments

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

The credit union measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Credit Union considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Credit Union does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Credit Union expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive;

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flows from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets:

At each reporting date, the Credit Union assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Restructured Financial Assets (cont'd)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Credit Union considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes as assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally as a provision;
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(k) Fair Value

Determination of fair value and fair value hierarchy

The Credit Union uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Credit Union is the current bid price. These instruments are included in Level 1.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair of an instrument are observable, the instrument is included in level 2. The valuation technique used was the median value generated from a number of generally accepted valuation models including; Dividend Discount model, Discounted Cash flow Model, Multiple of Book Value, Multiple of Earnings, Multiple of EBITDA, Multiple of Revenues.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one of more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Equity investments that do not have quoted market prices in an active market and where other methods of determining fair value do not result in a reasonable estimate are measured at amortised cost, less impairment losses (levels 2 and 3).

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

3. Significant Accounting Policies (cont'd)

(l) Cash Resources

Cash resources include notes, coins, stamps held on hand, balances held with banks and highly liquid financial assets with original maturities of less than three months.

(m) Deposits

Deposits are the Credit Union's sources of debt funding and are initially measured at fair value plus transaction costs and subsequently at their amortised cost using the effective interest method.

(n) Comprehensive Income

Comprehensive income includes all changes in equity during the reporting period from transactions and events other than those arising from investments by and distributions to the shareholders. Other Comprehensive Income comprises revenues, expenses, gains and losses that are recognized in Comprehensive Income but excluded from Net Income. Other Comprehensive Income during 2020 - 2021 comprises unrealized gain on investments (2019 - 2020 comprised net unrealized gain on available-for-sale investments and the revaluation of owner-occupied property).

(o) Standards in issue but not yet effective

New standards, interpretations and amendments to extensive standards that are not yet effective and have not been early adopted by the Credit Union are as follows:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract – effective January 1, 2022
- Annual Improvements to IFRS Standards 2018 – 2020 – effective January 1, 2022
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use – effective January 1, 2022
- Amendments to IFRS 3 - Reference to the Conceptual Framework – effective January 1, 2022
- Amendments to IAS 1 – Classification of liabilities as current and non-current and disclosure of accounting policies – effective January 1, 2023
- Amendment to IFRS 16 - Covid-19 Related Rent Concessions - effective June 1, 2020
- Amendments to IAS 1 and IFRS Practice Statement 2 - effective January 1, 2023

The Credit Union has not yet assessed the impact of the adoption of these standards on its financial statements.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management

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

- credit risk
- liquidity risk
- market risks
- operational risks

This note presents information about the Credit Union's exposure to each of the above risks, the Union's objectives, policies and processes for measuring and managing risk, and the Union's management of capital.

Financial assets of the Credit Union include cash resources, accounts receivable, investments, loans and mortgages to members and interest receivable. Financial liabilities include deposits of members' regulatory capital and accounts payable and accrued expenses.

(a) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Credit Union's cash resources, loans and advances to customers and investment securities.

(i) *Cash resources*

The Credit Union deposits its funds with registered Banks which are subject to regulations.

(ii) *Loans and mortgages to members*

Credit risk on loans to members is managed using the Total Debt servicing ratio as well as detailed background checks on members in the approval process and stringent debt collection procedures. Two officers are assigned with the task of monitoring the delinquency portfolio on a daily basis. Management has documented a process to be followed for collection of outstanding debt. The Credit Committee has the responsibility of advising the Board on Policy based on market trends. The Board, along with management, revises policy periodically to reduce overall credit risk.

In measuring credit risk of loans and mortgages to members, the Credit Union considers the probability of default by the client and the likely recovery ratio on the defaulted obligations (the 'loss given default'). The Credit Union assesses the probability of default of individual customers using internal delinquency reports showing loan in arrears and ECL models developed by independent service providers to determine the ECL allowance.

(iii) *Financial Investments*

The Credit Union limits its exposure to credit risk by investing only in entities that have high credit ratings and Government Securities. The Credit Union has a documented policy in place which guides the management of the credit risk on investment. The Credit Union exposure and the credit rating of its debtors are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved entities.

THE BARADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(a) Credit Risk

Classified Loans

This category of loans represents loans for which, in most cases, the collateral has been realized and the Credit Union estimates that the outstanding balances may be irrecoverable.

Expected credit loss (ECL) allowance

Set out below is an analysis of the gross and net loans and advances to members.

