

you're Better
With Us

2019

ANNUAL REPORT



RE → FOCUS
→ STRUCTURE
→ ENERGISE



BWU CO-OPERATIVE
CREDIT UNION LIMITED

Prayer of **St. Francis of Assisi**

LORD, make me an instrument of Thy peace,
Where there is hatred, let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light; and
Where there is sadness, joy.

O Divine Master, grant that I may not
So much seek to be consoled as to console;
To be understood as to understand;
To be loved as to love; for it is in giving that we receive;
It is in pardoning that we are pardoned;
And it is dying that we are born to eternal life.



Connect with us:



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Contents

Our Member Service Charter.....	06
Vision Statement.....	07
Mission Statement.....	07
Core Values.....	07
Agenda.....	08
Our Corporate Team.....	09
President's Message.....	14
Board of Directors' Report.....	16
Financial Statements.....	29



Our Member Service Charter

The Credit Union's Expectations of its Members

- To remain loyal to their Credit Union
- To maintain a professional manner when conducting business at the Credit Union.
- To be respectful to employees and other members.
- To be co-operative by way of providing all the necessary information requested by employees.
- To take the initiative on issues affecting them.
- To seek clarification on problematic issues.
- To maintain high levels of honesty and integrity.
- To be punctual for appointments and any other meetings at the Credit Union.
- To display care and consideration for Credit Union property and facilities.

What Members can expect to receive in terms of service

- Prompt, professional, efficient service with an emphasis on service excellence.
- Dedication to adding value to the members' experience.
- Keen interest in making the member feel appreciated.
- Accuracy on members' accounts.
- Remittances processed in a timely manner (two (2) working days).
- Information on the Credit Union's products and services.
- Guidance on financial planning.
- Effective communication on the Credit Union's policies and procedures.
- Timely response to queries and telephone calls.

Our **VISION**

To be the leading provider of financial solutions for all of our members

Our **MISSION**

To be the most efficient provider of credit union services and products which develop and sustain the socio-economic standards of all members based on co-operative.

Core **VALUES**

The Credit Union shall be managed and directed in a manner that reflects the principles of integrity, transparency, honest, care, teamwork, operational excellence and adherence to the Credit Union's ethical values.

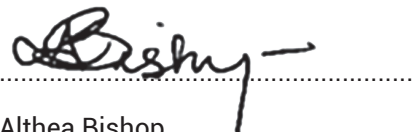
Agenda

All members are invited to attend the Annual General Meeting of the Barbados Workers' Union Co-operative Credit Union Limited at the Lloyd Erskine Sandiford Conference Centre, Two Mile Hill, St Michael, on **Saturday, June 29, 2019 at 2.00 p.m.**

Agenda

1. Ascertainment of Quorum
2. Call to order
3. Prayers/St. Francis of Assisi
4. Apologies for Absence
5. Welcome
6. Acknowledgement of other organisations
7. Credentials Committee Report
8. Appointment of Election Chairman
9. Adoption of Standing Orders
10. Minutes of the last Annual General Meeting held on June 30, 2018
11. Matters arising from Minutes of Annual General Meeting held on 30 June 2018
12. Minutes of the Special General Meeting held on 5 December, 2018
13. Matters arising from Special General Meeting held on 5 December, 2018
14. Reports 2018 - 2019.
 - a) Board of Directors
 - b) Auditors Report
 - c) Financial Statements
 - d) Credit Committee
 - e) Supervisory Committee
15. Fixing of Maximum Liability
16. Appropriation of Surplus
17. Appointment of Auditors
18. Resolutions
19. Election Results
20. Any Other Business
21. Adjournment

Yours co-operatively,



Althea Bishop
Secretary-Board of Directors

Board of Directors



Sis. Novaline Brewster
President



Bro. Herbert Harewood
Vice-President



Bro. Vere Rock
Treasurer



Sis. Althea Bishop
Secretary



Bro. Sherwin Greenidge
Director



Sis. Faye Arthur
Assistant Treasurer



Sis. Carolyn Barton
Assistant Secretary

Supervisory Committee



Sis. Safiya Wilkinson
Chairperson



Bro. Damien Chase
Deputy Chairman



Sis. Juliet Pollard
Secretary



Bro. Sean Scott
Assistant Secretary



Bro. Ashton Turney
Member

Credit Committee



Sis. Marsha Greenidge
Chairperson



Bro. Overton Franklyn
Deputy Chairman



Bro. Devon Farrell
Secretary



Sis. Charmine Ottley
Assistant Secretary



Sis. Fiona Goodridge
Member

The Management Team



Sis. Corinne Clarke
General Manager



Sis. Alana Cadogan
**Finance and
Accounting Manager**



Bro. Antonio Arthur
**Information Systems
Manager**



Sis. Shirleyne Best
**Operations
Manager**



Bro. Peter Blackman
**Business Development and
Communications Manager**



**Sis. Cheryl-Ann
Vaughan**
Credit Manager

Our Corporate Team

Management Team

Sis. Corinne Clarke..... General Manager
 Sis. Alana Cadogan..... Finance and Accounting Manager
 Bro. Peter Blackman.....Business Development and
 Communications Manager
 Bro. Antonio Arthur..... Information Systems Manager
 Sis. Shirleyne Best..... Operations Manager
 Sis. Cheryl-Ann Vaughan..... Credit Manager

Internal Audit

Bro. William Payne..... Internal Auditor

Accounts Department

Sis. Dana Wilson..... Assistant Accountant
 Bro. Micaiah Boyce..... Accounts Assistant
 Sis. Kristina Browne..... Accounts Assistant
 Bro. Shomari Inniss..... Accounts Assistant
 Sis. Shonnelle Holmes..... Collections Officer
 Sis. Sharon Hope Collections Officer
 Sis. Sasha Gibbons..... Collections Clerk

Human Resources & Administration Department

Sis. Lucretia Hall..... Executive Secretary
 Sis. Gail Cumberbatch..... Human Resources/
 Administration Officer
 Bro. Michael Freeman..... Office Assistant
 Sis. Janice Griffith..... Office Attendant
 Sis. Mary Haynes..... Office Attendant
 Sis. Colleen Phillips..... Office Attendant

Information Systems Department

Bro. Dario Holder.....Systems Administrator

Loans Department

Sis. Keisha Goddard..... Loans Officer
 Sis. Janice Burgess..... Loans Officer

Sis. Lisa Collymore..... Loans Officer
 Bro. Rajiv Worrell..... Loans Officer
 Sis. Yvette Jordan-Dottin.....Securities Officer
 Sis. Michelle Husbands.....Loans Clerk
 Sis. Sherri Taylor..... Outdoor Sales Ambassador

Member Experience Department

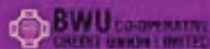
Sis. Jessica Gibson..... Marketing Assistant
 Sis. Toni Worrell..... Member Relations Officer
 Sis. Kathleen Smith..... Member Experience
 Representative
 Sis. Lauraline Garrick..... Member Experience
 Representative
 Bro. Jamaro Yearwood..... Member Experience
 Representative
 Bro. Omelle Broomes..... Telephone Operator
 Sis. Akayla Alleyne..... Part-time Clerk
 Sis. Charmaine Johnson..... Part-time Clerk

Operations Department

Sis. Kim Hunte..... Operations Supervisor
 Sis. Shakira Forde..... Operations Supervisor
 Sis. Keira Cumberbatch..... Accounts Clerk/Teller
 Bro. Damian Gilkes.....Accounts Clerk/Teller
 Sis. Shana McCollin..... Accounts Clerk/Teller
 Sis. Sacha Mondesir..... Accounts Clerk/Teller
 Bro. Neville Nurse.....Accounts Clerk/Teller
 Sis. Joakima Rochester..... Accounts Clerk/Teller
 Bro. Derrick Hurdle..... Security Officer
 Sis. Cherise Austin..... Part-time Clerk
 Sis. Allesha Bonnett..... Part-time Clerk
 Sis. Shavonne Dottin..... Part-time Clerk
 Sis. Angela Mason..... Part-time Clerk
 Bro. Dwayne Seale..... Part-time Clerk



**THE GABRIELLE GAY AWARD FOR EXCELLENCE IN
READING AND LITERACY
2019**



Hundreds of Barbadian Students were rewarded for their Reading and Literacy Efforts.



“ Over the last 35 years we have impacted over 24,000 lives in a meaningful and tangible way; and we have supported the communities in which we operate. ”

President's Message

Dear Members

My fellow directors and I welcome you to the 35th Annual General Meeting of the BWU Co-operative Credit Union Limited (BWUCCUL).

The 2019 meeting takes place at a critical period in the life of our credit union. We turn 35 and are therefore transitioning from youth to adulthood. Also, our country is managing severe economic challenges, while trying to modernize to become more competitive and resilient to domestic and international shocks, as well as to natural disasters. Barbados is building an economy in which we manage our public finances and create sustainable economic conditions that support the maintenance of our current fixed exchange rate of BDS\$2 to US\$1. These efforts are resulting in tough decisions, but we at the BWUCCU recognize the national call, and our credit union has committed to the cause.

The macroeconomic challenges have had spillover effects on our credit union in a real but not insurmountable way.

The difficulties require responses like those of our founders Sister Linda Brooks, the late Sir. Frank Walcott, Brothers Vere Rock, the late Evelyn Greaves, the Honourable Robert "Bobby" Morris and others who built this credit union in response to adversity, and to help people like you and me improve our economic and financial fortunes, and to be genuinely productive citizens.

Because of their efforts, we have created economic and financial opportunities for Barbadians; we have improved living standards and provided an avenue for workers to access credit on reasonable terms. Over the last 35 years

we have impacted over 24,000 lives in a meaningful and tangible way; and we have supported the communities in which we operate.

We understand adversity and challenges, and more importantly, we know how to respond, and how to turn our difficulties into opportunities.

The current national and institutional situation calls for similar efforts and approaches.

