THE BARBADOS WORKERS' UNION
CO-OPERATIVE CREDIT UNION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31ST, 2023

bakertilly

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

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 at March 31, 2023, 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, 2023 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 International Ethics Standards Board for Accountants' (IESBA) and International Code of Ethics for Professional Accountants (including International Independence Standards) and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' Report, Treasurer's Report and Supplementary information in the Annual Report 2022 - 2023 but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or appears to be materially misstated.

When we read the Annual Report 2022 - 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Credit Union on business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Credit Union's members, in accordance with Sections 109 and 123 of the Co-operatives Societies Act of Barbados. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, for our audit work, for this report, or for the opinion we have formed.

Baker Tilly
Baker Tilly

BARBADOS
June 12th, 2023

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31ST, 2023
With comparative figures for 2022
(Expressed in Barbados dollars)

	Notes	2023	2022
ASSETS		$	$
Cash resources	5	19,957,273	15,097,364
Interest receivable	6	343,398	337,306
Financial investments:			
Amortized cost	8	23,259,732	31,213,229
Less expected credit allowance	8	(215,446)	(250,182)
FVOCI	8	5,373,017	5,474,384
FVTPL	8	22,120	22,120
Loans and mortgages to members	4(a) & 9	159,634,829	142,141,741
Less expected credit loss allowance	4(a) & 9	(2,928,579)	(3,019,005)
		205,446,344	191,016,957
Other Assets			
Accounts receivable - net	10	868,945	997,066
Prepaid expenses		158,852	188,373
Right of Use Assets	11	453,004	544,683
Property and equipment	11	6,149,860	6,510,961
Total Other Assets		7,630,661	8,241,083
Total Assets		213,077,005	199,258,040
LIABILITIES AND MEMBERS' EQUITY			
Liability to Non-members			
Accounts payable and accrued expenses	12	2,445,758	2,167,251
Lease Liability	13	526,199	616,064
		2,971,957	2,783,315
Liabilities to Members			
Deposits of members	14	191,659,199	180,444,003
Regulatory capital	15	2,849,100	2,723,800
		194,508,299	183,167,803
Members' Equity			
Statutory reserve	16(a)	10,353,606	9,745,686
Education fund	16(b)	20,700	15,402
Common good fund	16(c)	88,956	74,639
We Care Fund	16(d)	89,995	11,700
Unrealised gain on investments		3,036,457	3,145,875
Undivided earnings		2,007,035	313,620
Total Members' Equity		15,596,749	13,306,922
Total Liabilities and Members' Equity		213,077,005	199,258,040

See accompanying notes to the financial statements.

Approved by the Board of Directors:

Director: .... Director: ....

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31ST, 2023
With comparative figures for 2022
(Expressed in Barbados dollars)

	Notes	Statutory Reserves	Education Fund	Common Good Fund	We Care Fund	Unrealised Gain on Investment	Undivided Earnings	Total
		$	$	$	$	$	$	$
Balance at March 31st, 2021		9,623,173	20,700	89,738	-	2,805,664	1,449	12,540,724
Net income for the year		-	-	-	-	-	490,050	490,050
Transfer to statutory reserves	16(a)	122,513	-	-	-	-	(122,513)	-
Transfer to education fund	16(b)	-	14,702	-	-	-	(14,702)	-
Transfer to common good fund	16(c)	-	-	4,901	-	-	(4,901)	-
Transfer to we care fund	16(d)	-	-	-	15,050	-	(15,050)	-
Disbursements from fund		-	(20,000)	(20,000)	(3,350)	-	43,350	-
Patronage Refund		-	-	-	-	-	(64,063)	(64,063)
Unrealised gain on investments for the year		-	-	-	-	340,211	-	340,211
Balance at March 31st, 2022		9,745,686	15,402	74,639	11,700	3,145,875	313,620	13,306,922
Net income for the year		-	-	-	-	-	2,431,681	2,431,681
Transfer to statutory reserves	16(a)	607,920	-	-	-	-	(607,920)	-
Transfer to education fund	16(b)	-	20,000	-	-	-	(20,000)	-
Transfer to common good fund	16(c)	-	-	24,317	-	-	(24,317)	-
Transfer to we care fund	16(d)	-	-	-	97,360	-	(97,360)	-
Disbursements from fund		-	(14,702)	(10,000)	(19,065)	-	43,767	-
Patronage Refund		-	-	-	-	-	(32,436)	(32,436)
Unrealised loss on investments for the year		-	-	-	-	(109,418)	-	(109,418)
Balance at March 31st, 2023		10,353,606	20,700	88,956	89,995	3,036,457	2,007,035	15,596,749

