

KYC

KNOW
YOUR
CUSTOMER



ANNUAL
REPORT



2022



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.

you're Better, With IJs!



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KNOW YOUR CUSTOMER



Knowing our customers/members involves being careful to ensure that we acquire sufficient knowledge about potential and existing customers/members. This process is known as “due diligence.” As a Credit Union we must be able to determine the risk(s) each individual or entity presents when a business relationship is initiated and maintained with the Credit Union.

Even after establishing the relationship we must develop an on-going knowledge of our members such that the Credit Union maintains a level of comfort that the members are operating their accounts in a manner consistent with sound business practices and the standards of Barbados Workers' Union Cooperative Credit Union Limited (BWUCCUL). These on-going activities which give rise to the on-going knowledge includes the screening of members, the monitoring of member accounts, updating member information, and reporting unusual and/or suspicious activity. This mitigates the risk that the institution may be used as a conduit for money laundering, terrorist financing or proliferation financing practices. These measures also ensure members have a sound financial experience with the Credit Union. Knowing your customer/member is therefore much more than the initial member acceptance rules which the Credit Union is required to follow prior to accepting a new member.

For the present purposes, we will focus on customer/member onboarding and on-going customer due diligence. In order to become a member of a financial

institution whether as an individual, registered business, company or charity, the relevant criteria in accordance with the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 and the Anti-Money Laundering/Counter-Financing of Terrorism/Counter-Proliferation Financing (AML/CFT/CPF) Guidelines 2019 issued by the financial regulator (in our case, the Financial Services Commission) in conjunction with the Anti-Money Laundering Authority must be followed.

Where the identity information held on existing members does not comply with the requirements of the AML/CFT/CPF Guideline, financial institutions are required by the financial regulator to develop a risk-based programme for ensuring compliance. This is known as Retrospective Due Diligence (RDD). Failure to update outdated or expired information on a member may result in sanctions for the financial institution. BWUCCUL, like other financial institutions, has engaged and is currently engaged in outreach initiatives aimed at soliciting members' cooperation in updating their information. It is crucial that ALL members abide by the policies of the BWUCCUL and national laws to update their information. This will negate the Credit Union's implementation of extreme measures to ensure compliance. Your timely cooperation is anticipated and we thank you in advance for this.

you're Better
With Us!

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BWU CO-OPERATIVE
CREDIT UNION LIMITED

Our Member Service Charter

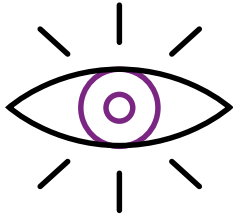
The Credit Union's Expectations of its Members

- 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, November 7, 2020 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. Commencement of Voting for election to the Board of Directors, Supervisory Committee and Credit Committee
10. Adoption of Standing Orders
11. Minutes of the last Annual General Meeting held on June 29, 2019
12. Matters arising from Minutes of Annual General Meeting held on June 29, 2019
13. Reports 2019 - 2020.
 - a) Board of Directors
 - b) Credit Committee
 - c) Supervisory Committee
 - d) Auditors
 - e) Financial Statements
14. Fixing of Maximum Liability
15. Appropriation of Surplus
16. Appointment of Auditors
17. Close of Voting for elections to the Board of Directors, Supervisory Committee and Credit Committee
18. Amendments of Bylaws 34, 35 (4), 39, 40 (7) (a), 44, 58 (7), 60 (3), 63 (1), 86
19. Resolutions
20. Election Results
21. Any Other Business
22. Adjournment

Yours co-operatively,



Althea Bishop
Secretary – Board of Directors



Board of DIRECTORS



Sis. Novaline Brewster
President



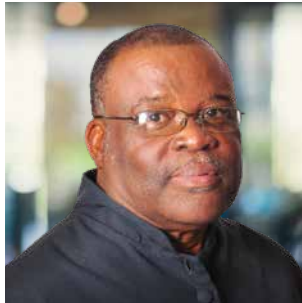
Bro. Herbert Harewood
Vice-President



Sis. Faye Arthur
Treasurer



Sis. Althea Bishop
Secretary



Bro. Vere Rock
Assistant Treasurer



Bro. Ashton Turney
Assistant Secretary



Bro. Dalton Medford
Director



Supervisory COMMITTEE



Bro. Sherwin Greenidge
Chairman



Bro. Damien Chase
Deputy Chairman



Sis. Juliet Pollard
Secretary

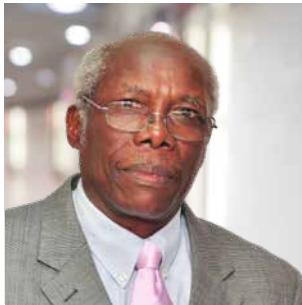


Bro. Sean Scott
Assistant Secretary



Sis. Carolyn Barton
Member

Credit COMMITTEE



Bro. Overton Franklyn
Chairman



Sis. Marsha Greenidge
Deputy Chairperson



Bro. Ryan Reece
Secretary



Sis. Charmine Ottley
Assistant Secretary



Sis. Michelle Hamblin
Member



The MANAGEMENT TEAM



Bro. Zandre Bowen
General Manager



Sis. Alana Cadogan
Finance and Accounting Manager



Bro. Antonio Arthur
Information Systems Manager



Sis. Shirleyne Best
Operations Manager



Sis. Shelley Nicholls Hunte
Legal & Compliance Manager



Sis. Cheryl-Ann Vaughan
Credit Manager



Sis. Janelle Edwards
Marketing Manager



Our Corporate Team

General Manager

Bro. Zandre Bowen

Accounts Department

Sis. Alana Cadogan Finance and Accounting Manager
 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

Administration Department

Sis. Gail Cumberbatch Human Resources/
 Administration Officer
 Sis. Giselle Saunders Secretary
 Sis. Angela Mason Administrative Assistant
 Bro. Michael Freeman Office Assistant
 Sis. Janice Griffith Office Attendant
 Sis. Mary Haynes Office Attendant
 Sis. Colleen Phillips Office Attendant
 Bro. William Payne Internal Auditor

Information Systems Department

Bro. Antonio Arthur Manager of Information Systems
 Bro. Dario Holder Systems Administrator

Legal & Compliance Department

Sis. Shelley Nicholls Hunte Legal & Compliance Manager
 Sis. Yvette Jordan Securities officer

Loans Department

Sis. Cheryl-Ann Vaughan Credit Manager
 Sis. Lisa Collymore Senior Loans Officer
 Sis. Janice Burgess Loans Officer
 Sis. Keisha Goddard Loans Officer
 Sis. Juann McCarthy Loans Officer
 Sis. Michaela Niles Mobile Loans Officer

Bro. Rajiv Worrell Loans Officer
 Sis. Lauraline Garrick Mobile Loans Clerk
 Sis. Michelle Husbands Loans Clerk
 Sis. Sherri Taylor Outdoor Sales Ambassador

Marketing Department

Sis. Janelle Edwards Marketing Manager
 Sis. Jessica Gibson Marketing Assistant

Member Services Department

Sis. Lucretia Hall Assistant Manager- Member Services
 Sis. Toni Worrell Member Relations Officer
 Sis. Kathleen Broome Member Experience Representative
 Bro. Dario Yearwood Member Experience Representative
 Bro. Jamaro Yearwood Member Experience Representative
 Sis. Omelle Broomes Telephone Operator

Operations Department

Sis. Shirleyne Best Operations Manager
 Sis. Shakira Forde Operations Supervisor
 Sis. Kim Hunte Operations Supervisor
 Sis. Shana McCollin Operations Supervisor
 Sis. Cherise Austin Accounts Clerk/Teller
 Sis. Keira Cumberbatch Accounts Clerk/ Teller
 Sis. Shavonne Dottin Accounts Clerk/ Teller
 Bro. Damian Gilkes 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 and Maintenance Officer

Part-time employees *

Assigned to

Bro. Dario Arrendell Accounts
 Sis. Charmaine Johnson Member Services
 Sis. Niekisha Layne Loans
 Bro. Ronmar Mapp Operations
 Sis. Natalie Waithe Collections
 Bro. Edson Williams Administration



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The General Manager, Bro. Zandre Bowen with the winners of the BWUCCUL sponsored prize category "Best example of a Cooperative Spirit" IVORY DAHALIA. The Barbados Entrepreneurial Foundation \$20.00 challenge 2019



“ As your outgoing President, I demit office confident that we will continue to strive for excellence...” ”

President's Message

DEAR MEMBERS

Brothers and Sisters, my fellow Directors, volunteers, ladies and gentlemen: I welcome you to the 36th Annual General Meeting of the Barbados Workers' Union Co-operative Credit Union Limited. Commencing the latter part of the 2019-2020 financial year and up to this moment, has been difficult for the world, the country, this Credit Union and the entire movement. COVID-19 has presented many challenges but it has also thrown up plenty of opportunities.

I encourage you all to grasp every opportunity from the adversity that the pandemic has unleashed. This existential challenge requires our grit, determination and support for each other, an overhaul of our operations and structure, and the strong demonstration of our Credit Union's philosophy of people helping people.

This pandemic has disrupted our economy and our society; it has disrupted our lives and livelihoods, however, we must not lose hope or our optimism as employees, members, volunteers, or as an institution.

On the contrary, we must navigate these uncharted waters with dexterity, creativity, open-mindedness, growth; a curious mind-set and a hefty portion of adaptability in the uncertainty which abounds.

To our valued members, many of whom are not

working, I urge you to use this free time to reskill and retool. The world of work has changed and there are plenty of free courses and classes that exist where you can learn something new, increase your skillset and prepare for the new norm. Be open to different learnings, a myriad of which are now being offered online, such as the Coursera training programme; launched by the Government.

I also urge you to keep the dialogue open with us if you encounter difficulties in honouring your commitments. We acknowledge that we require new and untried solutions to address your needs, so together, let us determine how we can make life easier for you and your families. We have offered a moratorium on the payments of loans for many over the past three to six months, and we will extend this facility to the most vulnerable for a further three months. While we cannot offer the moratorium indefinitely, we are prepared to manage each situation on a case-by-case basis and will do the best that we can.

The Board of Directors, Management and staff, thank you for complying with the many COVID-19 protocols instituted. Your adherence to these new rules and regulations are pivotal to keeping both our team members and yourselves, safe.

Covid-19 provided an opportunity to broaden access to our services, as our commitment to you pushed us to digitise more of our products, to improve your experience, to boost our convenience and streamline our operations.

Over 1,200 members have signed up for our various online offerings over the past seven (7) months.



We want to see this trend continue and so, I implore everyone to sign up and log on. We are also poised to increase our e-solutions to include Online Membership and Loan Applications, as well as an updated online banking experience. We are very excited to announce that we will launch a partnership with MasterCard, in collaboration with CAPITA Financial Services, early 2021. This card will allow you to complete both debit and interational transactions. Listen out for the details of this venture.