Our credit union registered gains over the past year. We grew our membership, expanded our asset base, and increased our surplus. We instituted measures and facilities to help our members and our staff cope with the economic challenges, and the Board thanks the management for ensuring that we empathized with the people whom we serve. We were nimbler and more responsive to market conditions.

However, we suffered setbacks. The national debt restructuring and the adoption of the new accounting standard IFRS 9 impacted us. These two developments resulted in the credit union having to write down over seven (7) million dollars from our retained earnings and current year income. Our regulator, the Financial Services Commission (FSC), sensitive to these challenges, has given us and the movement five (5) years to restore the capital base.

The bearish/soft property market also occasioned another writedown, because the market value of our new headquarters does not reflect fully the investment cost to provide comfortable surroundings for our staff and our members. The difference in the current market value of the property and the cost of the refurbishment is just over one (1) million dollars.

Your Board, volunteers and the credit union's management are inspired by the energy, determination, and tenacity that motivated our founders in the early 1980s to create the BWUCCU. We will work with the same diligence and energy of our forefathers to restore our capital. We have started to craft a plan, which will require the approval of the regulators and the support of every member.

As we transition to another phase of our life, we are prepared to manage and overcome the difficulties. We pledge to continue to build on the successes while implementing the changes and reforms necessary to sustain us through our adulthood and help us to renew. Those changes will focus on digitalization, green products and services and building a spirit of entrepreneurship among more of our members. We are reenergized, refocused and restructuring to serve you our members better, to create the best work environment for our staff, and to add value to the communities in which we operate.

Thank you for your support over the past year. It was an honour to have served.



Board of Directors Report

Restructure Refocus Re-energize

OUR IMPACT

"**People Helping People**", is the Credit Union's philosophy that fuels why we do what we do. Since 1983, we have remained dedicated to our various communities: offering financial services to the underserved, engaging our country's youth in financial education and returning any profits to our members by way of competitive interest rates, rebates and dividends. Each successive year, the Board, Committee, Management and staff of the BWU Co-operative Credit Union answered the call to serve you. Our vision remains: **to be the leading provider of financial solutions for all of our members**, despite the uncertainty in the economy, the increasing competition in the financial services space and changes to the regulatory framework.

We have become well acquainted with BERT: the Barbados Economic Recovery & Transformation Programme—introduced by the Barbados Government to restore prosperity, productivity and economic growth to our country. We have equipped ourselves to help you our members with financial management education, refinancing opportunities and other initiatives in order to provide that financial ease. We too have introduced our own BERT Programme - **Business, Entrepreneurship, Restructuring and Technology**. Our **BERT** focuses on developing small businesses; encouraging entrepreneurship (by offering educational programmes and finance packages) and restructuring our members' debt. We are utilising technology to provide services for our members, such as our mobile application, mobile peer to peer transfer, mMoney and SurePay. Above all, we are committed to expediting and facilitating business online. Like the Government, we too are confident that our programme will be rewarding for all.

Our efforts are not focused solely on our members and the public at large. We have also served our staff to ensure that they, too, can cope with the effects of the BERT Programme. We adjusted their pay and introduced additional benefits that would allow them peace of mind and be better able to assist our members.

This year, the Credit Union recorded sustained growth, albeit the two main external factors that had significant impact: the Government debt restructuring and the introduction of International Financial Reporting Standards (IFRS) 9. We welcomed 2,226 new members, bringing our total membership to 24,961, and this contributed to 17% growth in deposits, or \$21.9 million. We recorded operational profits for the year after distribution before disbursements from funds of \$1.1 million. Due to the adjustments for IFRS 9 and the government debt restructure the Credit Union recorded a net loss. The management analysis provides further details of our financial performance.

We approved more than \$38 million in loans, and in so doing we helped over 2,600 members to meet their financial needs, start or continue their businesses and acquire their dream homes and vehicles this year. In response to customer survey results, we improved our responsiveness by upgrading the way we deliver our service to members, training our staff on business lending and other underwriting skills and revamping our interest rates and terms for lending. These adjustments, coupled with easier access to loan services and quick loans, allowed us to be more responsive to your requests and to remain viable in this competitive environment. Your diligence, along with the persistence of our collections team resulted in non-performing loans of 4.94%, just below the industry standard of 5%. We are thankful to you, the members for remaining loyal and making the Credit Union your continued choice for financial products and services.

Convenience in Going Green.

This year's **Annual Report** shows that we are environmentally conscious citizens. We will not print our Annual Report again as it is available online only. Further to this, you can now access your statements online and stay abreast of all transactions with our alert messages feature.

Members who continue to face water challenges, can now own their own **Water Storage Tank** through the partnerships we have formed. We encourage persons,

particularly in areas of sparse water supply, to be **Water Smart**.

Further, the Credit Union will research investing in the **Green Energy Bond**. We intend to set up an energy farm into which you, our members, can invest. We continue to fund all greening projects, ranging from retrofittings to energy efficient lights, to the installation of solar water heaters and photovoltaic paneling at affordable and flexible rates.

This year, we introduced the **SmartNet Mobile Application** for members using Android and Apple iOS devices; SmartNet Online is still available for members who prefer the desktop/laptop experience. We also launched the new **Peer-to-Peer account transfer option** which allows our members to transfer money directly to each other using our mobile app) or through Smartnet online. It's quick, simple and very safe. We encourage our members who have small businesses, parents, grand or god parents to use this convenient feature to transfer money to employees, friends, children and other loved ones. If you are a landlord, you can also receive payments quickly and easily from your tenants if they are members of the BWUCCUL.

We encourage you to use our **SmartCard Debit Card** to transact business at the numerous CARIFS-enabled ATMs around the island; as well as at the many point-of-sale (POS) locations. SurePay is another convenient method that you can use to deposit funds to accounts, or to make loan payments and avoid late penalties.

We were one of the first Credit Union merchants to top up their **mMoney wallets**. mMoney wallets offer you another payment method at over a thousand merchants around the island.

Another new introduction is our **Express Drop-off Loan**. If you need a loan of \$10,000 or less, simply complete a **Quick Loan** application form and drop it off at any of our three branches; we will process it right away, eliminating the wait time for an interview. What's more, if you need a loan interview but you are unable to visit any of our locations, we can chat with you via **SKYPE**.

Special Projects

After 35 years, our Credit Union now occupies the entire headquarters. We moved seamlessly from Fairchild Street to Trident House and back. We thank

the management and staff of **Trident House** and **City Centre** and we commend the **Barbados Co-operative and Credit Union League** and **Cooperators General Insurance**, for their hospitality. We are indebted to you, our members, for your patience during the renovations. We now boast of ground floor access; yes-no more stairs, a wheel chair accessible and special needs desk and a conference/training room we shall make available to members/persons wishing to hold meetings. Plans are still under way to install an ATM by 2020. We are currently working with our partners to have an ATM that accepts international chip and pin debit cards.

In 2016, the Board of Directors made a decision that the Credit Union's headquarters was in need of an overhaul to enhance the esthetic of the Credit Union and ensure the health and safety of our members and staff. The renovations were extensive as it included the repurposing of the ground floor, addition of training room, and extensive works to the interior of the building. Over the past 2 years Barbados has experienced a weak real estate market due to the uncertainty surrounding the length and expected impact of the economic conditions. This has impacted property values negatively. As such, the cost of the renovation has differed significantly from the market value of the property. This disparity gave rise to a downward adjustment to the book value in spite of the enhancements made. As the economy recovers and the real estate market strengthens, we envisage an upward movement in the market value of our headquarters.



Honouring Our Volunteers

The BWU Co-operative Credit Union Limited's newly renovated headquarters, with its expanded facilities for members and staff, has provided us with a perfect medium to recognise the outstanding members and volunteers who have built and created the foundation for the institution we have become proud of today. A **Naming Committee**, established by the board and chaired by Bro. Robert Gibson, has recognised the efforts of the following persons:

- *The Late Sir. Frank Walcott & Linda Brooks, OBE - The Building. These were the two catalysts for the formation of the Credit Union. It was Sis. Brook's written proposal and Sir. Frank's soliciting of the Executive Committee's approval, which started the process.*
- *Bro. Ashton D. Turney, BSS – Conference Room. Bro. Turney has been a tower of strength and a hardworking member over the years. He has represented the Credit Union at many forums and his knowledge of the Co-operative Societies Act has been useful in guiding the Credit Union on many occasions.*
- *Bro. Dalton Medford – Library. During his time as President of the Board of Directors, He was instrumental in the opening of the Oistins Branch in the South, as well as in the move to a new location at Speightstown in the North to better serve our members. It was under Bro. Medford's Presidency that the extensive renovations were approved to be carried out at the Fairchild Street Head Office.*
- *Bro. Vere Rock – First Floor. Bro. Rock has been involved with the Credit Union from its inception and has served in many capacities over the years. He has used his vast knowledge of Financial Management to assist the Credit Union in its formative years and continues to volunteer for various committees up to present day.*
- *Founders Hall – The Lobby. This recommendation is received in recognition of the contributions made by our Founders as listed on our Founders' Plaque.*

We will honour these stalwarts at the official opening ceremony of our new headquarters on July 7th 2019.

Credentials Committee

At the Special General Meeting held in December 2018, you voted to replace the Nominations Committee with the Credentials Committee whose role is to ensure that all nominees meet the criteria set out in the By-Laws. In addition to validating the nominees, the Committee of four recommended a more lucid definition of the term 'Politically Exposed Persons' (PEPs). We will clarify the definition, and publish it on our website soon.

Automated Tabulation

At the said meeting, you also approved the change to our voting process at our 35th Annual General Meeting. We have automated the process to shorten the time taken to select the volunteers who will serve you on the Board and Committees. The Credit Union partnered with Delian Project to utilize their electronic tabulator in this new voting process. Members will receive the ballots when they arrive and will be allowed to vote during the meeting. A tabulator will tally the votes and the results will be fed into a report, which will be shared with the membership.