Loans and mortgages to members

	<u>2021</u>	<u>2020</u>
<i>Delinquent Loans:</i>	\$	\$
90 days and over	4,968,456	5,452,269
Classified Loans fully provided	<u>1,273,840</u>	<u>1,411,946</u>
Carrying amount	6,242,296	6,864,215
Less: ECL Allowance	<u>(1,605,478)</u>	<u>(3,893,636)</u>
Carrying amount less allowance loans > 90 days	<u>4,636,818</u>	<u>2,970,579</u>
	<u>2021</u>	<u>2020</u>
<i>Loans in Good Standing:</i>	\$	\$
Not yet due	93,378,963	115,881,265
1-29 days	15,141,426	-
30-59 days	5,444,687	-
60-89 days	<u>3,372,080</u>	<u>3,336</u>
Carrying amount	117,337,156	115,884,601
Less: ECL Allowance	<u>(768,221)</u>	<u>(182,462)</u>
Carrying amount less ECL allowance for loans in good standing	<u>116,568,935</u>	<u>115,702,139</u>
Total carrying amount	<u>121,205,754</u>	<u>118,672,718</u>

Collateral

The Credit Union holds as collateral on loans, mortgages on property and land, bills of sale on vehicles, cash surrender values on life insurance policies, securities held with government or private listed companies, cash, guarantors and mutual funds. Unsecured loans are granted based on credit risk up to \$30,000. The value of security of loans > 90 days is approximately \$10.4 million dollars.

Risk limit control and mitigation policies

The Credit Union manages limits and controls concentrations of credit risk wherever they are identified.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

The Credit Union employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Credit Union implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Bills of sale over vehicles and equipment;
- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as cash, debt securities and equities.
- Hypothecation of deposit balances

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans. With respect to credit risk on commitments to extend credit, the Credit Union is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Credit Union monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk

Exposure to credit risk

	<i>Carrying amount</i>	
	<u>2021</u>	<u>2020</u>
	\$	\$
Interest receivable	420,757	373,677

Financial investments:

Amortized cost	8	34,952,991	28,898,866
FVOCI	8	4,651,097	4,920,616
FVTPL	8	21,020	21,020
Loans and mortgages to members		121,205,764	118,672,718
Cash resources		<u>14,291,763</u>	<u>11,877,551</u>
Total		<u>175,543,392</u>	<u>164,764,448</u>

(b) Liquidity risks

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations from its financial liabilities as they become due.

Liquidity risks arise from the mismatch in cash flows. The Board manages its liquidity risk by matching its cash inflows to its cash outflows. Short to medium term loans have been introduced to ensure that timing of cash inflows are matched to loan disbursements. The cash balances are monitored on a daily basis.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(b) Liquidity Risks (cont'd)

Deposits from Members

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

<u>March 31st, 2021</u>	<u>Interest Rate</u>	<u>Total</u>	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>5 years and over</u>
		\$	\$	\$	\$	\$
<i>Deposits by Type:</i>						
Term deposits & RRSP	1.00-4.10%	22,848,436	5,328,176	10,400,467	6,393,638	726,155
Other savings	0.20-0.65%	6,474,474	5,705,177	49,812	426,148	293,337
Special Savings	0.25%	6,097,541	5,769,575	19,325	129,933	178,708
Junior Savings	0.50%	2,971,168	2,940,086	-	5,082	26,000
Membership Prime Deposit	0.20%	77,372,544	66,108,129	681,979	4,657,128	5,925,308
Smart Builder	1.00%	51,454,069	47,594,088	86,309	1,497,375	2,276,297
Total		167,218,232	133,445,231	11,237,892	13,109,304	9,425,805
<i>Loan by Type:</i>						
Personal Loans	6.5-18%	37,764,052	754,493	1,082,035	20,584,787	15,342,736
Business Loans	7-17%	1,539,390	40,008	33,304	320,847	1,145,231
Other Loans	8-18%	146,375	10,884	7,059	86,932	41,500
Real Estate Loans	4.5-12%	72,937,909	13,474	66,742	1,164,930	71,692,763
Revolving Loans	17%	9,917,887	3,872,385	1,291,635	2,777,386	1,976,481
Reclassified Loans	0%	1,273,840	1,273,840	-	-	-
Total		123,579,452	5,965,085	2,480,775	24,934,882	90,198,711
Liquidity Gap		43,638,780	127,480,147	8,757,117	(11,825,578)	(80,772,907)