We had to streamline our costs to better cope in this COVID-19 space. We reduced expenditure by just over 4.10% over the past six months. Before the pandemic reached us, we started our scenario planning to ensure that we improved on efficiency and effectiveness and safeguarded our employees' livelihoods. Consequently, the Board of Directors requested enhanced reporting of financial information, moving from monthly to bi-monthly, to keep our fingers on the pulse. Early strategizing and planning, have helped us to strengthen our financial position over the past seven months. Our net surplus for the current financial year stands at \$2.868 million and we endeavour to maintain this level of performance throughout the financial year.

To rebalance our loans book, we are strategically building our mortgage portfolio. We are strengthening our relationship with real estate professionals, participating in more mortgage fairs and offering highly competitive rates.

The national debt restructuring, the IFRS 9 accounting standard and the revaluation of our building, impacted our equity negatively last year. I can report that we studied this impact and adopted a new IFRS 9 model that considered a more comprehensive range of factors. We were able to adjust our Expected Credit Losses by \$3.7 million, as a result. This adjustment pushed our surplus to \$5.8 million for the year under review.

The gains that we have accomplished since we met in June 2019, reflect our staff and volunteers' commitment. I thank our former General Manager, her successor and each staff member, for helping us to navigate the many challenges.

I underscore the significant strides that we have made in our regulatory compliance with the national AML/CFT rules. Compliance with AML/CFT is an expensive undertaking, but noncompliance could be much more costly for us and the country.

Our new headquarters, and our crafted plan to introduce new investment opportunities in renewable energy for you, our members, are other significant achievements. The Government has articulated a strategy to create a fossil-free society by 2030. We must all support this initiative to save our environment and build a healthier, stronger, more inclusive economy and society.

I demit office confident that we will continue to strive for excellence, transform and reform our operations, show leadership in the national movement, collaborate more with like-minded institutions, live the principles of credit unionism and not allow this crisis to go to waste.

I encourage you to lobby for an overhaul of the laws governing credit unionism and our by-laws, to transform the movement of the post COVID-19 era. I hope that this Credit Union contributes to the debate and I am willing to assist wherever possible.

Ever sensitive to your many needs, and to help the most vulnerable at this time, the Board recently approved a financial assistance package of \$30,000 for our members experiencing hard times. I acknowledge that we must help as many people as we can, for as long as we can. Therefore, I appeal to all BWUCCU members to contribute monthly to the 'We Care Outreach Programme', to help our brothers and sisters hardest hit by the pandemic. We cannot ignore their needs at this time and as members of the BWUCCU, let us provide a safety net for the less fortunate among us.

Members, you are and always have been, the BWUCCU's priority and it is the Credit Union's goal to minimize any shocks felt, in order to continue pursuing achievements through our strategic and compliance initiatives, regardless of the challenges which we may face. Know that our slogan 'You're Better With Us' and the acronym that we have adopted for our internal Credit Union values - 'We Care', are not taken lightly as we all grapple with a 'new normal' forced upon us by this pandemic. We are here for you and remain committed to ensuring that you, our members, and this Credit Union, continue to grow and remain profitable as we guide and provide you with viable options for financial success.

I wish the new Board and Committees, every success. I implore each staff member to continue to give of his or her best, and to our members, I urge you to stay the course. Let us all keep hope alive. We face unprecedented challenges at this time but together,





Board of Directors Report

NAVIGATING GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE FOR SUSTAINED GROWTH

OUR IMPACT

The Board of Directors of the Barbados Workers' Union Co-operative Credit Union Limited, placed focus on redefining our motto 'Better With Us', in a challenging economic environment. The Credit Union sought to engage its diverse membership through a strategy of focusing on its young professional membership and entrepreneurs throughout the year. The Credit Union's resilience was indeed tested during the Covid-19 Pandemic, but despite daunting economic conditions, we held steadfast to become more creative in safeguarding our members and staff, delivering our services and maintaining profitability. Our strong and early contingency planning was not only instrumental in helping us to navigate through an unprecedented challenge, but it also enabled us to ease the burden of some of our most vulnerable members.

For the Financial Year, the Credit Union recorded moderate growth in membership, despite economic shocks. We welcomed 1,299 new members into our Credit Union family; bringing our total membership to 26,260. This contributed to \$5.9 million in deposits, with an overall increase in deposits of \$7.4 million. We have chronicled record profits for the year after distribution of \$5.8 million—the highest ever in our Credit Union's history. This was in part due to adjustments to the IFRS-9 provisioning model. We congratulate the Management and Staff for their efforts during the year and our members for making us their Credit Union of choice. The Management Analysis provides more details of our Financial Performance.

The Credit Union approved \$37.8 million in loans during the year. As a result, our Membership received opportunities to realise dreams of owning a home, vehicle, business, or pursuing further educational goals. The Credit Union continues to improve on its customer service by continuously training the staff complement, in order to maintain a stable institution which preserves its members' interest and propels them into financial freedom, in a competitive environment. Our Collections Team has

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worked assiduously to maintain our non-performing loans at 5.8% which was slightly above the benchmark of 5% but considerably lower than the industry average of 10%. We thank the collections unit for this tremendous achievement, and you, our valued members, for your continued commitment and loyalty by making us your Credit Union of choice.

Our Green Footprint

The Credit Union continues to green its footprint, making it possible for all members to now access on its website, all relevant forms which can be completed and submitted via email, or directly through our website. At the previous Annual General Meeting, members were also encouraged to bring their own devices to the meeting; this was a resounding success which will continue. The Credit Union will embrace more technological innovations that will allow for its members to virtually attend the meetings, no matter where they may be in the world. We held virtual meetings during COVID-19 to introduce our new General Manager; to conduct AML/CFT training and to provide financial counselling. They were all well received.

Renewable Energy Project

The Credit Union has made considerable strides in its renewable energy strategy with its BWUCCUL Solar Project. This project will consist of the installation of photovoltaic panels at an identified location; for which the Credit Union has already commissioned an assessment report. This initiative will provide an opportunity for our members to invest in a lucrative offering. However, it is still in its embryonic stage and will be subject to approval from the Financial Services Commission and the Division of Energy.

National Project

During the period under review, history was made with the Country's first ever Renewable Energy Cooperative – The Barbados Sustainable Cooperative Society Ltd (CoopEnergy). Its launch enabled Barbadians to become investors in the industry, ahead of the 2030 target identified by Government to create a fossil-free society. The Credit Union is in full support of this initiative as the cooperative intends to increase local ownership and participation in renewable energy, as well as investment in renewable energy systems. The Credit Union looks forward to encouraging its members to take advantage of this new investment opportunity.

COMPLIANCE REGIME

The negative impacts on the global economy, caused by the financial crisis of varying periods and in various quarters of the globe, coupled with significant anti-money laundering/counter-financing of terrorism failures inclusive of regulatory weaknesses in several countries, have caused international organisations and supervisory agencies to reconsider their oversight and supervisory strategies. As a result, financial institutions, including the local regulated entities, are required to manage risk more effectively and to re-evaluate and implement more decisively, a robust risk governance framework. Financial institutions are also expected to more closely comply with laws relating to prudential regulation and to anti-money laundering measures. As a consequence, financial institutions are obligated to review their business risks models, practices, policies and procedures, to ensure that they support and uphold good governance, sound risk management and sound compliance measures.

The Barbados Workers' Union Cooperative Credit Union Limited (BWUCCUL), continually strives to ensure that the "tone at the top", as it relates to risk management, compliance and good governance, is promulgated in the implementation of sound, profitable and ethical business practices. This has been reinforced during the year, which saw significant emphasis placed on this area at the monthly Board of Directors' Meetings, the meetings of the Supervisory and Credit Committees, regular senior management meetings and general staff meetings. There has also been the establishment of the Compliance Committee, aimed at ensuring that operationally, the culture of compliance relating to anti-money laundering/counter-terrorist financing, permeates every department and section within the Credit Union to ensure a healthy marriage between compliance and business practices in order to yield high profits and value for customers.

Legal and Compliance

The Legal and Compliance Department was established this year to ensure that the Credit Union keeps abreast with developments in the international standards relating to anti-money laundering/counter-terrorist financing. The department's mandate also includes working in tandem with the other departments to strengthen the anti-money laundering/counter-financing of terrorism/counter-proliferation financing (AML/CFT/CPF) compliance programme and also to improve and maintain compliance with key pieces of legislation, including but not limited to,



Board of Directors Report *(continued)*

the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23 and the Anti-Terrorism Act and the relevant amendments. As customary, independent audits are performed to ensure that the systems are effective and that the Credit Union is protected against illicit acts of fraud, money laundering, illegal drug-related and other illicit activities. The BWUCCUL has reiterated its zero tolerance to allow its facilities or mechanisms to be exploited by would-be criminals in its updated AML/CFT/CPF Policy and its commitment to mitigate any identified risks.

The Credit Union also continues to maintain compliance with its annual submissions to the Barbados Revenue Authority, with respect to the Foreign Account Tax Compliance Act of the United States of America.

Credit Management

The Loans Portfolio remains a key area of business for the Credit Union, and in keeping with our enhanced focus on compliance requirements, improvements were made to the loan application process. It is of utmost importance that the Loans Department receive correct, up-to-date and accurate information from members, as this information is used in the loan adjudication process. Effective November 2019, members who applied for loans were required to submit two forms of picture identification, along with other financial documentation which ensure that the Credit Union recorded accurate information.

Member Experience

Operationally, the Member Experience Department implemented changes to the on-boarding process, to enhance the customer/member due diligence practices as per the recommendations of the Financial Services Commission, and in keeping with regulatory requirements. Notable changes included the updating of the Membership Application Form to include a field for source of wealth, the accepted forms of identification documentation and the introduction of the Politically Exposed Person (PEP) and Foreign Account Tax Compliance Act (FATCA) forms.

There was a soft launch of the “Know Your Customer” compliance project, with an original deadline date of January 31, 2020. This project involves updating basic information on all members of the Credit Union. There was a moderate but steady response to the request for members to update their account information,

but we were initially unable to see the true results of our efforts as it was impacted by the COVID-19 Pandemic. The Credit Union has extended the deadline and incorporated the use of various technologically-based methods for members to continue to provide the required information; without physically visiting the branches.

Operations

In keeping with the anti-money laundering legislation and the Financial Services Commission’s AML/CFT Guidelines, the Credit Union has implemented targeted efforts to ensure that members follow the relevant processes, in relation to transacting business within the Credit Union. This includes, but is not limited to, the suitable completion of the Declaration of Source of Funds Forms and the submission of the appropriate supporting documentation.

Human Resources

Revamping Policies and Procedures with respect to risk mitigation, was also a priority-along with the introduction of the Know Your Employee requirements. This has ensured that going forward, such risks are reduced within the hiring and employment processes.