See accompanying notes to the financial statements.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31ST, 2023
With comparative figures for 2022
(Expressed in Barbados dollars)

	Notes	2023	2022
		$	$
Interest on loans	19	6,415,582	5,209,771
Interest on mortgages	19	4,948,063	4,539,684
Total Loan Interest Income		11,363,645	9,749,455
Less Interest on members' deposits			
Interest expense	19	(988,416)	(1,102,780)
Net Interest Income		10,375,229	8,646,675
INVESTMENT INCOME			
Interest on savings account	19	1,607	-
Dividend income	19	46,296	119,745
Interest on investments	19	1,257,815	1,358,500
Total Investment Income		1,305,718	1,478,245
Less investment fees and charges		(42,369)	(27,216)
Net Investment Income		1,263,349	1,451,029
OTHER INCOME			
Other operating income		1,356,089	1,295,486
Rental income		30,000	30,000
Total Other Income		1,386,089	1,325,486
Total Operating Income		13,024,667	11,423,190

See accompanying notes to the financial statements.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED MARCH 31ST, 2023
With comparative figures for 2022
(Expressed in Barbados dollars)

	Notes	2023 $	2022 $
OPERATING EXPENSES			
Payroll costs		3,821,441	3,708,203
Membership protection and governance	18	773,563	703,441
Occupancy costs	18	644,302	797,741
General and administrative expenses	18	412,058	519,105
Expected credit losses	7	1,020,506	1,579,716
Marketing costs		398,717	379,151
Depreciation	11	899,882	816,885
Information systems expense		1,789,796	1,366,289
Building Remediation		744,960	-
Penalty and interest/ overages		(951)	(1,615)
Total Operating Expenses		10,504,274	9,868,916
Profit before Interest for the year		2,520,393	1,554,274
Interest expense		(31,785)	(32,528)
Net profit for the year after interest and before disbursements to funds		2,488,608	1,521,746
Disbursement from funds:			
Common good fund	16(c)	(10,000)	(20,000)
We care fund	16(d)	(19,065)	(3,350)
Education Fund	16(b)	(14,702)	(20,000)
		(43,767)	(43,350)
Investment write-down		(13,160)	-
Impairment loss on building	11	-	(988,346)
Net Income for the year		2,431,681	490,050
OTHER COMPREHENSIVE INCOME			
Unrealised (loss)/gain on investments for the year	8	(109,418)	340,211
Other comprehensive (loss)/income		(109,418)	340,211
Total Comprehensive Income for the year		2,322,263	830,261

See accompanying notes to the financial statements.

THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31ST, 2023
With comparative figures for 2022
(Expressed in Barbados dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES	$	$
Net income for the year	2,431,681	490,050
Adjustments for:		
Depreciation	899,882	816,885
Expected credit loss	1,020,506	1,579,716
Dividend income	(46,296)	(119,745)
Interest income	(12,623,066)	(11,107,955)
Impairment loss on building	-	988,346
Interest expense	1,020,201	1,135,308
Operating loss before working capital changes	(7,297,092)	(6,217,395)
Increase/decrease in accounts payable	351,345	(319,089)
Decrease(increase) in prepaid expenses	29,521	(86,272)
Decrease(increase) in accounts receivable	126,211	(520,524)
Increase in loans to members	(18,638,756)	(19,568,241)
Increase in regulatory capital	125,300	196,402
Net Cash used in Operations	(25,303,471)	(26,515,119)
Interest received – loans	11,357,553	9,832,906
Interest paid	(1,093,039)	(1,246,841)
Net Cash used in Operating Activities	(15,038,957)	(17,929,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(447,102)	(668,461)
Interest received on investments	1,261,332	1,377,088
Dividends received	46,296	119,745
Decrease in investments - net	7,945,445	4,833,697
Net Cash from Investing Activities	8,805,971	5,662,069
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in members' deposits	11,215,196	13,225,771
Payment of lease liability	(89,865)	(89,122)
Patronage Rebate	(32,436)	(64,063)
Net Cash from Financing Activities	11,092,895	13,072,586
Increase in cash resources during year	4,859,909	805,601
Cash resources, beginning of year	15,097,364	14,291,763
Cash resources, end of year	19,957,273	15,097,364

See accompanying notes to the financial statements.