Business Continuity Plan

We updated our Business Continuity Plan to improve our own resilience to threats from natural and manmade disasters. During the national Earthquake drill, we made members aware of the response necessary during Earthquakes. Further, our revised plan improved our redundancies to reduce down time and ensure continued power at our head office through the use of our new generator.

Our Credit Union colleagues in the region signalled that our immediate response to members after a natural disaster, would be to supply them with water, food and supplies for home repairs. Your Credit Union will partner with key suppliers to have these items available during the Hurricane season. Our continued partnership with Co-operators General Insurance also provides discounted rates on home and motor insurance and added convenience when you participate in our Smart Premium Insurance Plan. We urge all members to be prepared for the season and to check our tips online.

Our Youth

Another aspect of business continuity is succession planning. Ensuring we remain relevant to our younger members is one of our focal points. This year, a youth committee was formed to find ways to inspire,

educate, connect with and above all, be able to meet the young members' unique needs. Committee members, between the ages of 18 to 35 years, have initiated youth focus group sessions, assessed the appeal of the Credit Union's social media presence and explored ways to improve the financial literacy of young persons. The focus groups revealed the appetite of our youth for financial products and what they believe would be most impactful.

We want to empower this country's young people financially, so we endeavor to share money management tips and skills with school-aged children. Our monthly programme involves presentations to primary and secondary schools during their assemblies, as well as class level discussions. We also participate in business initiatives carried out at the schools. We will share our financial literacy online publication with all students in the new term.

Health

Our members' health is important to us. The **Healthy Living Group Insurance Plan** gives over 300 members access to quality health care. This year, we were a title sponsor for the **Lions' Club World Health Day Fair**, held in Independence Square. Barbadians were able to sample healthy foods and receive various health checks free of charge at this event. We also welcomed over 100 members of the Barbados Secondary Teachers' Union Credit Union in to our medical programme. These members now share in all of our other benefits as well.





We regularly take part in promotions across the island to promote our credit union its products, services and benefits.

Corporate Social Responsibility

Our members and numerous other Barbadians, benefit from our sponsorship of various events. We sponsored the UWI, Cave Hill Campus Student Research Symposium for their research week in commemoration of the UWI's 70th anniversary celebrations. Two students were awarded scholarships for submitting excellent research papers—**Holly Trew**, for the Prevalence Patterns of excavating sponge *Cliona delitrix* in a near-shore artificial reef system and **Nikolai Holder**, for his research in the Bio-Methane Project. Congratulations to both Awardees.

We sponsored two foundation building camps again this year. **Camp Transition**, which helps first form students learn to cope with the demands of secondary school, and the **Financial Summer Camp**, which caters to students between 13 and 21. The financial summer camp was well received and we will host the next camp at our Headquarters.

Thirty-two (32) junior members from primary school to university level, received BWU Co-operative Credit Union **Scholarships** this year. We presented these students with award scrolls of excellence at a ceremony in September 2018. We salute all Awardees and invite eligible students to apply early this year. We wish them all the best as they continue on their life journeys.

Awards and Recognition

Similarly, we recognized twenty-two (22) students in the secondary schools during their **Speech Day and Prize Giving** Ceremonies.

At both the Primary and Secondary levels, we supported the **Gabrielle Gay Award** for Reading this year. One hundred and eighteen (118) students received awards for reading and their positive behaviour - another one of the Credit Union's passion projects.

Entrepreneurship

Our genesis out of the Barbados Workers Union has given us a unique and endearing appreciation for small businesses and entrepreneurship. We continue to streamline our operations to ensure that we better serve this section of our membership. Very soon we shall embark on varying projects that will incorporate ongoing mentorship, guidance, and support for our young Barbadian entrepreneurs. We have partnered with professionals to offer financial management,

debt management and business mentoring to our members. Check our website to see more on the pool of professionals.

Earlier this year, we partnered with the **St. George Parish Ambassadors** to host their **Small Business Seminar** series. We shared with them our financing solutions for small businesses, and the many Credit Union membership benefits.

We remain a dedicated supporter of the **Barbados Entrepreneurship Foundations' \$20 Challenge**. We presented awards to 8 students in the following categories: **Best Example of Team Work, Green Business of the Year**, and **Cooperative Spirit**.

We also teamed up with the Co-operatives Department, in association with the **Co-Op Mart** Steering Committee, during their launch of the Co-Op Mart in December 2018. This event was held weekly at the Transport Co-op's premises and brought together numerous entrepreneurs and buyers.

We continued to sponsor **Minding Your Business** – a CBC TV Programme which gives recognition and visibility to small businesses and entrepreneurs. We encourage members to call us if they would like to be featured on this Programme. There are tremendous benefits to be had at no cost to you.



BWUCCU is going Social

We upgraded our website to make it easier for you to view its content on your smart phones. Visit www.bwuccu.com for sleeker, faster access to information on how your Credit Union is serving you.

We are reconstructing our social media platforms and very soon we will engage with you in exciting ways on our **Facebook, YouTube and Instagram** pages. Our member newsletter will now take the form of a blog,



capturing news around the Credit Union community. The new electronic blog www.cupurplepost.com will give members the opportunity to submit their comments on articles.

This incredible and exciting journey in credit unionism is only possible with you, the member. There are various points for you to interact with us and share feedback. Continue to touch base with us through the member surveys which are available at every location, member feedback forms online, instantly through Facebook, WhatsApp and Instagram and/or by email, at info@bwuccu.com. We are even happier if you just want to drop in and tell us your views and comments face to face.

Training

Our Board of Directors attended a leadership training session which focused on emotional intelligence and building their leadership skills, all aimed at introducing changes to the way we do business to better serve you our members. Our staff attended training in Business Lending, Regulatory Compliance, Digital Marketing, Credit Underwriting, Corporate Governance, Health and Safety and Microsoft Office suite. We also held regular sessions to update them on our products and services because knowledge inspires confidence, which in turn leads to success.

Our league training opportunities provide educational sessions on current issues, to all members. A total of 34 persons attended the training with the most popular sessions being **Developing Your Business Enterprise** and **Credit Underwriting & Monitoring 1**.

Reenergized To Serve

We say thanks to our Directors, Committee Members, Management and Staff for their commitment, dedication and diligence to the business of the Credit Union and of course, to you our members. The regulatory and compliance requirements call for constant re-tooling and re-training to ensure success, sustained growth and stability. The various policies and processes developed are in keeping with international standards and best practices. Some of these standards require significant changes to how we facilitate business, for example, IFRS 9. However, this is all done to preserve the assets of each member. We continue to focus on liquidity management, profitability and process management to sustain our growth. The Credit Union will on-board a Compliance Officer in July to ensure that we comply with all laws, policies and best practices.

We appreciate your understanding as we change and improve our service delivery to you and restructure our institutional capital for a robust but caring Credit Union.



Our community outreach and promotions continue to attract a cross section of persons especially young persons.

MANAGEMENT ANALYSIS

Amidst the changes in the international and domestic financial services sector, the Credit Union recorded a profit for the year after distribution before disbursements from funds of \$1.1 million, albeit the two main external factors that had significant impact: the Government debt restructuring and the introduction of International Financial Reporting Standards (IFRS) 9 - Financial Instruments. However, these adjustments and the reversal of the revaluation reserve resulted in a comprehensive loss of \$5.6 million. Of particular note were the growth in deposits of 17%, or \$21.9 million and loans of 11% or \$11.5 million, bringing the total assets to \$159.4 million- an increase of 7% over the previous year.

Credit Risk is one of the key risk areas for the Credit Union as 72% of our assets relate to Loans and Mortgages to members. We continued to maintain a delinquency ratio that was below the Pearl Standard of 5%. Through prudent management of our loans portfolio, coupled with commitment from our membership during these periods of increased financial stress, we recorded a ratio of 4.94%.

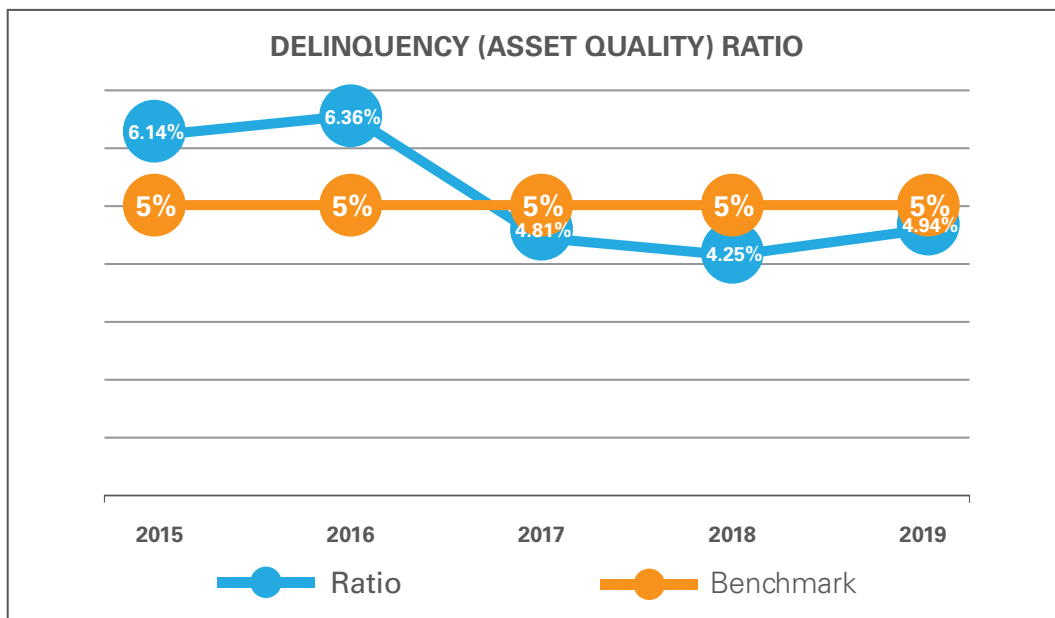
The Credit Union is committed to assisting its membership who are experiencing financial challenges. We continue to offer payment solutions, financial counselling, credit support and other