CORPORATE SOCIAL RESPONSIBILITY

Our Youth

A Youth Committee was established in the previous financial year. Members of the Committee continue to provide relevant and valuable feedback about the Credit Union’s marketing initiatives, which assists us with ensuring that we continue to connect with, and meet the expectations of, our target groups.

We continued our goal of empowering this country’s youth financially by regularly visiting the schools in our catchment areas and sharing money management tips and skills with all school-aged children. Our curriculum includes presentations to primary and secondary schools, during assemblies, speech days, or by class level. We also launched our ‘Safeguard Your Child’ school initiative during the year which, through an agreement with the schools’ Principals, reaches out to parents and encourages them to open Credit Union Accounts for their children. We are always eager to participate in business initiatives being carried out at the schools and thus, we can usually be found on hand for various Career or Open



Days. Over the past financial year alone, twenty-two students in secondary schools across the island were recognised and awarded BWUCCUL -sponsored prizes and awards in categories that included Business Studies, Technology, Department and all round good behaviour; these prizes were presented to students of the Alexandra School and the Coleridge & Parry School, at their Speech Days and Prize Giving Ceremonies.

Sponsorship



We are pleased to have once again sponsored The Alexandra School's Speech Day Awards



Sis. Kristina Browne making another informative presentation on the benefits of Credit Union Membership, to Secondary school students

Following another successful year of providing vital camp sponsorship and support, the Credit Union remained committed to Camp Transition, a transitional camp which helps upcoming first form students cope with the transition to secondary school life, and the Financial Summer Camp—a camp open to all students aged 13 through 21, to help them build a firm understanding of all things financially relevant to adult life. Topics included understanding financial terms and understanding credit. The Financial Summer Camp's venue was moved to our Headquarters on Fairchild Street this year and was held in the Ashton Turney Conference Room.

Partnerships

Our two main partnerships remain vital arteries of

the Credit Union's continued advancement, having been an essential part of our daily services and playing pivotal roles during the recent crisis. SurePay continues to be a critical convenience for our members, especially during the COVID-19 Pandemic, when the facility enabled members to continue to transact business with the Credit Union and provided members and non-members with the opportunity to continue to pay monthly bills, all during a period when most companies were forced to close their doors.

We continued our close relationship with Co-operators' General Insurance (CGI), enabling our members to pay their home and auto insurance through the Credit Union. Credit Union members receive a special discounted rate through CGI and we encourage members to take advantage of CGI's services. The Credit Union will be partnering with other entities such as Real Estate Agencies, Funeral Homes, Car Dealerships, Home Improvement and Building Suppliers and Electronic Stores in the upcoming year, in order to provide our members with easier access to more valuable opportunities.

Scholarships

Collectively, twenty-three members, ranging from primary school to university level and inclusive of one professional athlete, received BWU Co-operative Credit Union Scholarship Awards in excess of \$23,000 this year. Additionally, we presented our awardees with material relevant to their interests, award scrolls of excellence and Credit Union gift bags at our Annual Awards Ceremony in September. Further to this, four students transitioning to secondary school, were selected and fully sponsored by the Credit Union to attend Camp Transition. We salute all of our awardees for their hard work and dedication and we wish them all the best as they continue on their life journeys. We continue to encourage all of our junior members to apply for one of our many scholarships, available at every stage of education.

Athletic Scholarship

Bro. Joshua Hunte, Barbadian champion athlete and distance runner, was awarded an athletic scholarship by the Credit Union over the Financial Year. Bro. Hunte had an impressive year competing and flew the Credit Union's flag high. His achievements included seven overall wins, both locally and internationally; which included three placements as the first Barbadian to finish. We congratulate Joshua and wish him continued success in his athletic career.



Board of Directors Report *(continued)*

Community

As a community minded entity that is passionate about our people, including the youth and our culture, the Credit Union was pleased to either create, or be present and supportive of, numerous events, initiatives and activities over the past financial year.

Crop Over

We were proud part sponsors of Kiddies Kadooment 2019, following an enjoyable sponsorship of the Volunteer Programme for Crop Over 2018. Our partial sponsorship this year, included title sponsorship of the BWUCCUL Kidz Zone, which drew large crowds to an area where young people enjoyed a day of fun while



2019 Scholarship Winners

parents received literature and further details about the Credit Union whilst taking in the bands.

SMART Readers' Club

The BWUCCUL SMART Readers' Club was born out of the Credit Union's commitment to its youth and our Communities. Currently the only Credit Union to offer such, the club was created in 2014 and is open to all junior members aged 7-12, providing them with a fun and interactive approach to literacy. Our aim is to contribute to the improvement of our island's literacy levels, whilst reaching out to mentor the youth-including those at risk and the financially vulnerable. Currently, the club caters to approximately 30 SMART Readers' and hold sessions that incorporate a once-a-month homework helper programme, during the school term. Once a month during the school term. Weekly sessions are held during the summer in the form of a Summer Book Club. This special programme could not be possible without the volunteers involved-including our members, Staff, Board and Committee Members, as well as the volunteers from the Lions Club of Barbados and the Kiwanis Club-Pride of

Sunday, December 8, 2019

Congratulations

To our Member,
Barbadian Athlete &
Champion Runner,
Joshua Hunte

2019 ACHIEVEMENTS

- Up the Peace 3K - Winner
- Barbados National Triathlon
- Championships Triathlon Relay -
Defending Winner
- Surfside 3K - Winner
- Psychiatric Mental Hospital 5k - Winner
- George Alleyne Chronic Disease
Research Centre 5K - Winner
- Glow 5K - Winner

WELL DONE. Our Athlete of 2019!

RUN BARBADOS SERIES

- Fun Mile (International Race) - Winner
- Cave Shepherd Visa Card 5K -
2nd Place (1st Barbadian)
- Fortress Half Marathon -
4th Place (1st Barbadian)



Barbados who partner with us each year to mentor club members and participate in our Annual Christmas Party. We could not do this without them, and we thank them again for their invaluable contributions.

Should you be interested in enrolling your child or ward in the BWUCCUL SMART Readers' Club, please send an email stating such to info@bwuccu.com, or jgibson@bwuccu.com.

Entrepreneurship

The origin and foundation of the Barbados Workers' Union propels our appreciation for small businesses and entrepreneurship on the whole. We continue to seek ways to promote and streamline our operations to include our staunch support of this field; in and outside of our membership.

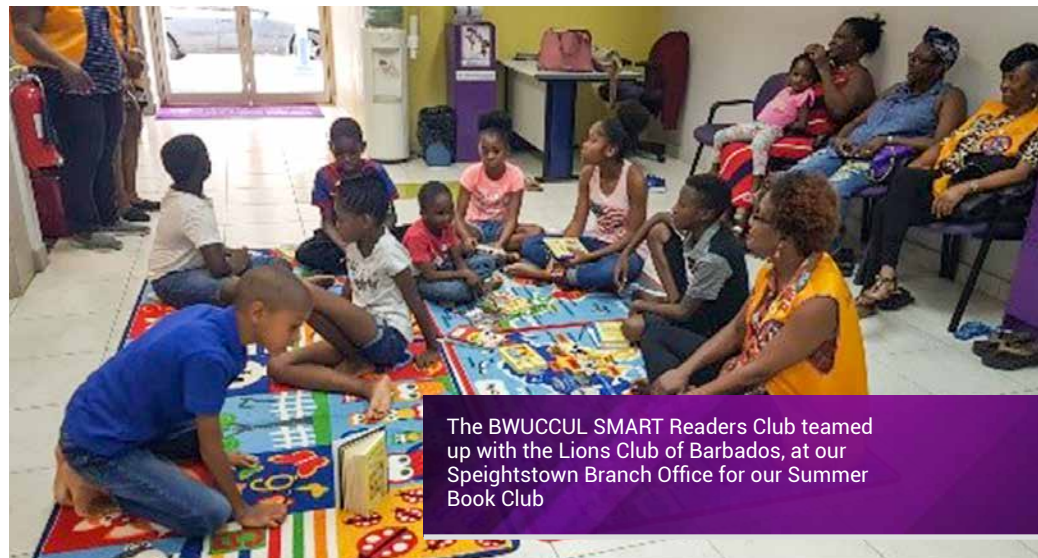
As such, we continued to sponsor Minding Your Business – a CBC TV Programme which gives recognition and visibility to small businesses and entrepreneurs, at no cost to them. We encourage all registered small business owners, who are members, to call us and indicate an interest in being featured on the programme as we would be happy to discuss your vision for the business and identify all the areas that we can serve you.

We shared our financing solutions, along with the many Credit Union membership benefits available, with the up-and-coming entrepreneurial students of the Samuel Jackman Prescod Institute of Technology, at the institution's Skills Fair held during April. As an institution producing high numbers of small business people and entrepreneurs each year, we found it beneficial to speak with the students and their Instructors about the benefits of small businesses, utilizing a Credit Union as a viable source for all their financial and financing needs.

We remain a dedicated supporter of the Barbados Entrepreneurship Foundation's BEF \$20 Challenge and again presented awards for 'Best Example of Team Work', 'Green Business of the Year' and 'Cooperative Spirit', to a total of nine students and one school during the year. Our involvement also included the hosting of the Challenge's 20 finalists at educational

sessions concentrated on presentation, reporting and marketing skills, as well as workshops for teachers involved in the challenge. These sessions were held in our Ashton Turney Conference Room, where Facilitators shared their knowledge to equip teachers with important tips and skills about topics such as 'Access to Finance', 'Time Management', 'Leadership' and 'Emotional Intelligence'. Sessions were subsequently featured on our sponsored CBC programme, 'Minding Your Business'.

We lent support to Codrington Estates Development Limited, which undertook a series of Farmers' Markets and Money Expos during the year. Representatives from the Credit Union were on hand to deliver engaging presentations on the benefits of Credit



The BWUCCUL SMART Readers Club teamed up with the Lions Club of Barbados, at our Speightstown Branch Office for our Summer Book Club

Union membership and access to finance, at these markets which were held on the College's grounds and attracted numerous entrepreneurs and buyers of local produce and home-made products.

Some of our upcoming projects shall incorporate further mentorship, guidance and support of young Barbadian Entrepreneurs, by utilising professionals to offer financial management, debt management and business operating knowledge and guidance.

Assistance for Small Businesses

In addition to providing free Financial Counselling and advertising opportunities for our registered small business members, the Credit Union continues to find new and exciting ways to support entrepreneurship. From discount partnership options,



Board of Directors Report *(continued)*

including highlighting these persons on our various communication channels, we will also be offering training workshops and educational opportunities for our enterprising members in the coming financial year. To learn more about these opportunities, stay tuned to our website and follow our social platforms @bwuccu.com.