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 14th, 1994. Its principal objectives include:

(a) the promotion of thrift among its members by providing means whereby savings can be effected and shares in the society can be acquired, and

(b) the creation out of savings of its members of a source of credit available to its members on reasonable terms and conditions.

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

These financial statements were authorised for issue by the Directors on June 12th, 2023.

2. Basis of Preparation

(a) Statement of Compliance

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

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

(b) The Use of Estimates and Judgments

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

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

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

2. Basis of Preparation (cont'd)

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

Key sources of estimation and uncertainty

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

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

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

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

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

3. Significant Accounting Policies

(a) Functional and Presentation Currency

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

(b) Revenue Recognition

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

3. Significant Accounting Policies (cont'd)

(b) Revenue Recognition (cont'd)

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

Rent:
Rental income is recognised in statement of comprehensive income on a straight-line basis Over the term of the lease.

(c) Foreign Currency

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

(d) Property and Equipment

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

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

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

The following annual rates apply:

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

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

3. Significant Accounting Policies (cont'd)

(d) Property and Equipment (cont'd)

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

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

(e) Defined Contribution Plans

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

(f) Taxation

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

(g) Impairment of Non-Financial Assets

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

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

(h) Provisions

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

3. Significant Accounting Policies (cont'd)

(i) Leases

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

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

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

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

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

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

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

The lease liability is measured at amortized 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.

3. Significant Accounting Policies (cont'd)

(i) Leases (cont'd)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero. The Credit Union presents right-of-use assets and the lease liability as a separate component on 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.

Right of Use Assets

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

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).

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

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

3. Significant Accounting Policies (cont'd)

(i) Leases (cont'd)

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.

(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)

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

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 statement of comprehensive income. Any gain or loss on derecognition is recognised in statement of comprehensive income.

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 recognised as income in statement of comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised 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 which are held for trading. These assets are measured at fair value. Net gains and losses, including dividend income are recognised in the statement of comprehensive income.

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

Non-derivative financial liabilities – Classification and subsequent measurement

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

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

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 (cont'd)

(j) Financial instruments (cont'd)

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 recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the statement of comprehensive income on derecognition of such securities but transferred to undivided 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 derecognised 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 statement of comprehensive income.

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 derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Modifications of Financial Assets and Liabilities (cont'd)

Financial assets: (cont'd)

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 recognises the resulting adjustment as a modification gain or loss in the statement of comprehensive income.

Offsetting

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

Expected Credit Losses and Impairment

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

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

No impairment loss is recognised on equity investments

The 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.

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

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 (cont'd)

(j) Financial instruments (cont'd)

Restructured Financial Assets (cont'd)

Credit-impaired financial assets:
At each reporting date, the Credit Union assesses whether financial assets carried at amortized 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 as assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

3. Significant Accounting Policies (cont'd)

(j) Financial instruments (cont'd)

Restructured Financial Assets (cont'd)

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 amortized 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 statement of comprehensive income 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.

(k) Fair Value

Determination of fair value and fair value hierarchy

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

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

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

3. Significant Accounting Policies (cont'd)

(k) Fair Value (cont'd)

Determination of fair value and fair value hierarchy (cont'd)

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

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

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

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

(l) Cash Resources

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

(m) Deposits

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

(n) Comprehensive Income

Comprehensive income includes all changes in equity during the reporting period from transactions and events other than those arising from investments by and distributions to the shareholders. Other Comprehensive Income comprises revenues, expenses, gains and losses that are recognised in Comprehensive Income but excluded from Net Income. Other Comprehensive Income during 2022 - 2023 comprises unrealized loss on investments (2021 - 2022 comprised unrealized gain on investments).