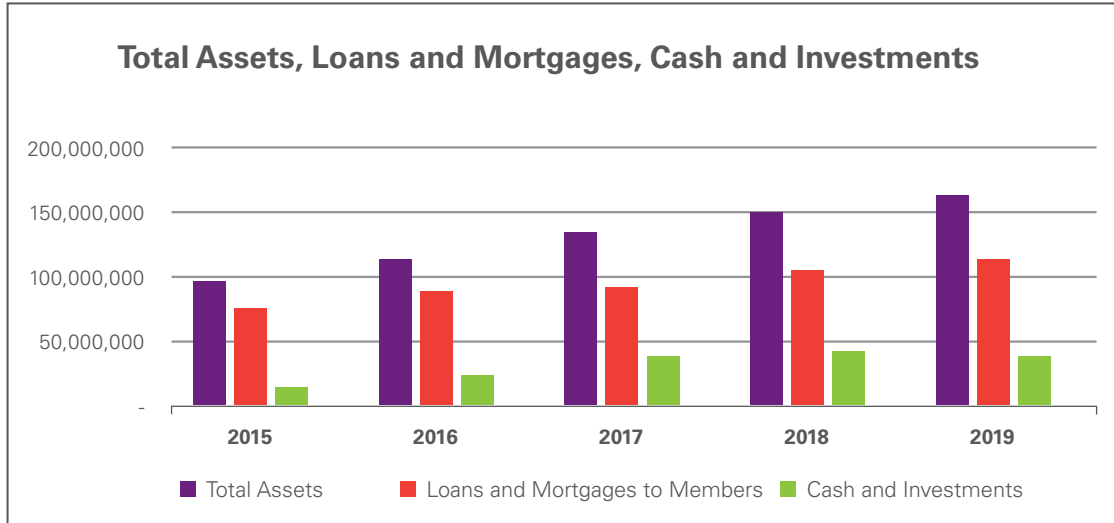
solutions to ensure that we achieve the best possible outcome. Due to this proactive approach, we continue to do well with collections and this impacts positively on our members' credit rating and overall financial health. During the year in an effort to further assist our membership, we adjusted our loan interest rates downward-so that members benefit from lower repayments, less interest and faster repayment of loans.

In order to remain balanced, and in response to market changes, the Credit Union also lowered some of the interest rates on its savings products. We however, remained highly competitive as seen in the growth in deposits of \$21.9 million, with an average rate of return of 1.69%.

Assets

Total assets for March 31, 2019 were \$159.4 million, an increase of \$11 million over the previous year. Cash resources increased by \$7.7 million to \$14 million, an increase of 121%. Loans and Mortgages to members increased by \$11.5 million, to \$114.9 million. The increase in the provision for doubtful debt of \$5 million, is a direct result of the impact of IFRS 9 on the financial statements.





IFRS 9 – Financial Instruments

During the year IFRS 9 - Financial Instruments was adopted. As a result, this impacted our provision for doubtful debts as the standard now dictates that all loans (even those in good standing) must be assigned a credit rating and the institution must decide on a rating scale. Once the institution has implemented the credit rating and the rating scale, each loan must be assessed on an annual basis-irrespective of the rating of the loan (whether it had a positive or negative rating). All good loans require a minimum of a 12 month provision; loans that are in good standing are considered stage 1. If there was a significant deterioration in the loan, an institution must decide on a new rating. As a result of the significant deterioration, it would be necessary to make a lifetime provision for the loan (this would be a significantly higher provision than Stage 1).

Loans that are credit impaired, which are delinquent over 90 days, would be provided for as usual-based on the guidelines of the IAS-39 model (the present value of the expected cash flows to the collateral minus the carrying value; if there is a short-fall this becomes the impairment) under the IFRS 9 standard.

As such, the Credit Union used a model to calculate the expected credit losses (ECC). The ECC model constructed looks at the aging criteria in the past, performance based on historic period of time and derives the probability of default (likelihood that

something would go wrong). Therefore, the standard states the provision is calculated as the probability of the default of a loan x the amount at risk (difference between the present value and carrying value of the collateral) x the loss given default (the percentage of the loan when it goes bad). This provides the final figure for the expected credit losses that would be recorded in the financials. The Credit Union was also required to use forward looking information such as GDP, inflation and unemployment rates, if these correlated with the business.

In summary, the previous standard IAS 39 only required the Credit Union to provide for loans that were delinquent 90 days and over. IFRS 9, in an effort to be more forward looking, requires the Credit Union to provide for all loans (current and past due). The Credit Union must also take into account any future factors that may impact the creditworthiness of a loan. As such, there was a significant increase in the bad debt expense and allowance for doubtful loans.

Financial Investments

The Credit Union's investments recorded a slight decrease of \$1.1 million from the previous year, to \$29.8 million. As a result of the Government debt restructure, the Credit Union wrote down \$3.5 million relating to the Government debt, this impact is clearly seen in the Income statement. The Credit Union in 2018 held \$17.83 million in Government securities, due to the debt restructuring program that was

converted into 2 series of bonds; B and D. We now hold \$12.17 million in Government securities; \$12.06 million in Series B, 15 year bonds and \$0.09 million in Series D, 35 year bonds. More positively, there was an independent valuation of the Co-operators General Insurance shares, which resulted in an increase of the share price as a result the investment increased by \$2.08 million.

Due to the weak real estate market, the market value of our Headquarters is lower than the cost spent to renovate the property. This resulted in the reversal of the revaluation reserve accumulated over the years in the amount of \$4 million dollars and a write down of \$1.2 million representing the difference in market value and renovation costs. The net effect on our total equity was \$5.2 million.

Liabilities

Deposits of members grew by 17%, or \$21.9 million to \$152.97 million. There was also an increase in the rate of growth from the previous year by 4%. During the year, the Credit Union made a decision to repay the Central Fund Facility Trust loan earlier than scheduled, in an effort to save on interest cost and due to increased liquidity. As at 31 March, 2019, the Credit Union's loan payable of \$231,501, relates to the

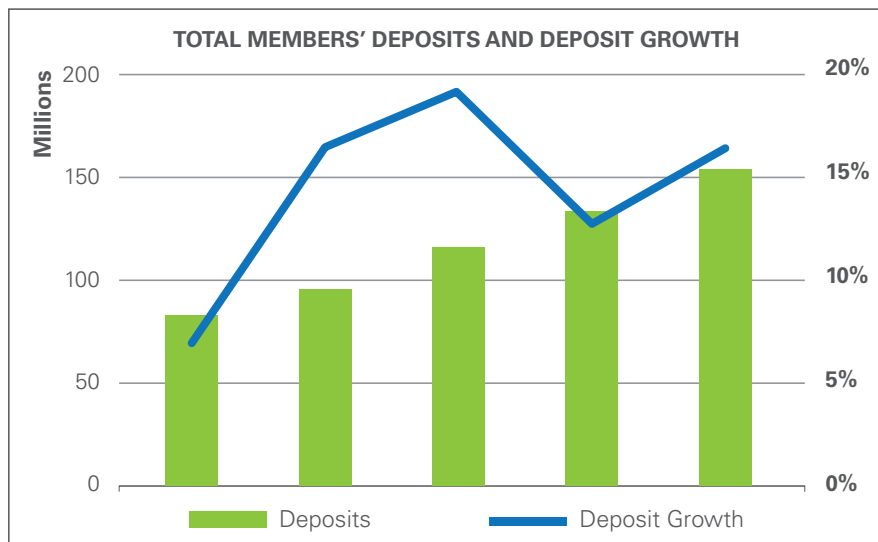
loan from the National Insurance Board to assist with the refurbishment of the building. To date the loan has not been fully drawn.

Equity

As a result of the external shocks (IFSR 9 and Government debt restructuring) the Credit Union's equity has been negatively impacted. This effect was anticipated by the Financial Services Commission (FSC) and they have granted Credit Unions a 5 year period of regulatory forbearance in which they can seek to get their capital at the required 10%. Additionally, the FSC has also indicated that Credit Unions can use 20% of the allowance for doubtful debts in their capital calculation, for a period of 5 years. As such, the Credit Union's Capital ratio is currently 2.43%.

Total Income and Net Income

The Credit Union recorded Total Operating Income of \$8.03 million-an increase of 10%, or \$0.741 million. Loan Interest Income increased by 8%, or \$0.688 million to \$9.071 million-even with the reduction of loan interest rates. Investment income reduced due to the Government debt restructure and the low interest rates being offered in the market on investments; while Other Income increase by 18%.