Social Platforms

We continue to revisit our various platforms to ensure that our communication lines are always open and easily accessible to our members. Our upgraded website makes it easier to navigate and view content, whether browsing on a desktop, or via a smart phone and all of our forms have been made available to you at just one click. Visit www.bwuccu.com for access to a vast amount of information on how your Credit Union is serving you. This year, we also enhanced our mobile banking app, including making accessing loans easier for members as they are now able to utilise the App to submit loan applications. Further upgrades and new features to our channels are planned for the upcoming financial year.

Further, we continue to engage you via our social media platforms of Facebook, YouTube and Instagram. Our member newsletter is set to take off this year in the form of a blog, capturing interesting and helpful articles which cater to you, the member; these and more can be found at www.cupurplepost.com. Feedback is always welcomed, so feel free to leave your comments and/or suggestions about anything you may like to see captured.

In addition to these platforms, other various points of feedback remain available to you. Feel free to contact us through email, via our online member feedback form, or instantly through our quickly growing WhatsApp group at 629-4055. Remember, you are always invited to complete a survey form, available at any branch location.

TECHNOLOGY

Online Banking

The Credit Union placed a high premium on encouraging its membership to apply for its online banking and utilise its mobile application. Use of the application provides the membership with the convenience of access to their account balances and an ability to perform transactions,

anytime and from anywhere. Online Banking removes waiting periods and the need to visit a Branch office physically, for simple account information or transactions. The Application will be upgraded in the near future and shall offer further options, such as direct sign up from the mobile app, member-to-member transfers, account alerts set-up and Credit Union bill payments. Our next step will be to bring the convenience of external bill payments and transfers on our online banking platform. Stay tuned.

ATM Cards

The COVID-19 pandemic underscored the need for members to have access to their accounts, outside of regular office hours. At the end of the financial year, there were approximately 4700 active cards within the Credit Union and this figure is set to increase significantly as a result of increased marketing and education on the use of the ATM card.



Online Application Forms

The Credit Union has given itself the mandate to provide convenience to its members, enabling them to conduct business with the Credit Union from the comfort of their homes, offices or other locations. Preliminary work has begun on the online member application and on expanding the existing loan applications, as we work in a new contactless environment. As a result, this would provide an additional option for members, as well as prospective members, to join and engage with the Credit Union.

MasterCard Project

The Credit Union shared its vision with the membership, with regards to its participation in the MasterCard Project; which would enable members to have access to their funds worldwide. It has been a long road to travel, but we are finally nearing the point where this venture will become a reality as it is expected to be launched in the new financial year. MasterCard is a worldwide brand which will bring enhanced features, expanded reach and functionality to our members; such as the ability to make online purchases and receive added safety in its point of sale use. It is anticipated that over 10,000 members will be converted to utilising MasterCard.

TRAINING AND DEVELOPMENT

We remained committed to the development of our members, staff and volunteers this year, by utilising various training opportunities. Training for Volunteers consisted of Anti-Money Laundering & Countering Financing of Terrorism (AML-CFT), Director Roles & Responsibilities and Regulatory Compliance for Credit Union Management and Financial Performance, while staff and management received training in areas relating to Digital Marketing, Sales, Productivity, Human Resource Performance, English, Speech and Writing, Financial Performance, AML/CFT, Labour Legislation and Industrial Relations, Credit Union Management, IT Security, National Risk Assessment, Regulatory Compliance, Quality Assurance, Strategic Selling Skills, Data Analysis and Personal Development. We of course, also continue to offer training opportunities with the Barbados Co-operative & Credit Union League, as well as added online learning via Udemy, internally. We have stepped up our focus on compliance with a more robust AML/CFT training, which included both staff and volunteers. This training formed part of a formulated training schedule, based on the internal needs of the Credit Union. The Manager – Legal and Compliance,

continued the training upon joining the Credit Union, ensuring that it was tailor-made for the various departments since it is a crucial component for our continued success, as we seek to help our employees grow and develop. This training also ensures the growth, protection and development of the Credit Union. We are excited about the new and innovative training and member education seminars, being planned for the new financial year.

CELEBRATING OUR NEW WALCOTT-BROOKS BUILDING

The Credit Union hosted an official re-opening ceremony on its 35th Anniversary, July 07. The opportunity was taken to rename various rooms at its Head Office location, in honour of some of its stalwarts. The event included the presentation of the Ashton Turney Conference Room, Dalton Medford Library, Vere Rock First Floor, Founders' Hall and the renaming of the Head Office building to The Walcott-Brooks Building. The building was officially opened by the Honourable Ryan Straughan, Minister in the Ministry of Finance.

DEPOSIT INSURANCE

Further to our MBP insurance on loan balances, the Credit Union has sought to bring further reassurance to you, the member, about the safety of your deposits we are pleased to advise that deposit insurance is on the horizon. There have been positive developments in relation to the Deposit Insurance system for Credit Unions on the Island. The Barbados Cooperative and Credit Union League Limited (BCCULL) has enlisted the services of Dave Grace Associates to review the Co-operative Societies Act of 2008 and the Deposit Insurance Act of 2006; Gather perspectives from the BCCULL Board and staff, the Financial Services Commission, Barbados Deposit Insurance Corporation and the Central Bank of Barbados; Conduct a deposit insurance survey and provide a summary of results; Draft a report describing international credit union examples of private deposit insurance schemes (DIS); Prepare a risk assessment of Credit Unions in Barbados and the likelihood of near-term failures; Provide recommendations for the DIS structure; Submit a financial model on projected DIS funding and timeframe to reach target ratio; Outline an organizational chart and sample policies for how to operate the DIS; Lead discussions on potential DIS transition into a publicly supported scheme in the future. The Movement is aware that whilst there was support from Government, the Central Bank of Barbados and the regulatory authority, to date,



Board of Directors Report *(continued)*

there has been no legal framework put into place by Parliament. The Movement is even more aware of its importance and stands ready to implement a private deposit insurance scheme. This is not a novel idea as 10% of deposit guarantee schemes are privately owned and operated. Under the private scheme, institutions such as ours would be covered and depositors guaranteed protection for their deposits up to a maximum amount. The team at Dave Grace and Associates, are still in the data gathering stage and as your Credit Union, we will continue to keep you updated on its progress.

COVID-19 RESPONSE

The local financial system was severely impacted by the COVID-19 pandemic. The Credit Union was not impervious to its effects, but was however prepared and quickly responded to support our members in the midst of uncertainty. We put the necessary plans in place to ease the certain impact that would be felt by many of our members, because you are paramount when it comes to our decision making. We have offered a three-month Moratorium and waivers of late fees, along with free financial counselling and a specially designed 'Ease the Burden' quick loan



Our newly refurbished Headquarters, renamed the Walcott-Brooks Building named in honour of two of our stalwarts.



of up to \$1,500, to assist with unforeseen expenses during this time. Guided by the protocols issued by the Government of Barbados, we also put measures in place to mitigate the risk to our members, volunteers and staff.

We Are Here For You

The Credit Union was cognizant of the fact that there would be repercussions felt due to the COVID-19 pandemic and thus, we continued our practice of contacting members who would no doubt, have been affected. To keep abreast of how our members were coping, our Loans and Collections Department teams led the initiative by contacting our members to ensure that we were fully aware of the financial and social impact, so as to ensure relevant solutions were designed. Various solutions were offered to our members, based on the individual needs of each. Some solutions included our Skip a Pay, Loan Moratorium, Loan Restructure and Financial Counselling options. The Credit Union made sure that its message “We Are Here for You” resonated throughout all of its social media platforms and encouraged its members to make contact should they require any assistance with their resource planning and making their dreams come through. We care about more than just repaying loans, we want to create healthy habits, financial prudence and long-term responsible borrowing.



CHANGING OF THE GUARD

Incoming General Manager

During the year, we said a fond farewell to our former General Manager – Sis. Corinne Clarke, who resigned in March 2020. We wish to say a heartfelt thank you to Sis. Clarke, as under her leadership we saw the Credit Union grow significantly. Some of her achievements include the expansion of the Credit Union to three branch offices, as we added our Southern Plaza, Oistins location to our portfolio, the renovation and renaming of our headquarters, and an increase in the Credit Union's assets to over \$100 Million. We thank her for her leadership and efforts throughout her tenure and we wish her all the very best in her future endeavours.



Bro. Zandre Bowen
General Manager



Board of Directors Report *(continued)*

At the start of our new financial year, we welcomed our new General Manager, Bro. Zandre Bowen, who is no stranger to the Financial Sector. Bro. Bowen has a wealth of experience in investments and Credit Union operations. We look forward to working with him and charting a new future with him at our helm as he actualises his vision to move the Credit Union forward and position it as the Credit Union of choice.

Business Development and Communications Manager, Bro. Peter Blackman, also resigned in March 2020. We thank him for his contributions to the marketing efforts of the Credit Union and we wish him the very best in his future endeavours.



Sis. Janice Burgess presenting a token to one of our lucky members at our Independence Celebrations at our Headquarters

Our Commitment

This incredible and exciting journey in Credit Unionism, could not be possible without you, our members. Even in times of uncertainty, our efforts are unwavering as we remain committed to serving you. As a Board of Directors, Committee Members, Management and Staff, we commit to working with our membership, to do our utmost best and ensure that we all thrive, even in these trying times. We are structuring our organisation to be more responsive, innovative and engaging, so as to ensure that our members are working with an even greater partner. You are not alone, we are here with you and together we shall overcome; made stronger and all the wiser.

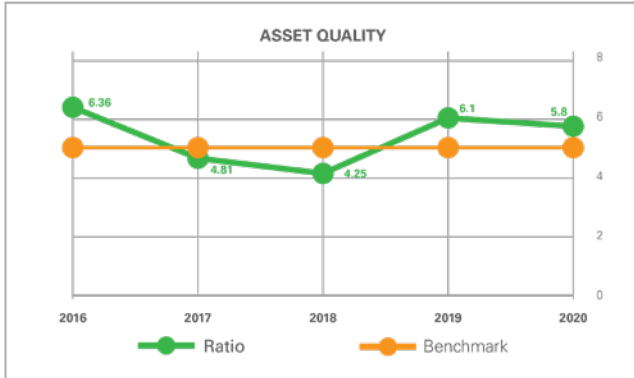
MANAGEMENT ANALYSIS

The Credit Union recorded another year of growth. There were increases in investments, loans and mortgages to members, as well as in the deposits of members. We on-boarded 1,299 new members to bring our total membership to 26,260; this contributed to 5% growth in deposits, or \$7.4 million. We recorded net surplus of \$5.8 million, investment growth of \$4 million, or 13%, loan growth of 7% or \$7.8 million; bringing total assets to \$173.4 million, an increase of 9% from the previous year.