(o) New standards, interpretations and amendments to extensive standards mandatory for the first time for the financial year

A number of new standards, amendments to standards and interpretations became effective during the current period but these did not have a material effect on the Credit Union's financial statements.

3. Significant Accounting Policies (cont'd)

(p) Standards in issue but not yet effective

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

- Amendments to IAS 8 – Definition of accounting estimate – effective January 1, 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies- effective January 1, 2023.
- Amendments to IAS 1 – Classification of liabilities as current or non-current – effective January 1, 2024
- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback – effective January 1, 2024
- Amendments to IAS 1 - Non-current Liabilities with Covenants – effective January 1, 2024

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

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.

4. Financial Risk Management

(a) Credit Risk

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

(i) *Cash resources*
The Credit Union deposits its funds with registered Banks which are subject to regulations.

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

In measuring the 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 individual customers' default probability using internal delinquency reports showing loan in arrears and ECL models developed by independent service providers to determine the ECL allowance.

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

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

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

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

	2023	2022
Delinquent Loans:	$	$
90 days and over	6,040,214	5,721,298
Classified Loans fully provided	751,470	1,246,615
Carrying amount	6,791,684	6,967,913
Less: ECL Allowance	(2,658,515)	(2,609,281)
Carrying amount less allowance loans > 90 days	4,133,169	4,358,632

	2023	2023
Loans in Good Standing:	$	$
Not yet due	126,281,814	107,408,607
1-29 days	16,006,358	17,221,832
30-59 days	5,911,337	7,198,246
60-89 days	4,643,636	3,345,144
Carrying amount	152,843,145	135,173,829
Less: ECL Allowance	(270,064)	(409,724)
Carrying amount less ECL allowance for loans in good standing	152,573,081	134,764,105
Total carrying amount	156,706,250	139,122,737

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 privately listed companies, cash, guarantors and mutual funds. Unsecured loans are granted based on credit risk up to $35,000. The value of security of loans > 90 days is approximately $7.2 million dollars.

Risk limit control and mitigation policies
The Credit Union manages limits and controls concentrations of credit risk wherever they are identified.

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(a) Credit Risk (cont'd)

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

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

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

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

Credit risk
Exposure to credit risk

	Notes	*Carrying amount* 2023	2022
		$	$
Interest receivable		343,398	337,306
Financial investments:			
Amortized cost	8	23,044,286	30,963,047
FVOCI	8	5,373,017	5,474,384
FVTPL	8	22,120	22,120
Loans and mortgages to members		156,706,250	139,122,736
Cash resources		19,957,273	15,097,364
Total		205,446,344	191,016,957

(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 is matched to loan disbursements. The cash balances are monitored on a daily basis.

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(b) Liquidity Risks (cont'd)

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

March 31st, 2023	Interest Rate	Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits by Type:		$	$	$	$	$
Term deposits & RRSP	1.00 - 4.10%	22,692,293	4,465,195	12,967,184	4,467,150	792,764
Other savings	0.10 - 2.25%	13,071,595	11,904,652	44,392	381,391	741,160
Special Savings	0.20%	8,626,527	8,020,577	9,893	213,317	382,740
Junior Savings	0.25%	2,747,374	2,714,928	-	5,082	27,364
Membership Prime Deposit	0.25%	87,758,042	74,402,156	465,596	4,724,730	8,165,560
Smart Builder	0.50%	56,763,368	52,752,800	132,657	867,182	3,010,729
Total		191,659,199	154,260,308	13,619,722	10,658,852	13,120,317
Loan by Type:		$	$	$	$	$
Personal Loans	4 - 18%	49,039,709	6,645,544	1,091,680	13,099,755	28,202,730
Business Loans	5 -17%	1,165,398	10,000	5,582	232,789	917,027
Other Loans	8 - 18%	18,370	-	-	18,370	-
Real Estate Loans	4.25 -12%	94,181,131	11,286,025	34,423	1,166,398	81,694,285
Revolving Loans	5 - 18%	14,478,751	4,624,203	383,311	8,427,788	1,043,449
Reclassified Loans	0%	751,470	750,187	589	694	-
Total		159,634,829	23,315,959	1,515,585	22,945,794	111,857,491
Liquidity Gap		32,024,370	130,944,349	12,104,137	(12,286,942)	(98,737,174)