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(b) Liquidity Risks (cont'd)

Deposits from Members

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

<u>March 31st, 2020</u>	<u>Interest Rate</u>	<u>Total</u>	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 year to 5 years</u>	<u>5 years and over</u>
		\$	\$	\$	\$	\$
<i>Deposits by Type:</i>						
Term deposits &RRSP	1.00-3.85%	25,358,604	4,944,871	12,188,237	7,540,422	685,074
Other savings	0.25-0.75%	6,546,911	5,533,735	39,966	527,969	445,241
Special Savings	0.25%	5,985,703	5,535,495	36,243	128,911	285,054
Junior Savings	0.50%	2,959,308	2,926,462	1,764	5,082	26,000
Membership Prime Deposit	0.25%	71,651,739	59,441,790	805,661	5,039,912	6,364,376
Smart Builder	1.00%	47,827,869	43,834,252	118,293	1,664,535	2,210,789
Total		160,330,134	122,216,605	13,190,164	14,906,831	10,016,534

Loan by Type:

Personal Loans	6.5-18%	\$ 42,033,741	\$ 1,023,737	\$ 549,283	\$ 20,500,037	\$ 19,960,684
Business Loans	7-17%	1,693,954	66,075	12,901	523,665	1,091,313
Other Loans	8-18%	177,704	11,720	11,443	112,267	42,274
Real Estate Loans	4.5-12%	66,829,159	-	8,832	926,626	65,893,701
Revolving Loans	17%	10,602,312	2,689,972	1,649,397	3,259,705	3,003,238
Reclassified Loans	0%	1,411,946	1,411,946	-	-	-
Total		122,748,816	5,203,450	2,231,856	25,322,300	89,991,210

Liquidity Gap

37,581,318	117,013,155	10,958,308	(10,415,469)	(79,974,676)
-------------------	--------------------	-------------------	---------------------	---------------------

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(c) Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange notes and credit spreads will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Credit Union may be exposed to market risk as changes in market interest rates affect its income. Periodically, the Board and management review and approve the rates set to ensure they are well priced to control these risks.

Interest Rate Risk

Profile:

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

	<i>Carrying amount</i>	
	<u>2021</u>	<u>2020</u>
	\$	\$
<i>Fixed Rate Instruments</i>		
Fixed Financial Assets	82,191,626	79,266,676
Fixed Financial Liabilities	<u>(21,124,622)</u>	<u>(23,653,599)</u>
Net Fixed Rate Instruments	<u>61,067,004</u>	<u>55,613,077</u>
<i>Variable Rate Instruments</i>		
Financial Assets	101,819,675	94,162,198
Financial Liabilities	<u>(146,093,610)</u>	<u>(139,123,385)</u>
Net Variable Rate Instruments	<u>(44,273,935)</u>	<u>(44,961,187)</u>

(d) Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Credit Union's operations.

The Credit Union's objective is to manage operational risk by developing and implementing controls within the operation that would mitigate this risk. That responsibility is assigned to the Board and Management. There is a policy manual for the staff and volunteers of the Credit Union. The policy manual addressed in detail every functional area of the Credit Union and provided for some of the more critical function; primarily Loans and Operations, procedures to carry out such functions.

Compliance with the Credit Union's policies is supported by a programme of periodic reviews undertaken by the Internal Auditor. The results of Internal Audit reviews are discussed with management, the Supervisory Committee and the Board of Directors.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2020
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(e) Capital Management

The Co-operative Societies (Amendment) Act 2008-39, stipulates that an amount equalling or greater than 10% of total assets must be held as capital. The Board of Directors continues to review the capital structure. The capital to assets ratio is now 6.38% (2020 – 5.17%). The Financial Services Commission issued a letter indicating that they would give regulatory forbearance for a period of 5 years to return the capital ratio to 10%.

The Financial Services Commission (FSC) defines “capital” of a Credit Union as Qualifying Shares, Statutory, Other Reserves and 20% of the provision for doubtful loans.

The Credit Union objective, when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business. (See note 16(a))

(f) Fair Value

Fair value represents the amounts at which a financial instrument could be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted marked price, if one exists.

Financial assets and liabilities are carried at amounts, which approximate to their fair value at the reporting date. Fair values estimates are made at a specific point in time based on market conditions and information about the financial instrument.

These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions can significantly affect the estimates.