Loans and Mortgages to Members and Credit Risk

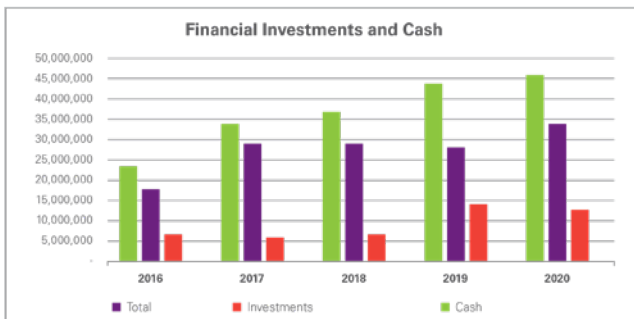
Loans and mortgages to members totalled \$122.7 million, an increase of \$7.8 million, or 7%. Net loans contributed to 68.4% of assets. \$37.8 million in loans was approved for the year. The main increase was attributed to increases in personal loans and mortgages. \$24.4 million in personal loans and \$11 million in mortgages, were approved. Asset quality is medium risk and decreased slightly from 6.1% in 2019, to 5.8%; no small feat in these challenging times. This was achieved through our proactive approach, constant communication and commitment to our members who are experiencing, or anticipate that they may experience financial difficulties. We continue to offer payment solutions, financial counselling, refinancing of loans and other services in an effort to assist our members in maintaining a good credit rating and increasing their overall financial health.





Cash and Financial Investments

The Credit Union's financial investments totalled \$34.1 million. Although investment opportunities in the market are limited, the Credit Union was able to increase investments by \$4.04 million, or 13%. These funds were invested mainly in a 13 and 24 month note. During the year, there was also an increase in the Co-operators General Insurance Company Shares of \$0.23 million as a result of their dividends being paid in shares. Cash resources totalled \$11.9 million, a decrease of \$2.2 million. These funds were used to finance loan disbursements and purchase investments.

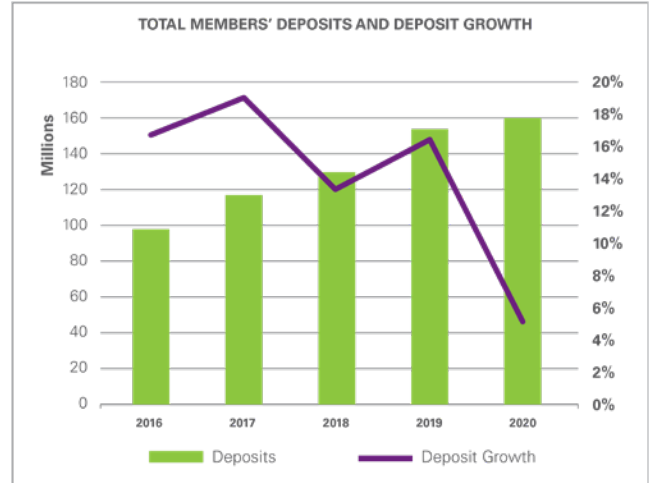


Liabilities and Liabilities to Members

Deposits of members grew by 5%, or \$7.4 million, to \$160.3 million. This increase was due mainly to increases in membership prime deposits and the Smart Builder saving account, of \$6.3 million and \$3 million, respectively. The Credit Union paid an average savings rate of 1% on all of its deposit products.

Qualifying shares grew by 6%, or \$0.137 million. We note that the rate of growth in deposits and new members decreased due to the challenging financial environment.

During the year, the Credit Union made a decision



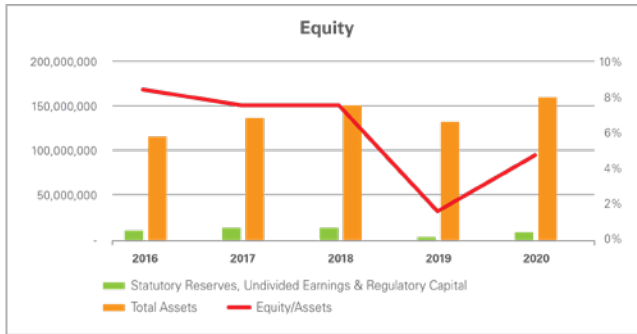
to repay the National Insurance Board loan, which was granted to assist with the refurbishment of the building, earlier than scheduled, in an effort to save on interest costs as we had adequate liquidity. As at 31 March 2020, the Credit Union has no outstanding loans.

Equity

The Credit Union's equity ratio increased this year to 5.17%. The ratio declined in 2019 due to external shocks (IFRS 9 and government debt restructure). 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 time they are to strive to position their capital at the required 10%. We will continue to build capital by remaining highly profitable. The FSC have indicated they are introducing risk based capital. When the capital was calculated based on the components of risk-based capital, the Credit Union had a ratio of 11% which indicates that it was adequately capitalised.

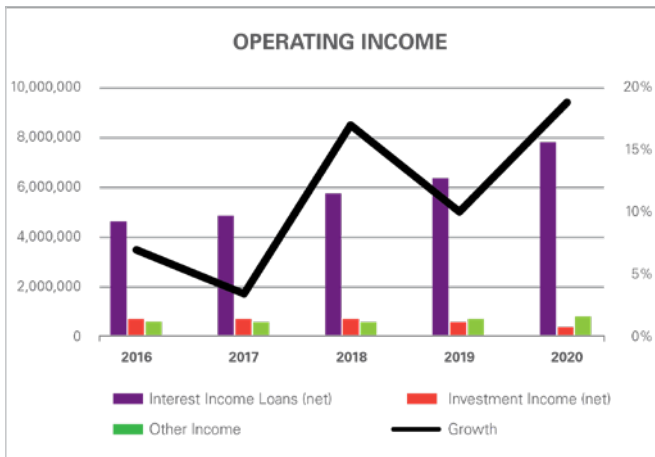


Board of Directors Report *(continued)*



Total Income and Net Income

The Credit Union recorded Total Operating Income of \$9.4 million, an increase of 18% or \$1.4 million. Net Loan Interest Income increased by 22%, or \$1.5 million, to \$7.9 million. Even with the reduction of loan interest rates, the average loan interest rate was 7.80%, a slight reduction from last year's 7.90%. Investment income reduced by 25%, or \$0.187 million due to low interest rates being offered in the market on investments, while Other Income increased by 21%, or \$0.168 million.



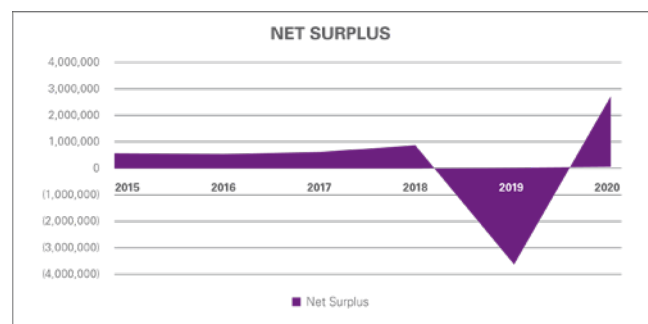
Expense Management

During the year, the Credit Union managed its spending closely in an effort to control expenses and increase profitability. We recorded a reduction in expenses of 47.7%. Regulatory fees paid to the Financial Services Commission were also paid this year totalling \$0.105 million. During the year, the Credit Union implemented a new model to calculate the Expected Credit Losses. The new model captures more demographic information pertaining to members, in order to make a better prediction of the expected credit losses. As a result, there was a

reduction of the Allowance for Doubtful Debts, which resulted in a reversal of the Expected Credit Losses for 2019-2020.



The Credit Union made a Net surplus for the year of \$5.8 million, an increase from last year due to increases in income and a reduction in expenses. Last year there were some anomaly expenses relating to the government debt restructuring, implementation of IFRS 9 and building revaluation, which caused us to record a loss. However, last year profit for the year after interest and before disbursements to funds were \$1.1 million



Overall, the Credit Union recorded improved performance. We are mindful of the unique and upcoming challenges that the COVID-19 Pandemic will cause. The Credit Union will remain flexible and demonstrate the use of initiatives in these trying financial times in order to remain relevant. We will continue to take a proactive approach and exercise prudence. Additionally, we will remain competitive by offering attractive rates on both our loans and our savings products.



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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, 2020, 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, 2020 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 2019 - 2020 in the Annual Report 2019 - 2020 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.

KPMG in Barbados and Eastern Caribbean, registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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 2019 - 2020, 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
October 22, 2020



(Expressed in Barbados dollars)

Statement of Financial Position

For the year ended March 31, 2020 with comparative figures from 2019

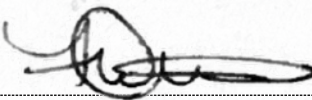
| | Notes | 2020 | 2019 |
|--|-------|-----------------------|--------------------|
| Assets | | | |
| Cash resources | 5 | \$ 11,877,551 | 14,049,853 |
| Interest receivable | 6 | 373,677 | 307,394 |
| Financial investments: | | | |
| Amortized cost | 8 | 29,147,344 | 25,328,938 |
| Less expected credit allowance | 8 | (248,478) | (239,761) |
| FVOCI | 8 | 4,920,616 | 4,691,806 |
| FVTPL | 8 | 21,020 | 21,020 |
| Loans and mortgages to members | 4 & 9 | 122,748,816 | 114,957,340 |
| Less expected credit loss allowance | 4 & 9 | <u>(4,076,098)</u> | <u>(7,812,745)</u> |
| | | <u>164,764,488</u> | <u>151,303,845</u> |
| Other assets | | | |
| Accounts receivable - net | 10 | 452,867 | 268,300 |
| Prepaid expenses | | 82,333 | 74,688 |
| Property and equipment | 11 | <u>8,129,226</u> | <u>7,759,891</u> |
| Total other assets | | <u>8,664,426</u> | <u>8,102,879</u> |
| Total Assets | | <u>\$ 173,428,874</u> | <u>159,406,724</u> |
| Liabilities and Members' Equity | | | |
| Liability to non-members | | | |
| Accounts payable and accrued expenses | 12 | \$ 2,184,717 | 1,344,387 |
| Loan payable | 14 | <u>-</u> | <u>231,501</u> |
| | | <u>2,184,717</u> | <u>1,575,888</u> |
| Liabilities to members | | | |
| Deposits of members | 13 | 160,330,134 | 152,973,964 |
| Regulatory capital | 15 | <u>2,446,850</u> | <u>2,309,550</u> |
| | | <u>162,776,984</u> | <u>155,283,514</u> |
| Members' equity | | | |
| Statutory reserve | 16(a) | 8,935,808 | 7,484,428 |
| Education fund | 16(b) | 20,700 | 700 |
| Common good fund | 16(c) | 62,243 | 23,688 |
| Unrealised gain on investments | | 2,684,511 | 2,519,000 |
| Undivided earnings | | <u>(3,236,089)</u> | <u>(7,480,494)</u> |
| Total members' equity | | <u>8,467,173</u> | <u>2,547,322</u> |
| Total Liabilities and Members' Equity | | <u>\$ 173,428,874</u> | <u>159,406,724</u> |

See accompanying notes to the financial statements.

Approved by the Board of Directors:


.....

Director


.....