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(b) Liquidity Risks (cont'd)

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

March 31st, 2022	Interest Rate	Total	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and over
Deposits by Type:		$	$	$	$	$
Term deposits & RRSP	1.00-4.10%	22,439,133	3,963,008	10,087,424	8,547,525	841,176
Other savings	0.20-0.65%	8,179,863	7,287,340	74,159	396,313	422,051
Special Savings	0.25%	8,042,496	7,596,405	32,001	136,908	277,182
Junior Savings	0.50%	2,848,263	2,843,181	-	5,082	-
Membership Prime Deposit	0.20%	81,944,354	70,000,429	543,348	4,467,347	6,933,230
Smart Builder	1.00%	55,989,894	52,251,192	68,538	1,184,120	2,486,044
Total		180,444,003	143,941,555	10,805,470	14,737,295	10,959,683
Loan by Type:		$	$	$	$	$
Personal Loans	.5-18%	38,537,145	492,714	1,170,108	17,802,299	19,072,024
Business Loans	7-17%	1,353,270	18,421	8,231	387,532	939,086
Other Loans	8-18%	104,267	4,864	-	99,403	-
Real Estate Loans	4.5-12%	87,964,868	-	126,507	1,870,564	85,967,817
Revolving Loans	17%	12,935,556	4,266,206	711,810	6,157,208	1,800,332
Reclassified Loans	0%	1,246,615	1,246,615	-	-	-
Total		142,141,741	6,028,820	2,016,656	26,317,006	107,779,259
Liquidity Gap		38,302,262	137,912,735	8,788,814	(11,579,711)	(96,819,576)

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(c) Market Risk

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

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

Interest Rate Risk

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

	Carrying amount	
	2023	2022
Fixed Rate Instruments	$	$
Fixed Financial Assets	79,064,714	77,763,877
Fixed Financial Liabilities	(20,791,731)	(21,525,391)
Net Fixed Rate Instruments	58,272,983	56,238,486
Variable Rate Instruments		
Financial Assets	134,012,291	121,494,163
Financial Liabilities	(170,867,469)	(158,918,612)
Net Variable Rate Instruments	(36,855,178)	(37,424,449)

(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.

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(e) Capital Management

The Co-operative Societies (Amendment) Act 2008-39, stipulates that an amount equalling or greater than 10% of total assets must be held as capital. The Board of Directors continues to review the capital structure. The capital to assets ratio is now 7.14% (2022 – 6.42%). The Financial Services Commission issued a letter indicating that they would give regulatory forbearance for a period of 5 years, ending 2024 to return the capital ratio to 10%. Additionally, in 2020 the Financial Services Commission informed Credit Unions of its intention to transition to a risk-based approach for capital calculations.

The Financial Services Commission (FSC) defines "capital" of a Credit Union as Qualifying Shares, Statutory, Other Reserves.

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 15)

(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:

	2023		2022	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	$	$	$	$
Cash resources	19,957,273	19,957,273	15,097,364	15,097,364
Accounts receivable	868,945	868,945	997,066	997,066
Interest receivable	343,398	343,398	337,306	337,306
Financial investments (note 8)				
Amortized cost	23,044,286	N/A	30,963,047	N/A
FVOCI	5,373,017	5,373,017	5,474,384	5,474,384
FVTPL	22,120	22,120	22,120	22,120
Loans and mortgages (net)	156,706,250	156,706,250	139,122,736	139,122,736
Deposits of members	191,659,199	191,659,199	180,444,003	180,444,003
Regulatory capital	(2,849,100)	(2,849,100)	(2,273,800)	(2,273,800)
Accounts payable	(2,445,759)	(2,445,759)	(2,167,251)	(2,167,251)

(Expressed in Barbados dollars)

4. Financial Risk Management (cont'd)

(g) Loans and Mortgages Receivable

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

Investments
The Investment Portfolio comprises of assets stated at amortized 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 31st, 2023, the Credit Union held 1.62% (2022 – 1.76%) in real property.