The fair values of cash resources, accounts receivable, interest receivable, accounts payable, accrued expenses, deposits loan payable and regulatory capital are not materially different from their carrying amounts.

The estimated fair values of the financial assets and liabilities, together with their carrying amounts shown in the statement of financial position are as follows:

	<u>2021</u>		<u>2020</u>	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	\$	\$	\$	\$
Cash resources	14,291,763	14,291,763	11,877,551	11,877,551
Accounts receivable	495,132	495,130	452,867	452,867
Interest receivable	420,757	420,757	373,677	373,677
<i>Financial investments (note 8)</i>				
Amortized cost	34,952,991	N/A	28,898,866	N/A
FVOCI	4,651,097	4,651,097	4,920,616	4,920,616
FVTPL	21,020	21,020	21,020	21,020
Loans and mortgages (net)	121,205,764	121,205,764	118,672,718	118,672,718
Deposits of members	167,218,232	167,218,232	(160,330,134)	(160,330,134)
Regulatory capital	(2,527,399)	(2,527,399)	(2,446,850)	(2,446,850)
Accounts payable	(3,303,059)	(3,303,059)	(2,184,717)	(2,184,717)
Loans payable	-	-	-	-

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(g) Loans and Mortgages Receivable

The nature of the Credit Union is such that loans can only be made to members of the Credit Union or similar societies. As a result of this, a market rate for these loans is not readily determinable and hence it is impracticable to estimate the fair value of these loans.

Investments

The Investment Portfolio comprises of assets stated at amortised cost and fair value.

(h) Real Property Management

The Co-operative Societies (Amendment) Act 2007-39, sec. 196A states that a Credit Union may not acquire or hold real property where the market value of the property to be acquired would cause the aggregate value of the property to exceed 6% of the stated assets of the Credit Union. At March 31, 2021, the Credit Union held 2.18% (2020 - 2.39%) in real property.

5. Cash Resources

This balance consists of:

	<u>2021</u>	<u>2020</u>
	\$	\$
Cash equivalents	370,976	268,399
Cash on hand	556,319	1,187,769
Cash at bank	<u>13,364,468</u>	<u>10,421,383</u>
	<u>14,291,763</u>	<u>11,877,551</u>

6. Interest Receivable

	<u>2021</u>	<u>2020</u>
	\$	\$
Loan interest receivable	<u>420,757</u>	<u>373,677</u>

This interest relates to interest accrued on loans and mortgages in good standing at March 31, for the respective years.

7. Expected Credit Losses

	<u>2021</u>	<u>2020</u>
	\$	\$
Loans and mortgages to members	(30,209)	(2,975,831)
Financial investments	<u>73,257</u>	<u>8,717</u>
	<u>43,048</u>	<u>(2,967,114)</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

8. Financial Investments

(a) Financial Investments Comprise

	<u>2021</u>	<u>2020</u>
	\$	\$
<i>Debt securities</i>		
Amortized cost		
Term deposits	21,786,158	16,980,511
Sovereign bonds ⁽¹⁾	<u>13,166,833</u>	<u>12,166,833</u>
	34,952,991	29,147,344
Less expected credit allowance	<u>-</u>	<u>(248,478)</u>
	34,631,256	28,898,866
<i>Equities securities</i>		
FVOCI		
Corporate equity ⁽²⁾	5,017,810	4,920,616
FVTPL		
Corporate equity	<u>21,020</u>	<u>21,020</u>
Total financial investments	<u><u>39,670,086</u></u>	<u><u>33,840,502</u></u>
Expected Credit Allowance:		
Balance at beginning of year impact of IFRS 9	248,478	239,761
Expected credit loss on investments	<u>73,257</u>	<u>8,717</u>
Balance at end of year	<u><u>321,735</u></u>	<u><u>248,478</u></u>

(1) On October 1, 2018, the Government of Barbados restructured all of its treasury notes and debentures and some state-owned debt resulting in the derecognition of the existing debt securities given the contractual cash flows of the new debt securities were significantly different. The carrying value of those debt securities was \$17,821,554 (i.e. gross carrying value of \$18,355,100 net of expected credit allowance of \$533,546). The new series B and D bonds issued by the Government of Barbados effective October 1, 2018 was \$16,157,105, resulting in a derecognition loss on investments of \$3,456,726 which was recognized in the statement of comprehensive income.