Director



(Expressed in Barbados dollars)

Statement of Changes in Equity

For the year ended March 31, 2020 with comparative figures from 2019

| | Notes | Revaluation Reserve | Statutory Reserves | Education Fund | Common Good Fund | Unrealised Gain(loss) on Investment | Undivided Earnings | Total |
|---|-------|---------------------|--------------------|----------------|------------------|-------------------------------------|--------------------|-------------|
| 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 |
| Impact of IFRS 16 implementation (3n) | | - | - | - | - | - | (51,181) | (51,181) |
| Balance at April 1, 2019 | | \$ - | 7,484,428 | 700 | 23,688 | 2,519,000 | (7,531,675) | 2,496,141 |
| Net profit for the year | | - | - | - | - | - | 5,805,521 | 5,805,521 |
| Transfer to statutory reserves | 16(a) | - | 1,451,380 | - | - | - | (1,451,380) | - |
| Transfer to education fund | 16(b) | - | - | 20,000 | - | - | (20,000) | - |
| Transfer to common good fund | 16(c) | - | - | - | 58,055 | - | (58,055) | - |
| Disbursements from fund | | - | - | - | (19,500) | - | 19,500 | - |
| Unrealised gain on investments- for the year | | - | - | - | - | 165,511 | - | 165,511 |
| Balance March 31, 2020 | | \$ - | 8,935,808 | 20,700 | 62,243 | 2,684,511 | (3,236,089) | 8,467,173 |

See accompanying notes to the financial statements.



(Expressed in Barbados dollars)

Statement of Comprehensive Income

For the year ended March 31, 2020 with comparative figures from 2019

| | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------------|--------------------|
| Interest on loans | \$ | 5,725,976 | 5,373,979 |
| Interest on mortgages | | <u>3,850,988</u> | <u>3,702,357</u> |
| Total Loan Interest Income | | 9,576,964 | 9,076,336 |
| Less Interest on Members' Deposits | | | |
| Interest expense | | <u>(1,655,901)</u> | <u>(2,586,254)</u> |
| Net Interest Income | | <u>7,921,063</u> | <u>6,490,082</u> |
| Investment Income | | | |
| Dividend income | | 91,627 | 58,423 |
| Interest on investments | | 521,443 | 732,088 |
| Gain on sale of investment | | <u>180</u> | <u>-</u> |
| Total Investment Income | | 613,250 | 790,511 |
| Less investment fees and charges | | <u>(44,028)</u> | <u>(33,853)</u> |
| Net Investment Income | | <u>569,222</u> | <u>756,658</u> |
| Other Income | | | |
| Other operating income | | 910,681 | 752,166 |
| Rental income | | <u>39,517</u> | <u>30,000</u> |
| Total Other Income | | <u>950,198</u> | <u>782,166</u> |
| Total operating income | \$ | <u>9,440,483</u> | <u>8,028,906</u> |

See accompanying notes to the financial statements.



(Expressed in Barbados dollars)

Statement of Comprehensive Income (continued)

For the year ended March 31, 2020 with comparative figures from 2019

| | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|---------------------|--------------------|
| Operating Expenses: | | | |
| Payroll costs | | \$ 3,075,943 | 2,934,119 |
| Membership protection and governance | 18 | 760,459 | 658,957 |
| Occupancy costs | 18 | 563,366 | 715,418 |
| General and administrative expenses | 18 | 381,049 | 273,466 |
| Expected credit losses | 7 | (2,967,114) | 1,102,266 |
| Marketing costs | | 208,601 | 383,568 |
| Depreciation | | 877,929 | 245,836 |
| Information systems expense | | 700,718 | 565,862 |
| Penalty and interest/ overages | | <u>(867)</u> | <u>(246)</u> |
| Total operating expenses | | <u>3,600,084</u> | <u>6,879,246</u> |
| Profit before interest for the year | | 5,840,399 | 1,149,660 |
| Interest expense | 14 | <u>(15,378)</u> | <u>(9,734)</u> |
| Net profit for the year after interest and before disbursements to funds | | 5,825,021 | 1,139,926 |
| Disbursement from funds: | | | |
| Common Good Fund | 16(c) | (19,500) | (13,500) |
| Education Fund | 16(b) | <u>-</u> | <u>(20,000)</u> |
| | | <u>(19,500)</u> | <u>(33,500)</u> |
| Loss on derecognition of Government securities | 8 | - | (3,456,726) |
| Impairment loss on building | 11 | <u>-</u> | <u>(1,296,130)</u> |
| Net income (loss) for the year | | <u>5,805,521</u> | <u>(3,646,430)</u> |
| Other comprehensive income | | | |
| Revaluation reserve owner occupied property | | - | (4,014,629) |
| Unrealised gain on investments for the year | | <u>165,511</u> | <u>2,083,373</u> |
| Other comprehensive income (loss) | | <u>165,511</u> | <u>(1,931,256)</u> |
| Total comprehensive income (loss) for the year | | <u>\$ 5,971,032</u> | <u>(5,577,686)</u> |

See accompanying notes to the financial statements.



(Expressed in Barbados dollars)

Statement of Cash Flows

For the year ended March 31, 2020 with comparative figures from 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Net income (loss) for the year | \$ 5,805,521 | (3,646,430) |
| Adjustments for: | | |
| Depreciation | 877,929 | 245,836 |
| Amortization | - | - |
| Expected credit loss | (2,967,114) | 1,102,266 |
| Loss on derecognition of investments | - | 3,456,726 |
| Impairment on building | - | 5,310,759 |
| Dividend income | (91,627) | (58,423) |
| Interest income | (10,098,407) | (9,808,424) |
| (Gain) loss on sale of asset | (180) | 685,093 |
| Interest expense | <u>1,671,279</u> | <u>2,595,988</u> |
| Operating loss) before working capital changes | 4,802,599 | (116,609) |
| Increase (decrease) in accounts payable | 979,562 | (91,530) |
| (Increase) decrease in prepaid expenses | (7,645) | 6,543 |
| Increase in accounts receivable | (90,266) | (4,437) |
| Increase in loans to members | (8,552,292) | (16,596,565) |
| Increase in regulatory capital | <u>137,300</u> | <u>192,300</u> |
| Net cash used in operations | (12,335,940) | (16,610,298) |
| Interest received – loans | 9,510,681 | 9,102,728 |
| Interest paid | <u>(1,516,869)</u> | <u>(2,577,096)</u> |
| Net cash used in operating activities | <u>(4,342,128)</u> | <u>(10,084,666)</u> |
| Cash Flows from Investing Activities | | |
| Additions to property and equipment | (430,034) | (3,523,126) |
| Net proceeds from sale of assets | 40,050 | 15,394 |
| Interest received on investments | 427,142 | 754,416 |
| Dividends received | 91,627 | 58,423 |
| Increase in investments - net | <u>(4,212,727)</u> | <u>(1,218,342)</u> |
| Net cash used in investing activities | <u>(4,083,942)</u> | <u>(3,913,235)</u> |
| Cash Flows from Financing Activities | | |
| Increase in members' deposits | 7,356,170 | 21,862,745 |
| Payment of lease liability | (870,901) | - |
| Repayment of loan principal | <u>(231,501)</u> | <u>(161,736)</u> |
| Net cash from financing activities | <u>6,253,768</u> | <u>21,701,009</u> |
| (Decrease) increase in cash resources during year | (2,172,302) | 7,703,108 |
| Cash resources, beginning of year | <u>14,049,853</u> | <u>6,346,745</u> |
| Cash resources, end of year | \$ <u>11,877,551</u> | <u>14,049,853</u> |

See accompanying notes to the financial statements.



Notes to the Financial Statements

For the year ended March 31, 2020

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 October 22, 2020.

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).



Notes to the Financial Statements

For the year ended March 31, 2020

2. Basis of Preparation (continued)

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

(i) Key sources of estimation and uncertainty

Classification of financial assets:

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

Expected credit losses (ECL)

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

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

Measurement of fair values

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

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

Notes to the Financial Statements

For the year ended March 31, 2020

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.

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

The following annual rates apply:

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



Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(d) *Property and equipment (continued)*

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.

(g) *Impairment of non-financial assets*

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

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

(h) *Provisions*

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

3. Significant Accounting Policies (continued)

(i) *Leases*

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

Policy applicable from April 1, 2019

At inception of a contract, the Credit Union assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Credit Union uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after April 1, 2019.

Credit Union acting as a lessee

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

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

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

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

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

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

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



Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(i) Leases, (continued)

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

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

Short-term leases and leases of low-value assets

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

Policy applicable before April 1, 2019

For contracts entered into before April 1, 2019, the Credit Union determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

As a lessee

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

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

Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(j) Financial instruments

Non-derivative financial assets and liabilities

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

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

Non-derivative financial assets – Classification and subsequent measurement

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

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

Financial assets measured at amortized cost

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

Financial assets measured at FVOCI

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

Financial assets measured at FVTPL

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

Reclassifications

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



Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Non-derivative financial liabilities – Classification and subsequent measurement

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

Business model assessment

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

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

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

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).

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Non-derivative financial assets – Classification and subsequent measurement

Derecognition

Financial assets

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

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

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

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

Financial liabilities

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

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.



Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Modifications of financial assets and liabilities

Financial assets

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

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

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

Offsetting

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

Expected credit losses and Impairment

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

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

No impairment loss is recognised on equity investments

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Expected credit losses and Impairment (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;

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.



3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Expected credit losses and Impairment (continued)

Credit-impaired financial assets

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

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

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

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

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.

Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

Expected credit losses and Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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



Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

(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.

(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 2019 2020 comprises unrealized gain on investments (2018 - 2019 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, 2019 and have been applied in preparing these financial statements. None of these have a significant effect on the financial statements except IFRS 16 disclosed below.

IFRS 16 replaced leases guidance IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous standard – i.e. lessors continue to classify leases as finance or operating leases.

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

Definition of a lease

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

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

Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

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

As a lessee

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

Further, the Credit Union has not entered into any new leases during the year ended March 31, 2020.

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

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

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

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

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



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies (continued)

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

Impact on financial statements

Impact on transition

On transition to IFRS 16, the Credit Union recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

| | | |
|---|----|----------|
| Right-of-use assets presented in property and equipment | \$ | 819,720 |
| Lease liabilities | | 870,901 |
| Undivided earnings | | (51,181) |

When measuring lease liabilities for leases that were classified as operating leases, the Credit Union discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted- average rate applied is 5.00%.

| | | |
|---|----|----------------|
| Operating lease commitments at March 31, 2019 as disclosed under IAS 17 in The Credit Union's financial statements | \$ | <u>284,226</u> |
| Discounted using the incremental borrowing rate at April 1, 2019 | | 870,901 |
| Recognition exemption for leases of low value assets | | - |
| Recognition exemption for leases of with less than 12 months of lease term | | <u>-</u> |
| Lease liabilities recognized at April 1, 2019 | | <u>870,901</u> |

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

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

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

- Amendments to 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
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform – effective January 1, 2020
- Amendment to IFRS 16 – COVID 19: Related Rent Concessions – effective June 1, 2020
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract – effective January 1, 2022
- Annual Improvements to IFRS Standards 2018 – 2020 – effective January 1, 2022
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use – effective January 1, 2022
- Amendments to IFRS 3 - Reference to the Conceptual Framework – effective January 1, 2022
- Amendments to IAS 1 – Classification of liabilities as current and non-current – effective January 1, 2023
-

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



Notes to the Financial Statements

For the year ended March 31, 2020

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.