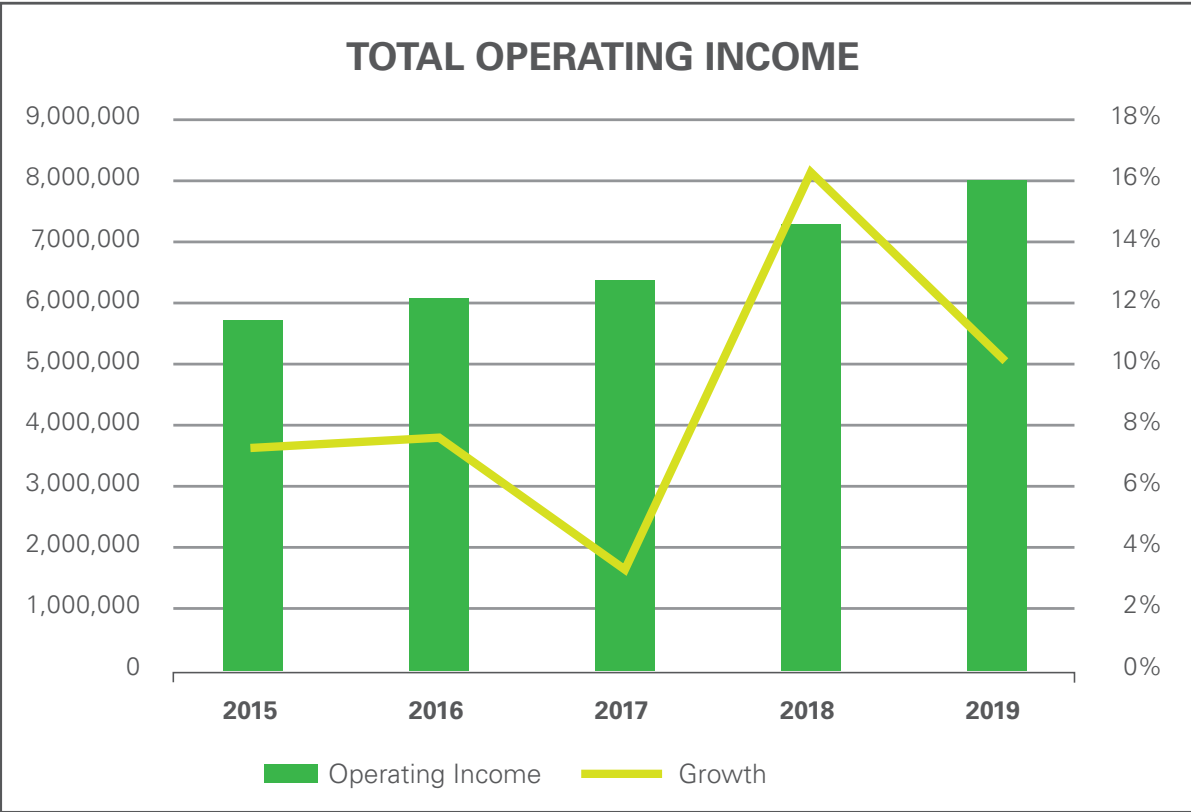


The Credit Union made a profit for the year after distribution before disbursements from funds of \$1.1 million prior to the write down on investments and building impairment. This compared positively with \$0.838 million the previous year.

Expense Management

During the financial year, the Credit Union closely monitored its spending as there was a planned increase of expenses by 6.84%.

Overall, the Credit Union’s performance and areas within the control of management improved from the last financial year. However, the external factors impacted the Credit Union significantly. Notwithstanding this, we remain stable and committed to meeting our members’ financial and socio-economic needs.





BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LTD

March 31st, 2019
Financial
Statements

CONTENTS

Independent Auditors' Report	30
Statement of Financial Position	34
Statement of Changes in Equity	35
Statement of Comprehensive Income	36
Statement of Cash Flows	38
Notes to Financial Statements	39



BWU CO-OPERATIVE
CREDIT UNION LIMITED

you're Better
With Us



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Hastings
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Barbados West Indies
Telephone (246) 434-3900
Fax (246) 427-7123

P. O Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Members of The Barbados Workers' Union Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

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, 2019, 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, 2019 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 Credit Union in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' Report, Treasurer's Report and Supplementary 2018 - 2019 in the Annual Report 2018 - 2019 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of The Barbados Workers' Union Co-operative Credit Union Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Other Information, continued

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 2018 - 2019, 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of The Barbados Workers' Union Co-operative Credit Union Limited (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements, continued

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.

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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of The Barbados Workers' Union Co-operative Credit Union Limited (continued)

Report on the Audit of the Financial Statements (continued)

Other Matter

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.

KPMG

Chartered Accountants
Bridgetown, Barbados
June 11, 2019

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

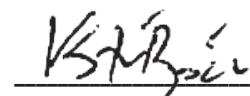
Statement of Financial Position

For the year ended March 31, 2019 with comparative figures from 2018

	Notes	2019	2018
Assets			
Cash resources	5	\$ 14,049,853	6,346,745
Interest receivable	6	307,394	333,786
Financial Investments			
Amortized cost (2018: Held to maturity)	8	25,328,938	28,297,455
Less expected credit allowance	8	(239,761)	-
FVOCI (2018: Available for sale)	8	4,691,806	2,588,320
FVTPL	8	21,020	21,020
Loans and mortgages to members	4 & 9	114,957,340	103,414,072
Less expected credit loss allowance	4 & 9	(7,812,745)	(2,759,448)
		<u>151,303,845</u>	<u>138,241,950</u>
Other Assets			
Accounts receivable - net	10	268,300	286,191
Prepaid expenses		74,688	81,231
Property and equipment	11	7,759,891	9,786,956
Total other assets		<u>8,102,879</u>	<u>10,154,378</u>
Total Assets		<u>\$ 159,406,724</u>	<u>148,396,328</u>
Liabilities and Members' Equity			
Liability to non-members			
Accounts payable and accrued expenses	12	\$ 1,344,387	1,445,075
Loan payable	14	231,501	393,237
		<u>1,575,888</u>	<u>1,838,312</u>
Liabilities to members			
Deposits of members	13	152,973,964	131,111,220
Regulatory capital	15	2,309,550	2,117,250
		<u>155,283,514</u>	<u>133,228,470</u>
Members' equity			
Revaluation reserve	11	-	4,014,629
Statutory reserve	16(a)	7,484,428	7,484,428
Education fund	16(b)	700	20,700
Common good fund	16(c)	23,688	37,188
Unrealised gain on investments		2,519,000	435,627
Undivided earnings		(7,480,494)	1,336,974
Total members' equity		<u>2,547,322</u>	<u>13,329,546</u>
Total Liabilities and Members' Equity		<u>\$ 159,406,724</u>	<u>148,396,328</u>

See accompanying notes to financial statements.

Approved on by the Board of Directors: _____ Director

 Director

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Statement of Changes in Equity

For the year ended March 31, 2019 with comparative figures from 2018

	Notes	Revaluation Reserve	Statutory Reserves	Education Fund	Common Good Fund	Unrealised Gain (loss) on Investment	Undivided Earnings	Total
Balance at April 1, 2017		\$ 4,014,629	6,742,446	20,700	31,344	488,440	1,268,730	12,566,289
Net income for the year		-	-	-	-	-	816,070	816,070
Revaluation of Building		-	-	-	-	-	-	-
Transfer to statutory reserves	16(a)	-	741,982	-	-	-	(741,982)	-
Transfer to education fund	16(b)	-	-	20,000	-	-	(20,000)	-
Transfer to common good fund	16(c)	-	-	-	8,161	-	(8,161)	-
Disbursements from fund		-	-	(20,000)	(2,317)	-	22,317	-
Realised gain on sale of investment		-	-	-	-	-	-	-
Unrealised gain on investments for the year		-	-	-	-	(52,813)	-	(52,813)
Balance at March 31, 2018		4,014,629	7,484,428	20,700	37,188	435,627	1,336,974	13,329,546
Impact of IFRS 9 implementation	3(n)	-	-	-	-	-	(5,204,538)	(5,204,538)
Balance at April 1, 2018		4,014,629	7,484,428	20,700	37,188	435,627	(3,867,564)	8,125,008
Net loss for the year		-	-	-	-	-	(3,646,430)	(3,646,430)
Revaluation of Building		(4,014,629)	-	-	-	-	-	(4,014,629)
Transfer to statutory reserves	16(a)	-	-	-	-	-	-	-
Transfer to education fund	16(b)	-	-	-	-	-	-	-
Transfer to common good fund	16(c)	-	-	-	-	-	-	-
Disbursements from fund		-	-	(20,000)	(13,500)	-	33,500	-
Unrealised gain on investments for the year		-	-	-	-	2,083,373	-	2,083,373
Balance at March 31, 2019		\$ -	7,484,428	700	23,688	2,519,000	(7,480,494)	2,547,322

See accompanying notes to financial statements.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Statement of Comprehensive Income

For the year ended March 31, 2019 with comparative figures from 2018

	Notes	2019	2018
Interest on loans		\$ 5,373,979	4,796,201
Interest on mortgages		3,702,357	3,591,167
Total Loan Interest Income		9,076,336	8,387,368
Less Interest on Members' Deposits			
Interest expense		(2,586,254)	(2,652,321)
Net Interest Income		6,490,082	5,735,047
Investment Income			
Interest on savings account		-	517
Dividend income		58,423	68,819
Interest on investments		732,088	930,112
Loss on sale of investment		-	(12,481)
Total Investment Income		790,511	986,967
Less investment fees and charges		(33,853)	(99,523)
Net Investment Income		756,658	887,444
Other Income			
Other operating income		752,166	635,187
Rental income		30,000	30,000
Total Other Income		782,166	665,187
Total operating income		\$ 8,028,906	7,287,678
Operating Expenses:			
Payroll costs		\$ 2,934,119	2,781,762
Membership protection and governance	18	658,957	537,640
Occupancy costs	18	715,418	686,467
General and administrative expenses	18	273,466	313,163
Expected credit losses (2018: Allowance for bad and doubtful debts)	7	1,102,266	713,723
Marketing costs		383,568	473,244
Depreciation		245,836	418,627
Amortization		-	6,125
Information systems expense		565,862	507,671
Penalty and interest/ overages		(246)	496
Total operating expenses		6,879,246	6,438,918

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Statement of Comprehensive Income (con't)

For the year ended March 31, 2019 with comparative figures from 2018

	Notes	2019	2018
Profit before interest for the year		1,149,660	848,760
Interest expense	14	(9,734)	(10,373)
Net profit for the year after interest and before disbursements to funds		1,139,926	838,387
Disbursement from funds:			
Common Good Fund	16(c)	(13,500)	(2,317)
Education Fund	16(b)	(20,000)	(20,000)
		(33,500)	(22,317)
Loss on derecognition of Government securities	8	(3,456,726)	-
Impairment loss on building	11	(1,296,130)	-
Net (loss) income for the year		(3,646,430)	816,070
Other comprehensive income			
Revaluation reserve owner occupied property		(4,014,629)	-
Unrealised gain (loss) on investments for the year		2,083,373	(52,813)
Other comprehensive (loss) income		(1,936,256)	(52,813)
Total comprehensive (loss) income for the year		\$ (5,577,686)	763,257