(2) The Credit Union outsources the management of its investment portfolio referred to as the "Blue Eagle" to CIBC First Caribbean International Bank's (The Bank) wealth management department. The Bank was given an investment policy and parameters to guide the investment decisions. The Investment policy was prepared by a group of members with an investment career background. Reports are submitted monthly to the management where the performance of the fund is reviewed. The total fund under management is \$651,736 (2020 - \$745,381). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

8. Financial Investments

(b) Investment of Funds

Section 34(A) (1) of the Co-Operatives Society Act Cap 378A sets out in detail the profile of institutions and securities in which the Credit Union can invest the funds of the Society including its reserves.

Section 34(A) (2) limits investments in equities of companies incorporated in Barbados or in a member state of the Caribbean community and listed on a stock exchange of these states. These companies must have paid dividends on its shares in the preceding five consecutive years. Alternatively, they can invest in securities issued by a credit union that is registered in a member state of the Caribbean community. Such investments shall not exceed 10% of the statutory reserve of the Credit Union.

The Financial Services Commission can also exercise discretion in allowing other investments except as defined in section 34(A) (2)

The Financial Services Commission approved the initial investment in Co-operators General Insurance. As at March 31, 2020, the Credit Union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

(c) Fair Value Hierarchy

2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Investment Securities</i>				
<i>Equity securities:</i>				
FVOCI - QUOTED	1,036,336			1,036,336
FVOCI - UNQUOTED		3,968,314	13,160	3,638,721
	<u>1,036,336</u>	<u>3,968,314</u>	<u>13,160</u>	<u>5,017,810</u>
2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Investment Securities</i>				
<i>Equity securities:</i>				
FVOCI - QUOTED	1,281,896			1,281,896
FVOCI - UNQUOTED		3,537,101	101,620	3,638,721
	<u>1,281,896</u>	<u>3,537,101</u>	<u>101,620</u>	<u>4,920,616</u>
2021	<u>Level 3</u>			
FVTPL	<u>21,020</u>			
2020	<u>Level 3</u>			
FVTPL	<u>2,020</u>			

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

8. Financial Investments (cont'd)

(c) Fair Value Hierarchy (cont'd)

The following table shows a reconciliation of all movements in the fair value of financial investments.

Level 1

	<u>2021</u>	<u>2020</u>
	\$	\$
Beginning Balance	1,281,896	1,376,454
Unrealised (loss) gain	<u>(245,560)</u>	<u>(94,558)</u>
Ending Balance	<u>1,036,336</u>	<u>1,281,896</u>

Level 2

	<u>2021</u>	<u>2020</u>
	\$	\$
Beginning Balance	3,537,101	3,302,191
Unrealised (loss) gain	366,713	171,310
Purchased	<u>64,500</u>	<u>63,600</u>
Ending Balance	<u>3,968,314</u>	<u>3,537,101</u>

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	<u>2021</u>	<u>2020</u>
	\$	\$
Loans	50,641,544	55,919,657
Mortgages	<u>72,937,909</u>	<u>66,829,159</u>
	123,579,453	122,748,816
Less ECL allowance	<u>(2,373,689)</u>	<u>(4,076,098)</u>
	<u>121,205,764</u>	<u>118,672,718</u>

Loans are classified as personal, business, line of credit and other loans. Personal and business loans bear interest at a rate of 6.5% to 18% per annum, unsecured loans and revolving line of credit at 17% and other loans at 8% to 18% per annum on the reducing balance. All loans are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum period of thirty years.

Mortgages usually bear a floating interest rate of 5.5% per annum on the reducing balance. As of March 2021 mortgages are being offered at a variable rate of 4% to 6.5% (2020 - 4.5% to 6.5%) per annum on the reducing balance. Mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum period of thirty years.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

9. Loans and Mortgages to Members, (cont'd)

Expected Credit Allowance:

	<u>2021</u>	<u>2020</u>
	\$	\$
Opening balance	(4,076,098)	(7,812,745)
Expected credit loss	30,209	2,975,831
Write offs	1,672,200	760,816
Recoveries	<u>-</u>	<u>-</u>
Ending balance	<u>(2,373,689)</u>	<u>(4,076,098)</u>

Loans greater than 90 days past due are considered impaired and as such provision is made in the accounts for the uncollectable loan principal amounts and interest receivable on all such loans.