(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.

Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(a) *Credit risk, (continued)*

Classified Loans

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

Expected credit loss (ECL) allowance

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

Loans and mortgages to members

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Delinquent Loans | | |
| 90 days and over | \$ 5,452,269 | 4,277,899 |
| Classified Loans fully provided | <u>1,411,946</u> | <u>1,404,993</u> |
| Carrying amount | 6,864,215 | 5,682,892 |
| Less: ECL Allowance | <u>(3,893,636)</u> | <u>(3,571,102)</u> |
| Carrying amount less allowance loans > 90 days | \$ <u>2,970,579</u> | <u>2,111,790</u> |
| | <u>2020</u> | <u>2019</u> |
| Loans in Good Standing | | |
| Not yet due | \$ 115,881,265 | 87,543,772 |
| 1-29 days | - | 13,967,213 |
| 30-59 days | - | 5,273,896 |
| 60-89 days | <u>3,336</u> | <u>2,489,567</u> |
| Carrying amount | 115,884,601 | 109,274,448 |
| Less: ECL Allowance | <u>(182,462)</u> | <u>(4,241,643)</u> |
| Carrying amount less ECL allowance for loans in good standing | <u>115,702,139</u> | <u>105,032,805</u> |
| Total carrying amount | \$ <u>118,672,718</u> | <u>107,144,595</u> |



Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(a) Credit risk, (continued)

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

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.

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(a) Credit risk, (continued)

Credit risk

Exposure to credit risk

| | | Carrying amount | |
|--------------------------------|---|-----------------------|--------------------|
| | | 2020 | 2019 |
| Interest receivable | | \$ 373,677 | 307,394 |
| Financial investments: | | | |
| Amortized cost | 8 | 28,898,866 | 25,089,177 |
| FVOCI | 8 | 4,920,616 | 4,691,806 |
| FVTPL | 8 | 21,020 | 21,020 |
| Loans and mortgages to members | | 118,672,718 | 107,144,595 |
| Cash resources | | <u>11,877,551</u> | <u>14,049,853</u> |
| Total | | \$ <u>164,764,448</u> | <u>151,303,845</u> |

(b) Liquidity risks

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

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



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(b) Liquidity risks, (continued)

Deposits from Members

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

| March 31, 2020 Deposits by Type | Interest Rate | Total | Less than 3 months | 3 months to 1 year | 5 years and over |
|--|--------------------------------|-----------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| Term deposits | 1.00-3.85% | \$ 25,358,604 | 4,944,871 | 12,188,237 | 685,074 |
| Other savings | 0.25-0.75% | 6,546,911 | 5,533,735 | 39,966 | 445,241 |
| Special Savings | 0.25% | 5,985,703 | 5,535,495 | 36,243 | 285,054 |
| Junior Savings | 0.50% | 2,959,308 | 2,926,462 | 1,764 | 26,000 |
| Membership Prime Deposit | 0.25% | 71,651,739 | 59,441,790 | 805,661 | 6,364,376 |
| Smart Builder | 1.00% | <u>47,827,869</u> | <u>43,834,252</u> | <u>118,293</u> | <u>2,210,789</u> |
| Total | | \$ <u>160,330,134</u> | <u>122,216,605</u> | <u>13,190,164</u> | <u>10,016,534</u> |
| Loan by Type | | | | | |
| Personal Loans | 6.5-18% | \$ 42,033,741 | 1,023,737 | 549,283 | 19,960,684 |
| Business Loans | 7-17% | 1,693,954 | 66,075 | 12,901 | 1,091,313 |
| Other Loans | 8-18% | 177,704 | 11,720 | 11,443 | 42,274 |
| Real Estate Loans | 4.5-12% | 66,829,159 | - | 8,832 | 65,893,701 |
| Revolving Loans | 17% | 10,602,312 | 2,689,972 | 1,649,397 | 3,003,238 |
| Reclassified Loans | 0% | <u>1,411,946</u> | <u>1,411,946</u> | - | - |
| Total | | \$ <u>122,748,816</u> | <u>5,203,450</u> | <u>2,231,856</u> | <u>89,991,210</u> |
| Liquidity Gap | | \$ <u>37,581,318</u> | <u>117,013,155</u> | <u>10,958,308</u> | <u>(79,974,676)</u> |

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(b) Liquidity risks, (continued)

Deposits from Members

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

| March 31, 2019 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 | 2.00-5.00% | \$ 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 | | \$ <u>152,973,964</u> | <u>111,337,275</u> | <u>17,318,570</u> | <u>15,119,164</u> | <u>9,198,955</u> |
| 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 | | \$ <u>114,957,340</u> | <u>4,859,166</u> | <u>1,802,207</u> | <u>26,858,762</u> | <u>81,437,205</u> |
| Liquidity Gap | | \$ <u>38,016,624</u> | <u>106,478,109</u> | <u>15,516,363</u> | <u>(11,739,598)</u> | <u>(72,238,250)</u> |



Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(c) Market risk

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

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

Interest rate risk Profile

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

| | Carrying amount | |
|----------------------------------|------------------------|----------------------|
| | 2020 | 2019 |
| Fixed Rate Instruments | | |
| Fixed Financial Assets | \$ 79,266,676 | 45,694,924 |
| Fixed Financial Liabilities | <u>(23,653,599)</u> | <u>(28,976,519)</u> |
| Net Fixed Rate Instruments | <u>\$ 55,613,077</u> | <u>16,718,405</u> |
| Variable Rate Instruments | | |
| Financial Assets | \$ 94,162,198 | 113,354,032 |
| Financial Liabilities | <u>(139,123,385)</u> | <u>(126,306,996)</u> |
| Net Variable Rate Instruments | <u>\$ (44,961,187)</u> | <u>(12,952,964)</u> |

(d) Operational risks

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

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

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

Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(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 5.17% (2019 – 2.95%).

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

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

(f) Fair value

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

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

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

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

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

| | 2020 | | 2019 | |
|--------------------------------|---------------------|---------------|---------------------|---------------|
| | Carrying Amounts | Fair Value | Carrying Amounts | Fair Value |
| Cash resources | \$ 11,877,551 | 11,877,551 | 14,049,853 | 14,049,853 |
| Accounts receivable | 452,867 | 452,867 | 268,300 | 268,300 |
| Interest receivable | 373,677 | 373,677 | 307,394 | 307,394 |
| Financial investments (note 8) | | | | |
| – Amortized cost | 28,898,866 | N/A | 25,089,177 | N/A |
| – FVOCI | 4,920,616 | 4,920,616 | 4,691,806 | 4,691,806 |
| – FVTPL | 21,020 | 21,020 | 21,020 | 21,020 |
| Loans and mortgages (net) | 118,672,718 | 118,672,718 | 107,144,595 | 107,144,595 |
| Deposits of members | (160,330,134) | (160,330,134) | (152,973,964) | (152,973,964) |
| Regulatory capital | (2,446,850) | (2,446,850) | (2,309,550) | (2,117,250) |
| Accounts payable | (2,184,717) | (2,184,717) | (1,344,387) | (1,344,387) |
| Loans payable | - | - | (231,501) | (231,501) |



Notes to the Financial Statements

For the year ended March 31, 2020

4. Financial Risk Management, (continued)

(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, 2020, the Credit Union held 2.39% (2020 – 2.63%) in real property.

5. Cash Resources

This balance consists of:

| | <u>2020</u> | <u>2019</u> |
|------------------|----------------------|-------------------|
| Cash equivalents | \$ 268,399 | 259,541 |
| Cash on hand | 1,187,769 | 417,592 |
| Cash at bank | <u>10,421,383</u> | <u>13,372,720</u> |
| | <u>\$ 11,877,551</u> | <u>14,049,853</u> |

6. Interest Receivable

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------------|----------------|
| Loan interest receivable | \$ <u>373,677</u> | <u>307,394</u> |

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

7. Expected Credit Losses

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-----------------------|------------------|
| Loans and mortgages to members | \$ (2,975,831)- | 1,044,098 |
| Financial investments | <u>8,717</u> | <u>58,168</u> |
| | <u>\$ (2,967,114)</u> | <u>1,102,266</u> |

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

8. Financial Investments

(a) *Financial investments comprise:*

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------|--------------------------|
| <i>Debt securities</i> | | |
| Amortized cost | | |
| Term deposits ⁽¹⁾ | \$ 16,980,511 | 13,162,105 |
| Sovereign bonds ⁽²⁾ | <u>12,166,833</u> | <u>12,166,833</u> |
| | 29,147,344 | 25,328,938 |
| Less expected credit allowance | <u>(248,478)</u> | <u>(239,761)</u> |
| | 28,898,866 | 25,089,177 |
| <i>Equities securities</i> | | |
| FVOCI | | |
| Corporate equity | 4,920,616 | 4,691,806 |
| FVTPL | | |
| Corporate equity | <u>21,020</u> | <u>21,020</u> |
| Total financial investments | \$ <u>33,840,502</u> | <u>29,802,003</u> |
| Expected Credit Allowance: | | |
| Balance at beginning of year impact of IFRS 9 | \$ 239,761 | - |
| Impact of IFRS 9 | <u>-</u> | <u>715,139</u> |
| Balance at beginning of year (adjusted) | 239,761 | 715,139 |
| Derecognition of expected credit loss allowance | - | (533,546) |
| Expected credit loss on investments | <u>8,717</u> | <u>58,168</u> |
| Balance at end of year | \$ <u>248,478</u> | <u>239,761</u> |

(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 \$745,381 (2019 - \$720,711). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

(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.