5. Cash Resources

This balance consists of:

	2023 $	2022 $
Cash equivalents	2,382,682	1,473,758
Cash on hand	379,693	699,747
Cash at bank	17,194,898	12,923,859
	19,957,273	15,097,364

6. Interest Receivable

	2023 $	2022 $
Loan interest receivable	343,398	337,306

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

7. Expected Credit Losses

	2023 $	2022 $
Loans and mortgages to members	1,055,242	1,651,269
Financial investments	(34,736)	(71,553)
	1,020,506	1,579,716

(Expressed in Barbados dollars)

8. Financial Investments

(a) Financial Investments Comprise

	2023 $	2022 $
Debt securities		
Term deposits	8,317,652	16,037,045
Sovereign bonds [1]	14,942,080	15,176,184
	23,259,732	31,213,229
Less expected credit allowance	(215,446)	(250,182)
	23,044,286	30,963,047
Equity securities		
FVOCI		
Corporate equity [2]	5,373,017	5,474,384
FVTPL		
Corporate equity	22,120	22,120
Total financial investments	28,439,423	36,459,551
Expected Credit Allowance:		
Balance at beginning of year impact of IFRS 9	250,182	321,735
Expected credit loss on investments	(34,736)	(71,553)
Balance at end of year	215,446	250,182

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

2 The Credit Union outsources the management of its investment portfolio referred to as the "Blue Eagle" to CIBC First Caribbean International Bank's (The Bank) wealth management department. The Bank was given an investment policy and parameters to guide the investment decisions. The Investment policy was prepared by a group of members with an investment career background. Reports are submitted monthly to the management where the performance of the fund is reviewed. The total fund under management is $517,867 (2022 - $658,534). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

(Expressed in Barbados dollars)

8. Financial Investments (cont'd)

(b) Investment of Funds

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

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

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

The Financial Services Commission approved the initial investment in Co-operators General Insurance. As at March 31st, 2023, the Credit Union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

(c) Fair Value Hierarchy

2023	Level 1	Level 2	Level 3	Total
	$	$	$	$
Investment Securities				
Equity securities:				
FVOCI - QUOTED	991,343	-	-	991,343
FVOCI - UNQUOTED	-	4,381,674	-	4,381,674
	991,343	4,381,674	-	5,373,017
Equity securities:				
FVTPL	-	-	22,120	22,120

2022	Level 1	Level 2	Level 3	Total
	$	$	$	$
Investment Securities				
Equity securities:				
FVOCI - QUOTED	1,000,828	-	-	1,000,828
FVOCI - UNQUOTED	-	4,460,396	13,160	4,473,556
	1,000,828	4,460,396	13,160	5,474,384
Equity securities:				
FVTPL	-	-	22,120	22,120

(Expressed in Barbados dollars)

8. Financial Investments (cont'd)

(c) Fair Value Hierarchy (cont'd)

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

Level 1

	2023	2022
	$	$
Beginning Balance	1,000,828	1,036,336
Other adjustment	(4,275)	-
Unrealised loss	(5,210)	(35,508)
Ending Balance	991,343	1,000,828

Level 2

	2023	2022
	$	$
Beginning Balance	4,460,396	3,968,314
Unrealised (loss)/gain	(104,208)	375,719
Purchased	25,486	116,363
Ending Balance	4,381,674	4,460,396

Level 3

	2023	2022
	$	$
Beginning Balance	35,280	35,280
Write off	(13,160)	-
Ending Balance	22,120	35,280

9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	2023	2022
	$	$
Loans	65,453,699	54,176,853
Mortgages	94,181,130	87,964,888
	159,634,829	142,141,741
Less ECL allowance	(2,928,579)	(3,019,005)
	156,706,250	139,122,736

(Expressed in Barbados dollars)

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

Loans are classified as personal, business, line of credit and other loans. Personal and business loans bear interest at a rate of 4% to 18% per annum, unsecured loans and revolving line of credit at 5%-18% 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 4.50% per annum on the reducing balance. As of March 2023 mortgages are being offered at a variable rate of 4.50% to 6.5% (2022 - 4% 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.