10. Accounts Receivable

	<u>2021</u>	<u>2020</u>
	\$	\$
Accounts receivable	465,501	358,566
Interest receivable – Investments	<u>29,629</u>	<u>94,301</u>
	<u>495,130</u>	<u>452,867</u>

Accounts receivable mainly represents amounts receivable from the Government of Barbados for taxes withheld on the Blue Eagle Portfolio.

Interest receivable from investments represents interest receivable on fixed income instruments held in the Blue Eagle account and interest receivable from deposit accounts held at other financial institutions.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

11. Property and Equipment

2021

	Equipment and Computer Software	Motor Vehicle	Land, Buildings & Right of Use Asset	Leasehold Improvement	Total
<i>Cost/Valuation</i>	\$	\$	\$	\$	\$
At beginning of year	5,772,235	160,464	5,282,462	966,176	12,181,337
Additions/WIP	770,395	-	165,470	-	935,865
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
At end of year	<u>6,542,630</u>	<u>160,464</u>	<u>5,447,932</u>	<u>966,176</u>	<u>13,117,202</u>
<i>Accumulated Depreciation</i>					
At beginning of year	2,973,024	88,883	244,503	745,701	4,052,111
Charge for year	666,269	15,055	154,677	36,676	872,677
Disposals	-	-	-	-	-
At end of year	<u>3,639,293</u>	<u>103,938</u>	<u>399,180</u>	<u>782,377</u>	<u>4,924,788</u>
Net Book Value	<u>2,903,337</u>	<u>56,526</u>	<u>5,048,752</u>	<u>183,799</u>	<u>8,192,414</u>

2020

	Equipment and Computer Software	Motor Vehicle	Land, Buildings & Right of Use Asset	Leasehold Improvement	Total
<i>Cost/Valuation</i>	\$	\$	\$	\$	\$
At beginning of year	5,565,754	160,464	4,150,000	966,176	10,842,394
Impact of IFRS 16	-	-	911,399	-	911,399
Adjusted balance April 1 st , 2019	5,565,754	160,464	5,061,399	966,176	11,753,793
Additions/WIP	208,971	-	221,063	-	430,034
Disposals	(2,490)	-	-	-	(2,490)
At end of year	<u>5,772,235</u>	<u>160,464</u>	<u>5,282,462</u>	<u>966,176</u>	<u>12,181,337</u>
<i>Accumulated Depreciation</i>					
At beginning of year	2,303,175	70,305	-	709,025	3,082,503
Impact of IFRS 16	-	-	91,679	-	91,679
Adjusted balance April 1 st , 2019	2,303,175	70,305	91,679	709,025	3,174,182
Charge for year	669,718	18,578	152,824	36,676	877,929
Disposals	-	-	-	-	-
At end of year	<u>2,973,024</u>	<u>88,883</u>	<u>244,503</u>	<u>745,701</u>	<u>4,052,111</u>
Net Book Value	<u>2,799,211</u>	<u>71,581</u>	<u>5,037,959</u>	<u>220,475</u>	<u>8,129,226</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

11. Property and Equipment (cont'd)

<u>Right of Use Assets</u>	
	\$
Cost	911,399
Accumulated Depreciation	<u>183,358</u>
Balance at March 31 st , 2020	728,041
Depreciation Charge	<u>91,679</u>
Balance at March 31 st , 2021	<u><u>636,362</u></u>

The next valuation is scheduled to take place in the 2021 - 2022 financial year. During the 2018 - 2019 financial year the Board of Directors determined the value of the Credit Union's building was \$4,150,000 based on a valuation prepared by an independent, professional valuer. The resulting decrease of \$4,014,629 was debited to revaluation reserve in equity and the remaining decrease \$1,296,130 was expensed in the statement of comprehensive income. The accumulated depreciation of \$178,802 on the property at the date of the valuation was eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount of the property.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	<u>2021</u>	<u>2020</u>
	\$	\$
Interest payable on deposits	583,829	634,968
Non-member deposits	130,686	132,108
Professional fees	176,605	70,006
Lease liability	705,186	790,064
Other payables	<u>1,706,753</u>	<u>557,571</u>
	<u><u>3,303,059</u></u>	<u><u>2,184,717</u></u>

Interest payables on deposits represent the accrued amounts that are outstanding but unpaid to members for their deposits and saving accounts.