See accompanying notes to the financial statements.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Statement of Cash Flows

For the year ended March 31, 2019 with comparative figures from 2018

	2019	2018
Cash Flows from Operating Activities		
Net (loss) income for the year	\$ 816,070	688,863
Adjustments for:		
Depreciation	245,836	418,627
Amortization	-	6,125
Expected credit loss (2018: allowance for doubtful loans)	1,102,266	713,723
Loss on derecognition of investments	3,456,726	-
Impairment on building	5,310,759	-
Loss on sale of investments	-	12,481
Dividend income	(58,423)	(68,819)
Interest income	(9,808,424)	(9,317,997)
Loss on sale of asset	685,093	-
Interest expense	2,595,988	2,662,694
Operating loss before working capital changes	(116,609)	(4,757,096)
(Decrease) increase in accounts payable	(91,530)	213,943
Decrease (increase) in prepaid expenses	6,543	(4,959)
Decrease in deferred expense	-	6,125
Increase in accounts receivable	(4,437)	(14,513)
Increase in loans to members	(16,596,565)	(11,030,562)
Increase in regulatory capital	192,300	184,650
Net cash used in operations	(15,402,412)	(12,434,289)
Interest received – loans	9,102,728	8,331,976
Interest paid	(2,577,096)	(2,871,687)
Net cash used in operating activities	(10,084,666)	(9,942,123)
Cash Flows from Investing Activities		
Additions to property and equipment	(3,523,126)	(3,450,852)
Net proceeds from sale of assets	15,394	18,051
Net proceeds from sale of investments	-	37,895
Interest received on investments	754,416	972,877
Dividends received	58,423	68,819
Increase in investments - net	(1,218,342)	(2,111,075)
Net cash used in investing activities	(3,913,235)	(4,464,285)
Cash Flows from Financing Activities		
Increase in members' deposits	21,862,745	15,238,153
Proceeds from loan payable	-	280,258
Repayment of loan principal	(161,736)	(74,078)
Net cash from financing activities	21,701,009	15,444,333
Increase (decrease) in cash resources during year	7,703,108	1,037,925
Cash resources, beginning of year	6,346,745	5,308,820
Cash resources, end of year	\$ 14,049,853	6,346,745

See accompanying notes to the financial statements.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

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, 2019.

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 available for sale investments.

(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 in note 2(b)(i).

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

2. Basis of Preparation (continued)

(b) The use of estimates and judgments (continued)

(i) Key sources of estimation and uncertainty

Applicable to 2019 only:

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).

Applicable to 2018:

Impairment losses on loans and mortgages to members

Management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. (See Note 3 (j) for further information).

Impairment of available-for-sale equity investments

The Credit Union determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. See Note 3 (j) for further information).

Applicable to 2018 & 2019:

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).

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

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.

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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(d) Property and equipment (continued)

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:

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

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

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.

Tax on Assets - The Credit Union is subject to payment of tax on Assets as defined in the Tax on Assets Act 2015. This tax is levied under the Act for the period commencing July 1, 2014 and expiring March 31, 2016.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

(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) Lease payments

Payments made under operating leases are recognised in the profit and loss on a straight line basis over the term of the lease.

(i) 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.

(j) Financial instruments***Non-derivative financial assets and financial 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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Non-derivative financial assets – Classification and subsequent measurement - Policy applicable from April 1, 2018

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 gives 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.

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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

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 - Policy applicable from April 1, 2018

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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Non-derivative financial liabilities – Classification and subsequent measurement - Policy applicable from April 1, 2018 (continued)

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).

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

- Held to maturity
- Available for sale
- Loans and receivables

Financial assets measured at held to maturity

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Credit Union has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method (EIR), less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The Credit Union has reported government securities which have all been classified under the held-to-maturity classification.

Impairment losses are reported as a deduction from the carrying value of the investment (through an allowance account) or investment balance. The amount recorded for impairment

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

If the Credit Union were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Credit Union would be prohibited from classifying any financial asset as held to maturity in the current year and during the following two financial years.

Financial assets measured at available for sale

Available for sale financial investments include equity securities. Equity securities classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial securities are subsequently re-measured at fair value based on quoted bid prices or amounts derived from approved valuation models. Unrealised gains and losses on available for sale securities are recognised directly in the fair value reserve in equity and reported in other comprehensive income the statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.

For available-for-sale financial investments, the Credit Union assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial assets measured as loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Non-derivative financial liabilities – Classification and subsequent measurement - Policy applicable from April 1, 2018 (continued)

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.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

From April 1, 2018, 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.

Derecognition

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.

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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

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.

Impairment

Policy applicable from April 1, 2018

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

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Impairment (continued)

Policy applicable from April 1, 2018 (continued)

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;

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

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.

Policy applicable from April 1, 2018

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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Impairment (continued)

Policy applicable from April 1, 2018 (continued)

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 an 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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

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.

Policy applicable before April 1, 2018

Objective evidence of impairment

(i) Assets carried at amortised cost

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Impairment (continued)

Policy applicable before April 1, 2018 (continued)

Objective evidence of impairment (continued)

(ii) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses on equity instruments recognised in the consolidated statement of comprehensive income are not reversed through the consolidated statement of comprehensive income.

(iii) Renegotiated loans

Where possible, the Credit Union seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(k) 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.

(l) 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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

(m) 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 2018 2019 comprises unrealized gain on investments (2017 - 2018 comprised net unrealized gain on available-for-sale investments and the revaluation of owner occupied property).

(n) New standards, amendments and interpretations mandatory for the first time for the financial year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning January 1, 2018 and have been applied in preparing these financial statements. None of these have a significant effect on the financial statements except IFRS 9 disclosed below.

In 2014, the IASB issued IFRS 9, Financial Instruments replacing IAS 39, Financial Instruments:

Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets, forward-looking 'expected credit loss' model ("ECL model") for assessing the impairment of financial assets and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The Credit Union has used the exemption not to restate comparative information for prior periods with respect to classification and measurement including impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting in the adoption of IFRS 9 are recognized in retained earnings as at April 1, 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9, but rather those of IAS 39.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(n) **New standards, amendments and interpretations mandatory for the first time for the financial years (continued)**

The table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Credit Union's financial assets and financial liabilities as at April 1, 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at April 1, 2018 relates solely to the new impairment requirements.

	Classification under IAS 39	Classification under IFRS 9	Carrying Amount under IAS 39	Carrying Amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivable	Amortized cost	6,346,745	6,346,745
Equities securities	Available for sale	FVOCI	2,588,320	2,588,320
Equities securities	FVTPL	FVTPL	21,020	21,020
Term deposits	Held-to-maturity	Amortized costs	9,942,355	9,760,762
Sovereign debt securities	Held-to-maturity	Amortized cost	18,355,100	17,821,554
Loans and mortgages	Amortised cost	Amoritized cost	103,414,072	98,924,673
Accounts receivables	Loans and receivables	Amoritized cost	286,191	286,191
Total financial assets			140,953,803	135,749,245
Financial Liabilities				
Accounts payable/accrued expenses	Amortized cost	Amoritized cost	1,445,075	1,445,075
Loan payable	Amortized cost	Amoritized cost	393,237	393,237
Deposits of members	Amortized cost	Amoritized cost	131,111,220	131,111,220
Regulatory capital	Amortized cost	Amoritized cost	2,117,250	2,117,250
Total financial liabilities			135,066,782	135,066,782

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

The following table reconciles the carrying amounts under IAS 39 to the carrying amount under IFRS 9 on transition to IFRS 9 on April 1, 2018.

	IAS 39 Carrying Amount Mar 31, 2018	Re-classification	Re-measurement	IFRS 9 Carrying Amount Apr 1, 2018
Financial assets				
Amortized cost:				
<i>Cash and equivalents</i>	\$ 6,346,745	-	-	6,345,745
<i>Term Deposit</i>				
Opening balance	9,942,355	-	-	-
Re-measurement	-	-	(181,593)	-
Closing balance	-	-	-	9,760,762
<i>Sovereign debt securities</i>				
Opening balance	18,355,100	-	(533,546)	-
Re-measurement	-	-	-	-
Closing balance	-	-	-	17,821,554
<i>Loans and advances</i>				
Opening balance	103,414,072	-	-	-
Re-measurement	-	-	(4,489,399)	-
Closing balance	-	-	-	98,924,673
Due from related companies	-	-	-	-
Total amortized cost	138,058,272	-	(5,204,538)	132,853,734
Available for sale:				
<i>Equity securities</i>				
Opening balance	2,588,320	-	-	-
To FVOCI – equity	-	(2,588,320)	-	-
Total available for sale	2,855,320	(2,588,320)	-	-
FVOCI – equity:				
From available for sale	-	2,588,320	-	-
Total FVOCI - equity	-	2,588,320	-	2,588,320
FVTPL - equity	21,020	-	-	21,020
Financial liabilities				
Amortized cost:				
Deposits	131,111,220	-	-	131,111,220
Regulatory capital	2,117,250	-	-	2,117,250
Other liabilities	1,838,402	-	-	1,838,402
Total amortized cost	135,066,872	-	-	135,066,872

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(n) New standards, amendments and interpretations mandatory for the first time for the financial years (continued)

The following table summarizes the impact of transition to IFRS 9 on the opening balance of retained earnings. There is no impact on other components of equity.