Expected Credit Allowance:

	2023 $	2022 $
Opening balance	(3,019,005)	(2,373,689)
Expected credit loss	(1,055,242)	(1,651,269)
Write offs	1,135,367	799,721
Recoveries	10,301	206,232
Ending balance	(2,928,579)	(3,019,005)

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

	2023 $	2022 $
Accounts receivable	588,918	986,025
Other Receivable	270,896	-
Interest receivable – Investments	9,131	11,041
	868,945	997,066

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

Other Receivable represents security deposits related to the debit Master Card.

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)

11. Property and Equipment

2023

	Equipment and Computer Software	Motor Vehicle	Land and Buildings	Leasehold Improvement	Total	Right of Use Asset
Cost/Valuation	$	$	$	$	$	$
At beginning of year	7,136,988	160,464	3,500,000	966,176	11,763,628	911,399
Additions/WIP	415,803	-	-	31,299	447,102	-
At end of year	7,552,791	160,464	3,500,000	997,475	12,210,730	911,399
Accumulated Depreciation						
At beginning of year	4,318,242	115,372	-	819,053	5,252,667	366,716
Charge for year	705,980	9,582	54,673	37,968	808,203	91,679
At end of year	5,024,222	124,954	54,673	857,021	6,060,870	458,395
Net Book Value	2,528,569	35,510	3,445,327	140,454	6,149,860	453,004

2022

	Equipment and Computer Software	Motor Vehicle	Land and Buildings	Leasehold Improvement	Total	Right of Use Asset
Cost/Valuation	$	$	$	$	$	$
At beginning of year	6,542,630	160,464	4,536,533	966,176	12,205,803	911,399
Additions/WIP	594,358	-	74,103	-	668,461	-
Revaluation	-	-	(1,110,636)	-	(1,110,636)	-
At end of year	7,136,988	160,464	3,500,000	966,176	11,763,628	911,399
Accumulated Depreciation						
At beginning of year	3,639,293	103,938	124,143	782,377	4,649,751	275,037
Charge for year	677,096	11,434	-	36,676	725,206	91,679
Adjustment	1,853	-	(1,853)	-	-	-
Disposals	-	-	(122,290)	-	(122,290)	-
At end of year	4,318,242	115,372	-	819,053	5,252,667	366,716
Net Book Value	2,818,746	45,092	3,500,000	147,123	6,510,961	544,683

(Expressed in Barbados dollars)

11. Property and Equipment (cont'd)

Valuation of Building

The next valuation is scheduled for the 2024 - 2025 financial year. During the 2021-2022 financial year, the Board of Directors determined the value of the Credit Union's building was $3,500,000 based on a valuation prepared by an independent, professional valuer. The accumulated depreciation of $122,290 on the property at the valuation date was eliminated against the gross carrying amount of the property and the net amount was restated to the revalued amount of the property. The resulting decrease of $988,346 was expensed in the statement of comprehensive income.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

	2023	2022
	$	$
Interest payable on deposits	399,458	472,296
Non-member deposits	126,815	128,530
Professional fees	47,448	86,635
Other payables	1,872,037	1,479,790
	2,445,758	2,167,251

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. Lease Liability

Maturity Analysis - Lease Liability

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

(Expressed in Barbados dollars)

13. Lease Liability (cont'd)

	2023	2022
	$	$
Current	91,679	98,257
1 to 5 years	434,520	517,807
Total	526,199	616,064

During the year ended March 31st, 2023, $31,785 (2022 - $32,528) was recognised as interest expense on the lease liability in the statement of comprehensive income.

14. Deposits of Members

Members' deposits comprise the following:

	2023	2022
	$	$
Term deposits	15,347,386	21,525,391
Other deposits	86,694,692	75,060,516
Prime deposits	87,758,042	81,944,354
Registered Retirement Savings Plan	1,859,079	1,913,742
	191,659,199	180,444,003

Term deposits are fixed-term interest-bearing deposits which attract a rate of interest of 1.00% to 1.50% (2022 - 1.00% to 1.50%).

Other deposits represent interest bearing deposits that may be withdrawn on demand. These deposits attract interest at a rate of 0.20% - 2.25% (2022 - 0.20% - 1.00%).