Maturity Analysis - Lease Liability

The Credit Union leases branch facilities under operating leases. Payments made under these leases are amortized over the term of the lease as a reduction to its lease liability for the principal portion and an interest expense for the associated finance cost. The future minimum rental payments related to these commitments are as follows:

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

12. Accounts Payable and Accrued Expenses (cont'd)

	<u>2021</u>	<u>2020</u>
	\$	\$
Current	84,878	80,837
1 to 5 years	461,001	469,006
Over 5 years	<u>159,307</u>	<u>240,221</u>
Total	<u>705,186</u>	<u>790,064</u>

During the year ended March 31st, 2021, \$74,238 (2020 - \$45,602) was recognised as rental expense in the statement of comprehensive income.

Other payables represent staff payables (P.A.Y.E, N.I.S) and miscellaneous trade payables.

13. Deposits of Members

Members' deposits comprise the following:

	<u>2021</u>	<u>2020</u>
	\$	\$
Term deposits	21,124,624	23,653,599
Other deposits	66,997,251	63,319,791
Prime deposits	77,372,543	71,651,739
Registered Retirement Savings Plan	<u>1,723,814</u>	<u>1,705,005</u>
	<u>167,218,232</u>	<u>160,330,134</u>

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 1.00% to 4.10% (2020 - 2.00% to 3.35%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 0.20% - 0.65% (2020 - 0.35% - 2.75%).

Prime Deposits, previously known as Members' Shares, is an interest-bearing deposit account which has attracted an average rate of 0.25% (2020 - 1%) during the financial year.

Registered Retirement Savings Plan is a retirement account registered with the Barbados Revenue Authority; withdrawals incur a withholding tax. This plan attracted an interest rate of 3.25% (2020 - 3.25%)

14. Regulatory Capital

	<u>2021</u>	<u>2020</u>
	\$	\$
Balance at April 1 st	2,446,850	2,309,550
Contributions for the year	<u>80,548</u>	<u>137,300</u>
Balance at March 31 st	<u>2,527,398</u>	<u>2,446,850</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

14. Regulatory Capital (cont'd)

In accordance with the requirements of IAS 32 and IFRIC 2, share capital is classified in the financial statements as a liability as their terms provide for withdrawal at the option of the members. Shares are classified as a liability and the appropriate payments classified as an expense and presented as a charge in arriving at net income for the year. The change in classification does not affect the rights and obligations of the members as set out in the Act or the Credit Union's by-laws.

Regulatory Capital represents the amount that has been paid up by members in respect of shares. Each regular member has twenty shares at a value of \$5.00 per share. Each junior member has ten shares at \$5.00 per share. There is no limit to the number of shares the Credit Union is authorized to issue.

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

15. Reserves

(a) Statutory Reserve

The statutory reserve is established pursuant to Section 197 (2) of the Co-operative Societies Act, Cap 378A.

The statutory reserve accumulated transfer from net income

The Credit Union is required under governing legislation to transfer an amount equivalent to the greater of one half of one percent (0.5%) of total assets or twenty-five percent (25%) of Net Income (before dividends) to the statutory reserve annually until the capital ratio equals ten percent (10%). At March 31st, capital ratio was 6.38% (2020 - 5.17%). The allocation for the year was \$687,365 (2020 - \$1,451,380).

(b) Education Fund

The Registrar of Co-operatives has advised that 3% of the net income capped at \$20,000 be transferred to an education reserve. This reserve is periodically paid to the Barbados Co-Operative Credit Union League. The amount transferred for the year was \$20,000 (2020 - \$20,000).

(c) Common Good Fund

The common good fund was established by the Credit Union and represents amounts allocated to facilitate donations to benevolent causes. The amount transferred is 1% of net income. The amount transferred for the year was \$27,495 (2020 - \$58,055).

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

16. Mutual Benefits Plan

This amount represents contributions to the Mutual Benefits Plan, which is administered by Co-operators General Insurance Company Limited. The plan provides loan protection to the Credit Union.