Opening balance under IAS 39 at March 31, 2018	\$	1,336,974
Recognition of expected credit losses under IFRS 9 (including loans and mortgages to members, undrawn loan commitments term deposits and sovereign debt securities)		<u>(5,204,538)</u>
Closing balance under IFRS 9 at April 1, 2018	\$	<u>(3,867,564)</u>

The following table reconciles the closing impairment allowance for financial assets under IAS 39 and provisions for loan commitments and financial guarantee contracts under IAS 37, Provisions, Contingent Liabilities and Contingent Assets as at March 31, 2018 to the opening expected credit loss allowance as at April 1, 2018:

	IAS 39 Carrying Amount Mar 31, 2018	Re-classification	Re-measurement	IFRS 9 Carrying Amount Apr 1, 2018
<i>Loans and mortgages to members</i>	\$ (2,759,448)	-	(4,489,399)	(7,248,847)
<i>Sovereign debt securities</i>	-	-	(533,546)	(533,546)
<i>Term deposits</i>	-	-	(181,593)	(181,593)
	<u>\$ (2,759,448)</u>	<u>-</u>	<u>(5,204,538)</u>	<u>(7,963,986)</u>

IFRS 15 Revenue from Contracts with Customers

On April 1, 2018, the Credit Union adopted IFRS 15 Revenue from Contracts with Customers as issued in May 2014. IFRS 15 defines principles for recognising revenue and is applicable to all contracts with members. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is regulated by the other applicable standards (e.g., IFRS 9 and IFRS 16 Leases).

Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Credit Union.

(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:

- IFRS 16 Leases – effective January 1, 2019
- IFRIC 23 Uncertainty over Income Tax Treatments – effective January 1, 2019
- Annual improvements to IFRS Standards 2015 – 2017 Cycle various standards – effective January 1, 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – effective January 1, 2019
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement – effective January 1, 2019
- Amendments to IFRS 3 - Definition of a Business – effective January 1, 2020
- Amendments to References to Conceptual Framework in IFRS Standards – effective January 1, 2020
- Amendments to IAS 1 and IAS 8 - Definition of Material - effective January 1, 2020

None of these are expected to have a significant effect on the financial statements of the Credit Union in the period of adoption, except IFRS 16, Leases which tentatively becomes mandatory for the Credit Union's 2020 financial statements. A description of this standard is provided below.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

3. Significant Accounting Policies (continued)

(o) Standards in issue but not yet effective (continued)

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including 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 introduces 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 current standard – i.e. lessors continue to classify leases as finance or operating leases.

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.

(1) Cash resources

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

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

(2) 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.

(3) 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.

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 (of ECL allowance 2018: allowances for impairment) loans and advances to members.

Loans and mortgages to members

	2019	2018
Delinquent Loans		
90 days and over	\$ 4,277,899	2,812,411
Classified Loans fully provided	1,404,993	1,584,841
Carrying amount	5,682,892	4,397,252
Less: ECL Allowance (2018: Allowance for doubtful loans)	(3,571,102)	(1,769,280)
Carrying amount less allowance loans > 90 days	\$ 2,111,790	2,627,972

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

4. Financial Risk Management, (continued)

(a) Credit risk, (continued)

Loans and mortgages to members (continued)

	2019	2018
Loans in Good Standing		
Not yet due	\$ 87,543,772	78,991,324
1-29 days	13,967,213	14,524,620
30-59 days	5,273,896	3,632,392
60-89 days	2,489,567	1,868,484
	<hr/>	<hr/>
Carrying amount	109,274,448	99,016,820
Less: ECL Allowance (2018: Allowance for doubtful loans)	(4,241,643)	(990,168)
	<hr/>	<hr/>
Carrying amount less ECL allowance for loans in good standing	105,032,805	98,026,652
	<hr/>	<hr/>
Total carrying amount	\$ 107,144,595	100,654,624
	<hr/> <hr/>	<hr/> <hr/>

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 \$6.29 million dollars.

Risk limit control and mitigation policies

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

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

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

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:

		2019	Carrying Amount 2018
Interest receivable		\$ 307,394	333,786
Financial investments:			
Amortized cost (2018: Held to maturity)	8	25,089,177	28,297,455
FVOCI (2018: Available for sale)	8	4,691,806	2,588,320
FVTPL	8	21,020	21,020
Loans and receivables		107,144,595	100,654,624
Cash resources		14,049,853	6,346,745
Total		\$ 151,303,845	138,241,950

(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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

4. Financial Risk Management (continued)

(b) Liquidity risks (continued)

Deposits from Members

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

2019	Interest Rate	Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits by Type						
Term deposits	2.00-5.00%	\$ 30,342,023	5,687,983	16,387,142	7,766,217	500,681
Other savings	0.35-2.75%	4,113,085	3,460,109	23,937	403,897	225,142
Special Savings	1.00%	5,616,387	5,148,262	52,820	144,249	271,056
Junior Savings	1.75%	2,797,704	2,766,258	-	364	31,082
Membership Prime Deposit	1.00%	65,309,418	53,458,465	723,358	5,209,587	5,918,008
Smart Builder	2.00%	44,795,347	40,816,198	131,313	1,594,850	2,252,986
Total		\$ 152,973,964	111,337,275	17,318,570	15,119,164	9,198,955
Loan by Type						
Personal Loans	6.5-17%	\$ 37,369,180	255,470	501,446	20,384,464	16,227,800
Business Loans	7-17%	1,822,869	56,347	14,527	326,174	1,425,821
Other Loans	8-18%	239,306	8,275	-	123,386	107,645
Real Estate Loans	4.5-12%	62,285,716	-	87,463	813,091	61,385,162
Revolving Loans	17%	11,835,419	3,134,224	1,198,771	5,211,647	2,290,777
Reclassified Loans	0%	1,404,850	1,404,850	-	-	-
Total		\$ 114,957,340	4,859,166	1,802,207	26,858,762	81,437,205
Liquidity Gap		\$ 38,016,624	106,478,109	15,516,363	(11,739,598)	(72,238,250)

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

4. Financial Risk Management (continued)

(b) Liquidity risks (continued)

Deposits from Members (continued)

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

2018 Deposits by Type	Interest Rate	Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Term deposits	2.25-5.00%	27,972,030	3,408,599	17,400,769	6,713,238	449,424
Other savings	1-3.15%	3,161,192	2,524,159	17,783	306,040	313,210
Special Savings	1.75%	4,999,311	4,531,757	16,533	192,987	258,034
Junior Savings	2.50%	2,723,790	2,692,481	-	5,309	26,000
Membership Prime Deposit	1.75%	58,746,630	47,152,072	617,614	5,472,554	5,504,390
Smart Builder	3.00%	33,508,267	29,963,145	103,222	1,456,464	1,985,436
Total		\$ 131,111,220	90,272,213	18,155,921	14,146,592	8,536,494
Loan by Type						
Personal Loans	6.5-18%	\$ 31,432,158	127,240	782,327	17,598,221	12,924,370
Business Loans	7-17%	1,854,829	40,570	23,467	446,754	1,344,038
Other Loans	8-18%	454,622	49,232	30,091	229,022	146,277
Real Estate Loans	4.5-12%	57,365,941	181,761	-	1,237,415	55,946,765
Revolving Loans	17%	10,721,681	2,670,450	620,466	4,970,991	2,459,774
Reclassified Loans	0%	1,584,841	1,584,841	-	-	-
Total		\$ 103,414,072	4,654,094	1,456,351	24,482,403	72,821,224
Liquidity Gap		\$ 27,697,148	85,618,119	16,699,570	(10,335,811)	(64,284,730)

(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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

4. Financial Risk Management (continued)

(c) Market risks (continued)

Interest rate risk Profile

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

	Carrying Amount	
	2019	2018
Fixed Rate Instruments		
Fixed Financial Assets	\$ 45,694,924	37,563,961
Fixed Financial Liabilities	(28,976,519)	(28,958,358)
	<u>\$ 16,718,405</u>	<u>8,605,603</u>
Variable Rate Instruments		
Financial Assets	\$ 113,354,032	103,103,651
Financial Liabilities	(126,306,996)	(104,158,547)
	<u>\$ (12,952,964)</u>	<u>(1,054,896)</u>
Net Variable Rate Instruments		

(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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial StatementsFor the year ended March 31, 2019 with comparative figures from 2018

(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 2.95% (2018 – 7.37%).

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.

**BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

4. Financial Risk Management (continued)

(f) Fair value (continued)

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash resources	\$ 14,049,853	14,049,853	6,346,745	6,346,745
Accounts receivable	268,300	268,300	286,191	286,191
Interest receivable	307,394	307,394	333,786	333,786
Financial investments (note 8)				
– Amortized cost	25,089,177	N/A	28,297,455	N/A
– FVOCI	4,691,806	4,691,806	2,588,320	2,588,320
– FVTPL	21,020	21,020	21,020	21,020
Deposits of members	152,973,964	152,973,964	131,111,220	131,111,220
Regulatory capital	2,309,550	2,117,250	2,117,250	2,117,250
Accounts payable	1,344,387	1,344,387	1,445,075	1,445,075
Loans payable	231,501	231,501	393,237	393,237
Loans and mortgages (net)	107,144,595	107,144,595	100,654,624	100,654,624

(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, 2019, the Credit Union held 2.63% (2017 - 5.71%) in real property.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

5. Cash Resources

This balance consists of:

	2019	2018
Cash equivalents	\$ 259,541	17,805
Cash on hand	417,592	460,222
Cash at bank	13,372,720	5,868,718
	<u>\$ 14,049,853</u>	<u>6,346,745</u>

6. Interest Receivable

	2019	2018
Loan interest receivable	<u>\$ 307,394</u>	<u>333,786</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

	2019	2018
Loans and mortgages to members	\$ 1,044,098	713,723
Financial investments	58,168	-
	<u>\$ 1,102,266</u>	<u>713,723</u>

**BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED**

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

8. Financial Investments

(a) Financial investments comprise:

	2019	2018
<i>Debt securities</i>		
Amortized cost (2018 – Held to maturity)		
Term deposits ⁽¹⁾	\$ 13,162,105	9,942,355
Sovereign bonds ⁽²⁾	12,166,833	18,355,100
	<hr/>	<hr/>
	25,328,938	28,297,455
Less expected credit allowance	(239,761)	-
	<hr/>	<hr/>
	25,089,177	28,297,455
 <i>Equities securities</i>		
FVOCI (2018 - Available for sale)		
Corporate equity	4,691,806	2,588,320
FVTPL		
Corporate equity	21,020	21,020
	<hr/>	<hr/>
Total financial investments	\$ 29,802,003	30,906,795
	<hr/>	<hr/>
Balance at beginning of year impact of IFRS 9	\$ -	-
Impact of IFRS 9	715,139	-
	<hr/>	<hr/>
Balance at beginning of year (adjusted)	715,139	-
Derecognition of expected credit loss allowance	(533,546)	-
Expected credit loss on investments	58,168	-
	<hr/>	<hr/>
Balance at end of year	\$ 239,761	-
	<hr/>	<hr/>

⁽¹⁾ 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 \$720,711 (2018 - \$704,348). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

- (2) 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.