Notes to the Financial Statements

For the year ended March 31, 2020

8. Financial Investments, (continued)

(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, 2020, the Credit Union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

| | <u>2020</u> | <u>2019</u> |
|--------------------|-----------------------|--------------------|
| Loans | \$ 55,919,657 | 52,671,624 |
| Mortgages | <u>66,829,159</u> | <u>62,285,716</u> |
| | 122,748,816 | 114,957,340 |
| Less ECL allowance | <u>(4,076,098)</u> | <u>(7,812,745)</u> |
| | \$ <u>118,672,718</u> | <u>107,144,595</u> |

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

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

(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

9. Loans and Mortgages to Members, (continued)

Expected Credit Allowance:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-----------------------|--------------------|
| Opening balance | \$ (7,812,745) | (2,759,448) |
| Impact of IFRS 9 | <u>-</u> | <u>(4,489,399)</u> |
| Opening balance adjusted | (7,812,745) | (7,248,847) |
| Expected credit loss | 2,975,831 | (1,059,097) |
| Write offs | 760,816 | 465,201 |
| Recoveries | <u>-</u> | <u>-</u> |
| Ending balance | \$ <u>(4,076,098)</u> | <u>(7,812,745)</u> |

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

10. Accounts Receivable

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|----------------|
| Accounts receivable | \$ 358,566 | 268,300 |
| Interest receivable – Investments | <u>94,301</u> | <u>-</u> |
| | \$ <u>452,867</u> | <u>268,300</u> |

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

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



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

11. Property and Equipment

| <u>2020</u> | Equipment and Computer Software | Motor Vehicle | Land Buildings | Leasehold Improvement | Total |
|---------------------------------|---------------------------------------|------------------|-------------------|--------------------------|-------------------|
| Cost/Valuation | | | | | |
| At beginning of year | \$ 5,565,754 | 160,464 | 4,150,000 | 966,176 | 10,842,394 |
| Impact of IFRS 16 | - | - | 911,399 | - | 911,399 |
| Adjusted balance | | | | | |
| April 1, 2019 | 5,565,754 | 160,464 | 5,061,399 | 966,176 | 11,753,793 |
| Additions/WIP | 208,971 | - | 221,063 | - | 430,034 |
| Disposals | (2,490) | - | - | - | (2,490) |
| At end of year | \$ <u>5,772,235</u> | <u>160,464</u> | <u>5,282,462</u> | <u>966,176</u> | <u>12,181,337</u> |
| Accumulated Depreciation | | | | | |
| At beginning of year | \$ 2,303,175 | 70,305 | - | 709,025 | 3,082,503 |
| Impact of IFRS 16 | - | - | 91,679 | - | 91,679 |
| Adjusted balance | | | | | |
| April 1, 2019 | 2,303,175 | 70,305 | 91,679 | 709,025 | 3,174,182 |
| Charge for year | 669,718 | 18,578 | 152,824 | 36,676 | 877,929 |
| Disposals | - | - | - | - | - |
| At end of year | \$ <u>2,973,024</u> | <u>88,883</u> | <u>244,503</u> | <u>745,701</u> | <u>4,052,111</u> |
| Net Book Value | \$ <u>2,799,211</u> | <u>71,581</u> | <u>5,037,959</u> | <u>220,475</u> | <u>8,129,226</u> |
| 2019 | | | | | |
| | Equipment and Computer Software | Motor Vehicle | Land Buildings | Leasehold Improvement | 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 | \$ <u>5,565,754</u> | <u>160,464</u> | <u>4,150,000</u> | <u>966,176</u> | <u>10,842,394</u> |
| 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 | \$ <u>2,303,173</u> | <u>70,305</u> | <u>-</u> | <u>709,025</u> | <u>3,082,503</u> |
| Net Book Value | \$ <u>3,262,581</u> | <u>90,159</u> | <u>4,150,000</u> | <u>257,151</u> | <u>7,759,891</u> |

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



Notes to the Financial Statements

For the year ended March 31, 2020

11. Property and Equipment, (continued)

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

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|---------------------|------------------|
| Interest payable on deposits | \$ 634,968 | 774,000 |
| Non-member deposits | 132,108 | 134,007 |
| Professional fees | 70,006 | 77,147 |
| Lease liability | 790,064 | - |
| Other payables | <u>555,571</u> | <u>359,233</u> |
| | <u>\$ 2,184,917</u> | <u>1,344,387</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:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|-----------------------|--------------------|
| Term deposits | \$ 23,653,599 | 28,976,519 |
| Other deposits | 63,319,791 | 57,434,088 |
| Prime deposits | 71,651,739 | 65,197,853 |
| Registered Retirement Savings Plan | <u>1,705,005</u> | <u>1,365,504</u> |
| | <u>\$ 160,330,134</u> | <u>152,973,964</u> |

Term deposits are fixed-term interest bearing deposits which attract a rate of interest of 1.00% to 3.85% (2020 - 2.00% to 3.35%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 0.15% - 1.00% (2019 - 0.35% - 2.75%).



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

13. Deposits of Members, (continued)

Prime Deposits, previously known as Members' Shares, is an interest-bearing deposit account which has attracted an average rate of 0.25% (2019 – 1%) during the financial year.

Registered Retirement Savings Plan is a retirement account registered with the Barbados Revenue Authority; withdrawals incur a withholding tax. This plan attracted an interest rate of 3.25% (2019– 3.25%)

14. Loan Payable

National Insurance Board

| | <u>2020</u> | <u>2019</u> |
|--------------------|-------------|----------------|
| Current portion | \$ - | 53,635 |
| Long term portion | <u>-</u> | <u>177,866</u> |
| | \$ <u>-</u> | <u>231,501</u> |
| Total loan payable | \$ <u>-</u> | <u>231,501</u> |

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, 2020 \$ nil (2019: \$nil) funds were disbursed. The loan was repaid during the financial year.

Notes to the Financial Statements

For the year ended March 31, 2020

15. Regulatory Capital

| | <u>2020</u> | <u>2019</u> |
|----------------------------|---------------------|------------------|
| Balance at April 1 | \$ 2,309,550 | 2,117,250 |
| Contributions for the year | <u>137,300</u> | <u>192,300</u> |
| Balance at March 31 | \$ <u>2,446,850</u> | <u>2,309,550</u> |

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, 2020, capital ratio was 5.17% (2019 – 2.95%). The allocation for the year was \$1,451,380 (2019- \$nil).

(b) *Education Fund*

The Registrar of Co-operatives has advised that 3% of the net income capped at \$20,000 be transferred to an education reserve. This reserve is periodically paid to the Barbados Co-Operative Credit Union League. The amount transferred for the year was \$20,000 (2019- \$nil).

(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 \$58,055 (2019 - \$nil).



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

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.

18. Major Operating Expenses

These comprise

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| General and Administrative Expenses | | |
| Audit fees | \$ 99,188 | 80,340 |
| Stationery office supplies | 51,592 | 75,929 |
| Professional fees | 122,883 | 38,863 |
| Equipment maintenance | 14,088 | 11,079 |
| Motor vehicle expense | 25,585 | 25,585 |
| Supplies | 26,041 | 23,398 |
| Postage | 4,126 | 13,960 |
| A/C equipment maintenance | 33,603 | - |
| Motor vehicle insurance | <u>3,943</u> | <u>4,312</u> |
| | \$ <u>381,049</u> | <u>273,466</u> |
| Occupancy Costs | | |
| Utilities | \$ 144,107 | 117,993 |
| Rental expense | 45,602 | 284,226 |
| Security | 162,649 | 150,184 |
| Property insurance | 79,622 | 89,811 |
| Maintenance | 89,014 | 52,902 |
| Other office expenses | 7,676 | 5,449 |
| Land tax | 19,855 | 13,860 |
| Television charges | - | - |
| Other property expense | - | 993 |
| Building renovation expense | 2,490 | - |
| Miscellaneous | <u>12,351</u> | <u>-</u> |
| | \$ <u>563,366</u> | <u>715,418</u> |



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

18. Major Operating Expenses, (continued)

Membership Protection and Governance Expenses

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|----------------|
| MBP premiums | \$ 314,638 | 288,388 |
| League dues | 111,132 | 90,596 |
| Convention | 10,254 | 56,242 |
| Reimbursable expenses | 100,200 | 105,150 |
| Annual meeting | 57,147 | 38,201 |
| Committee meetings | 19,869 | 32,464 |
| Other meetings | 1,629 | 5,372 |
| Committee expenses | 7,235 | 5,707 |
| Committee activities | 5,629 | 12,070 |
| Fidelity insurance – Directors | 10,950 | 6,025 |
| Education expense | 100 | - |
| Regulatory fees | 105,522 | - |
| Archiving management | <u>16,154</u> | <u>18,742</u> |
| | \$ <u>760,459</u> | <u>658,957</u> |

19. Interest and Dividend Income

Recognised in profit or loss

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|--------------------|
| Interest on loans | \$ 5,725,976 | 5,373,979 |
| Interest on mortgages | 3,850,988 | 3,702,357 |
| Interest income on held-to-maturity investments | 521,443 | 732,088 |
| Dividend income on held to maturity financial assets | <u>91,627</u> | <u>58,423</u> |
| Interest and dividend income - gross | 10,190,034 | 9,866,847 |
| Interest expense on financial liabilities measured at amortised cost | <u>(1,655,901)</u> | <u>(2,586,254)</u> |
| Net interest, realised gain and dividend income recognised in profit or loss | \$ <u>8,534,133</u> | <u>7,280,593</u> |
| Recognised directly in equity | | |
| Net unrealized gain on investments for the year | \$ <u>165,511</u> | <u>2,083,373</u> |



(Expressed in Barbados dollars)

Notes to the Financial Statements

For the year ended March 31, 2020

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.

| | | <u>Loans Balance</u> | <u>Deposits</u> | <u>Qualifying Shares</u> |
|----------------------|----|--------------------------|-----------------|------------------------------|
| As at March 31, 2020 | \$ | 2,408,870 | 1,580,952 | 2,100 |
| As at March 31, 2019 | \$ | 1,383,719 | 1,020,075 | 2,100 |

(c) *Key Management personnel compensation:*

| | | <u>2020</u> | <u>2019</u> |
|---|----|----------------|----------------|
| Wages and salaries | \$ | <u>735,661</u> | <u>676,807</u> |
| Reimbursable expenses for directors and Committee members | \$ | <u>96,200</u> | <u>105,150</u> |

21. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31, 2020 amounted to \$9,710,777 (2019 - \$11,184,237).



Notes to the Financial Statements

For the year ended March 31, 2020

22. Leases

Leases as Lease

Under IFRS 16

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

| | | <u>2020</u> |
|----------------------------|----|----------------|
| Less than one year | \$ | 79,719 |
| Between two and five years | | <u>360,278</u> |
| | \$ | <u>439,997</u> |

Leases as Lease

Under IAS17

The Credit Union leases the property which houses the Speightstown Branch from ABK Investment, in Oistins Branch from Southern Investments. The Credit Union lease payments were recognised in the statement of comprehensive income on a straight-line basis over the lease term. The future minimum lease payments under terms of the leases as follows:

| | | <u>2020</u> | <u>2019</u> |
|----------------------------|----|-------------|-------------|
| Less than one year | \$ | - | 141,168 |
| Between two and five years | | - | 564,671 |

During the year ended March 31, 2020, \$45,602 (2019 - \$284,226) was recognised as rental expense in the statement of comprehensive income.



Notes to the Financial Statements

For the year ended March 31, 2020

23. Contingencies

At March 31, 2020, 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.

24. Impact of COVID-19

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

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





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