17. Major Operating Expenses

These comprise

	<u>2021</u>	<u>2020</u>
<i>General and Administrative Expenses</i>	\$	\$
Audit fees	146,347	99,188
Stationery office supplies	47,105	51,592
Professional fees	206,174	122,883
Equipment maintenance	4,677	14,088
Motor vehicle expense	9,779	25,585
Supplies	31,791	26,041
Postage	3,660	4,126
A/C equipment maintenance	43,717	33,603
Motor vehicle insurance	<u>3,509</u>	<u>3,943</u>
	<u>496,759</u>	<u>381,049</u>
<i>Occupancy Costs</i>		
Utilities	102,920	144,107
Rental expense	74,238	45,602
Security	135,925	162,649
Property insurance	75,633	79,622
Maintenance	160,083	89,014
Other office expenses	10,593	7,676
Land tax	15,849	19,855
Building renovation expense	-	2,490
Miscellaneous	<u>6,241</u>	<u>12,351</u>
	<u>581,482</u>	<u>563,366</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

17. Major Operating Expenses (cont'd)

Membership Protection and Governance Expenses

	<u>2021</u>	<u>2020</u>
	\$	\$
MBP premiums	289,207	314,638
League dues	94,563	111,132
Convention	-	10,254
Reimbursable expenses	90,800	100,200
Annual meeting	43,073	57,147
Committee meetings	6,854	19,869
Other meetings	5,226	1,629
Committee expenses	9,486	7,235
Committee activities	40	5,629
Fidelity insurance – Directors	12,104	10,950
Education expense	-	100
Regulatory fees	89,552	105,522
We Care Program	1,856	-
Archiving management	15,500	16,154
	<u>658,263</u>	<u>760,459</u>

18. Interest and Dividend Income

Recognised in profit or loss

	<u>2021</u>	<u>2020</u>
	\$	\$
Interest on loans	5,497,418	5,725,976
Interest on mortgages	3,937,505	3,850,988
Interest income on held-to-maturity investments	654,639	521,443
Dividend income on held to maturity financial assets	65,483	91,627
	<u>10,155,045</u>	<u>10,190,034</u>
Interest and dividend income - gross	10,155,045	10,190,034
Interest expense on financial liabilities measured at amortised cost	<u>(1,160,081)</u>	<u>(1,655,901)</u>
	<u>8,994,964</u>	<u>8,534,133</u>
Net interest, realised gain and dividend income recognised in profit or loss	<u>8,994,964</u>	<u>8,534,133</u>
Recognised directly in equity		
Net unrealized gain on investments for the year	<u>121,153</u>	<u>165,511</u>

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

19. Related Parties

(a) Identity of Related Parties

The Credit Union has a related party relationship with its directors, committee members and key management personnel.

(b) Related Party Balances

These represent loans outstanding, shares and deposits held by related parties as identified in (a) above.

	<u>Loans</u> <u>Balance</u> \$	<u>Deposits</u> \$	<u>Qualifying</u> <u>Shares</u> \$
As at March 31 st , 2021	1,429,816	1,174,824	2,100
As at March 31 st , 2020	2,408,870	1,580,952	2,100

(c) Key Management Personnel Compensation

	<u>2021</u> \$	<u>2020</u> \$
Wages and salaries	801,250	735,661
National Insurance	49,776	44,385
Pensions	11,279	20,152
Health and Life Insurance	2,276	3,846

20. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31st, 2021 amounted to \$16,847,670 (2020 - \$9,710,777).

21. Contingencies

At March 31, 2021, there were certain legal proceedings against the Credit Union. In view of the inherent difficulty of predicting the outcome of such matters, the Credit Union cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Credit Union does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on its financial position or results of operations.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2021
(Expressed in Barbados dollars)

22. Impact of COVID-19

COVID-19 is a worldwide pandemic that has had a major adverse impact on the global economy. COVID-19 has a major impact on tourism due to reduced flights into Barbados. This also impacted our hotels, restaurants and other tourism driven industries causing many businesses to close temporarily, reduce their workforces and in some instances close permanently. As such, there was reduced disposable income and loss of income in many Barbadian households. The Credit Union being cognizant of these challenges introduced the below measures:

- Regular meetings of the Board of Directors and management team to discuss strategies and plans around managing the virus's financial impact, including reviewing bi-weekly financial information, scenario analysis, staff and security operations.
- Stress testing liquidity to ensure that levels would remain adequate during the pandemic, including liquidity forecasting and assessing the adequacy of contingency liquidity funding.
- Offering loan moratoriums to our members who may have been impacted adversely by COVID-19. We expect that members will continue to pay their loans as scheduled after the loan moratoriums.
- Continued to offer payment plan solutions, fee waivers, and debt restructuring to members impacted negatively by the virus.
- Embarked on a member outreach program to assist our members that are negatively impacted by COVID-19.
- Implementation of preventative measures in our offices, including wearing masks, face shields, increased use of hand sanitizer, and temperature checks. Additionally, we introduced social distancing and allowed employees to work from home.