(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) As at March 31, 2019, 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.

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	2019	2018
Loans	\$ 52,671,624	46,048,132
Mortgages	62,285,716	57,365,940
	<u>114,957,340</u>	<u>103,414,072</u>
Less ECL allowance (2018: allowance for doubtful loans)	(7,812,745)	(2,759,448)
	<u><u>\$ 107,144,595</u></u>	<u><u>100,654,624</u></u>

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

9. Loans and Mortgages to Members (continued)

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 6.5% per annum on the reducing balance. As of March 2019 mortgages are being offered at a variable rate of 4% to 6.5% (2018 - 4.5% to 7.5%) 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.

Allowance for doubtful loans

	2019	2018
Opening balance	\$ (2,759,448)	(2,536,561)
Impact of IFRS 9	(4,489,399)	-
Opening balance adjusted	(7,248,847)	-
Expected credit loss (2018: impairment loss)	(1,059,097)	(713,723)
Write offs	480,200	487,303
Recoveries	-	3,533
Ending balance	\$ (7,812,745)	(2,759,448)

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

	2019	2018
Accounts receivable	\$ 268,300	263,863
Interest receivable – Investments	-	22,328
	\$ 268,300	286,191

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

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.

11. Property and Equipment

2019

	Equipment & Computer Software	Motor Vehicles	Land & Buildings	Leasehold Improvements	Total
Cost/Valuation					
At beginning of year	\$ 3,584,613	160,464	8,656,873	934,410	13,336,360
Additions/WIP	2,661,869	-	829,491	31,766	3,523,126
Revaluation	-	-	(5,310,759)	-	(5,310,759)
Disposals	(680,728)	-	(25,605)	-	(706,333)
At end of year	\$ 5,565,754	160,464	4,150,000	966,176	10,842,394
Accumulated Depreciation					
At beginning of year	\$ 2,648,615	47,324	178,802	674,663	3,549,404
Charge for year	188,493	22,981	-	34,362	245,836
Disposals	(533,935)	-	(178,802)	-	(712,737)
At end of year	\$ 2,303,173	70,305	-	709,025	3,082,503
Net Book Value	\$ 3,262,581	90,159	4,150,000	257,151	7,759,891

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

11. Property and Equipment (continued)
2018

Cost/Valuation	Equipment & Computer Software	Motor Vehicles	Land & Buildings	Leasehold Improvements	Total
At beginning of year	\$ 3,377,189	160,464	5,460,097	907,526	9,905,276
Additions/WIP	207,424	-	3,216,544	26,884	3,450,852
Disposals	-	-	(19,768)	-	(19,768)
At end of year	\$ 3,584,613	160,464	8,656,873	934,410	13,336,360
Accumulated Depreciation					
At beginning of year	\$ 2,379,580	18,838	91,163	641,196	3,130,777
Charge for year	269,035	28,486	87,639	33,467	418,627
Disposals	-	-	-	-	-
At end of year	\$ 2,648,615	47,324	178,802	674,663	3,549,404
Net Book Value	\$ 935,998	113,140	8,478,071	259,747	9,786,956

The Credit Union's building is valued on a tri-annual basis as dictated by the Board of Directors.

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 \$269,790 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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	2019	2018
Interest payable on deposits	\$ 774,000	783,158
Non-member deposits	134,007	136,266
Professional fees	77,147	79,625
Other payables	359,233	446,026
	<u>\$ 1,344,387</u>	<u>1,445,075</u>

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

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:

	2019	2018
Term deposits	\$ 28,976,519	26,841,108
Other deposits	57,434,088	44,392,560
Prime deposits	65,197,853	58,746,630
Registered Retirement Savings Plan	1,365,504	1,130,922
	<u>\$ 152,973,964</u>	<u>131,111,220</u>

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 2.00% to 3.35% (2018 - 2.25% to 5.00%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 0.35% - 2.75% (2018 - 1.00% - 3.15%).

Prime Deposits, previously known as Members' Shares, is an interest bearing deposit account which has attracted an average rate of 1% (2018 - 1.75%) 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% (2018 - 3.75%).

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

14. Loan Payable

Central Fund Facility Trust

	2019	2018
Current portion	\$ -	70,438
Long term portion	-	56,554
Total	\$ -	126,992

During 2015 the Credit Union secured a loan from The Central Fund Facility Trust in the amount of \$300,000. The loan is repayable in equal instalments of \$5,870 monthly over a 5 year period. The loan was cleared during the financial year.

National Insurance Board

	2019	2018
Current portion	\$ 53,635	4,013
Long term portion	177,866	262,232
	<u>\$ 231,501</u>	<u>266,245</u>
Total loan payable	\$ 231,501	393,237

During 2017 the Credit Union secured a loan from National Insurance Board in the amount of \$4 million. The loan is repayable in equal instalments of \$75,309 over a 5 year period. The loan is secured by a first legal mortgage on the property located at Crn. Fairchild and Nelson Streets, Bridgetown, St. Michael for a value of \$4.2 million. As at March 31, 2019 \$ nil (2018: \$280,258) funds were disbursed.

15. Regulatory Capital

	2019	2018
Balance at April 1	\$ 2,117,250	1,932,600
Contributions for the year	192,300	184,650
Balance at March 31	\$ 2,309,550	2,117,250

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

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.

16. 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 31, 2019, capital ratio was 2.95% (2018 - 7.40%). The allocation for the year was \$nil (2018 - \$741,982).

(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 \$ 0 (2018 - \$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 \$nil (2018 - \$8,161).

17. 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.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

18. Major Operating Expenses

These comprise:

	2019	2018
General and Administrative Expenses		
Audit fees	\$ 80,340	82,653
Stationery office supplies	75,929	70,689
Professional fees	38,863	52,298
Equipment maintenance	11,079	20,900
Motor vehicle expense	25,585	23,005
Supplies	23,398	18,541
Postage	13,960	39,830
Motor vehicle insurance	4,312	5,247
	\$ 273,466	313,163
Occupancy Costs		
Utilities	\$ 117,993	105,792
Rental expense	284,226	252,997
Security	150,184	134,577
Property insurance	89,811	83,480
Maintenance	52,902	43,250
Other office expenses	5,449	42,825
Land tax	13,860	13,860
Television charges	-	775
Other property expense	993	10,075
Miscellaneous	-	(1,164)
	\$ 715,418	686,467
Membership Protection and Governance Expenses		
MBP premiums	\$ 288,388	257,043
League dues	90,596	75,000
Convention	56,242	47,744
Reimbursable expenses	105,150	68,300
Annual meeting	38,201	38,438
Committee meetings	32,464	26,039
Other meetings	5,372	2,066
Committee expenses	5,707	4,597
Committee activities	12,070	12,443
Fidelity insurance – Directors	6,025	4,500
Health & Safety committee	-	1,470
Archiving management	18,742	-
	\$ 658,957	537,640

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

19. Interest and Dividend Income

Recognised in profit or loss

	2019	2018
Interest on loans	\$ 5,373,979	4,796,201
Interest on mortgages	3,702,357	3,591,167
Interest income on held-to-maturity investments	732,088	930,112
Interest income on bank deposits	-	517
Dividend income on held to maturity financial assets	58,423	68,819
	<hr/>	<hr/>
Interest and dividend income - gross	9,866,847	9,386,816
Interest expense on financial liabilities measured at amortised cost	(2,586,254)	(2,652,321)
	<hr/>	<hr/>
Net interest, realised gain and dividend income recognised in profit or loss	\$ 7,280,593	6,734,495
	<hr/> <hr/>	<hr/> <hr/>
Recognised directly in equity		
Net unrealized gain (loss) on investments for the year	\$ 2,083,373	(52,813)
	<hr/> <hr/>	<hr/> <hr/>

20. 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.

	Loans Balance	Deposits	Qualifying Shares
As at March 31, 2019	\$ 1,383,719	1,020,075	2,100
As at March 31, 2018	\$ 986,870	1,286,888	1,500

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

20. Related Parties (continued)

(c) Key Management personnel compensation:

	2019	2018
Wages and salaries	\$ 676,807	661,118
Reimbursable expenses for directors and Committee members	\$ 105,150	67,800

21. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31, 2019 amounted to \$9,578,204 (2018 - \$11,184,237).

22. Operating Lease

Leases as Lessor

The Credit Union leased part of rental space at Northern Business Centre, Speightstown this lease. The future minimum lease payments under terms of the leases are as follows:

	2019	2018
Less than one year	\$ 30,000	30,000
Between two and four years	120,000	120,000

During the year ended March 31, 2019, \$30,000 (2018 - \$35,000) was recognised as rental income in the statement of comprehensive income.

BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2019 with comparative figures from 2018

22. Operating Lease (continued)

Leases as Lease

The Credit Union leases the property which houses the Speightstown Branch from ABK Investment, in Oistins at the Southern Plaza Complex. The future minimum lease payments under terms of the leases as follows:

	2019	2018
Less than one year	\$ 141,168	224,328
Between two and five years	564,671	564,671

During the year ended March 31, 2019, \$284,226 (2018 - \$308,115) was recognised as rental expense in the statement of comprehensive income.

23. Contingencies

At March 31, 2019, 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.