Prime Deposits, previously known as Members' Shares, is an interest-bearing deposit account which has attracted an average rate of 0.25% (2022 – 0.20%) 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 1.00% (2022 – 1.00%)

(Expressed in Barbados dollars)

15. Regulatory Capital

	2023	2022
	$	$
Balance at April 1st	2,723,800	2,527,398
Contributions for the year	125,300	196,402
Balance at March 31st	2,849,100	2,723,800

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 has been declared for the year. A patronage refund of $32,436 (2022 - $64,063) was declared for the current 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 31st, capital ratio was 7.14% (2022 – 6.42%). The allocation for the year was $607,920 (2022 - $122,513).

(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 (2022 - $14,702). During the year $14,702 was disbursed from the fund.

(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 $24,317 (2022 - $4,901). During the year $10,000 was disbursed from the fund.

(Expressed in Barbados dollars)

16. Reserves (cont'd)

(d) <u>We Care Fund</u>

The We Care Fund was established by the Credit Union and represents amounts allocated to facilitate assistance to members in need and worthy causes. The amount transferred is 3.5% (2022 - 0.5%) of net income and any additional amounts approved by the membership at the annual general meeting. The amount transferred for the year was $97,360 (2022 - $15,050). During the year $19,065 was disbursed from the fund.

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

	2023	2022
General and Administrative Expenses	$	$
Audit fees	100,658	76,086
Stationery office supplies	66,764	65,661
Professional fees	159,256	242,431
Equipment maintenance	6,782	10,963
Motor vehicle expense	13,074	20,786
Supplies	24,068	26,691
Postage	22,798	42,236
A/C equipment maintenance	12,952	30,889
Subscriptions	2,344	-
Motor vehicle insurance	3,362	3,362
	412,058	519,105
Occupancy Costs		
Utilities	190,003	193,999
Rental expense	185,832	184,782
Security	147,362	158,708
Property insurance	76,508	76,508
Maintenance	28,592	164,368
Other office expenses	330	2,308
Land tax	15,675	17,068
	644,302	797,741

(Expressed in Barbados dollars)

18. Major Operating Expenses (cont'd)

Membership Protection and Governance Expenses

	2023	2022
	$	$
MBP premiums	343,472	292,878
League dues	96,944	95,727
Volunteer – Training and Development	6,365	1,452
Reimbursable expenses	114,600	114,600
Annual meeting	33,817	36,393
Committee meetings	7,650	8,840
Other meetings	4,311	7,612
Committee expenses	4,255	4,394
Committee activities	5,430	11,650
Fidelity insurance – Directors	11,500	15,146
Regulatory fees	121,962	93,795
Loan Commission	4,050	3,600
Archiving management	19,207	17,354
	773,563	703,441

During the year ended March 31st, 2023, $185,832 (2022 - $184,782) was recognised as rental expense in the statement of comprehensive income, which includes lease payments on short-term leases and other short-term rentals.

19. Interest and Dividend Income

Recognised in the statement of comprehensive income

	2023	2022
	$	$
Interest on loans	6,415,582	5,209,771
Interest on mortgages	4,948,063	4,539,684
Interest income on investments	1,257,815	1,358,500
Interest on deposits	1,607	-
Dividend income	46,296	119,745
Interest and dividend income - gross	12,669,363	11,227,700
Interest expense on financial liabilities measured at amortized cost	(988,416)	(1,102,780)
Net interest, realised gain and dividend income recognised in statement of comprehensive income	11,680,947	10,124,920
Recognised directly in equity		
Net unrealized loss/gain on investments for the year	(109,418)	340,211

(Expressed in Barbados dollars)

20. Related Parties

(a) Identity of Related Parties

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

(b) Related Party Balances

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

	Loans Balance	Deposits	Qualifying Shares
	$	$	$
As at March 31st, 2023	2,598,099	1,208,166	1,800
As at March 31st, 2022	1,766,646	1,179,636	1,800

(c) Key Management Personnel Compensation

	2023	2022
	$	$
Short-term employee benefits	1,288,819	916,154
National Insurance	70,871	56,804
Pensions	10,433	11,797
Health and Life Insurance	2,054	2,276

21. Commitments

Loan commitments

Loan commitments in respect of undisbursed loans as at March 31st, 2023, amounted to $11,789,475 (2022 - $13,890,058).

22. Contingencies

At March 31, 2023, 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.