

Financial Statements of

**The Barbados Workers' Union  
Co-operative Credit Union Limited**

March 31, 2019



## **The Barbados Workers' Union Co-operative Credit Union Limited**

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## **INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the financial statements of The Barbados Workers' Union Co-operative Credit Union Limited (the "Credit Union"), which comprise the statement of financial position as of March 31, 2019, statements of changes in equity, comprehensive income, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as at March 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

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

### ***Other Information***

Management is responsible for the other information. The other information comprises the Board of Directors' Report, Treasurer's Report and Supplementary 2018 - 2019 in the Annual Report 2018 - 2019 but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

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



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Financial Statements (continued)**

### ***Other Information, continued***

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

When we read the Annual Report 2018 - 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Financial Statements (continued)**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

**Report on the Audit of the Financial Statements (continued)**

### ***Other Matter***

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

*KPMG*

Chartered Accountants  
Bridgetown, Barbados  
June 11, 2019

# The Barbados Workers' Union Co-operative Credit Union Limited

## Statement of Financial Position

As at March 31, 2019

With comparative figures for 2018


(Expressed in Barbados dollars)

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

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 31, 2019

With comparative figures for 2018

(Expressed in Barbados dollars)

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

See accompanying notes to the financial statements.



## The Barbados Workers' Union Co-operative Credit Union Limited

### Statement of Comprehensive Income

For the year ended March 31, 2019

With comparative figures for 2018

*(Expressed in Barbados dollars)*

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	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Interest on loans	\$	5,373,979	4,796,201
Interest on mortgages		<u>3,702,357</u>	<u>3,591,167</u>
<b>Total Loan Interest Income</b>		9,076,336	8,387,368
<b>Less Interest on Members' Deposits</b>			
Interest expense		<u>(2,586,254)</u>	<u>(2,652,321)</u>
<b>Net Interest Income</b>		<u>6,490,082</u>	<u>5,735,047</u>
<b>Investment Income</b>			
Interest on savings account		-	517
Dividend income		58,423	68,819
Interest on investments		732,088	930,112
Loss on sale of investment		<u>-</u>	<u>(12,481)</u>
<b>Total Investment Income</b>		790,511	986,967
Less investment fees and charges		<u>(33,853)</u>	<u>(99,523)</u>
<b>Net Investment Income</b>		<u>756,658</u>	<u>887,444</u>
<b>Other Income</b>			
Other operating income		752,166	635,187
Rental income		<u>30,000</u>	<u>30,000</u>
<b>Total Other Income</b>		<u>782,166</u>	<u>665,187</u>
<b>Total operating income</b>	\$	<u>8,028,906</u>	<u>7,287,678</u>

*See accompanying notes to the financial statements.*

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Statement of Comprehensive Income, continued

For the year ended March 31, 2019  
With comparative figures for 2018

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Operating Expenses:</b>			
Payroll costs		\$ 2,934,119	2,781,762
Membership protection and governance	18	658,957	537,640
Occupancy costs	18	715,418	686,467
General and administrative expenses	18	273,466	313,163
Expected credit losses (2018: Allowance for bad and doubtful debts)	7	1,102,266	713,723
Marketing costs		383,568	473,244
Depreciation		245,836	418,627
Amortization		-	6,125
Information systems expense		565,862	507,671
Penalty and interest/ overages		<u>(246)</u>	<u>496</u>
<b>Total operating expenses</b>		<u>6,879,246</u>	<u>6,438,918</u>
<b>Profit before interest for the year</b>		1,149,660	848,760
Interest expense	14	<u>(9,734)</u>	<u>(10,373)</u>
<b>Net profit for the year after interest and before disbursements to funds</b>		1,139,926	838,387
Disbursement from funds:			
Common Good Fund	16(c)	(13,500)	(2,317)
Education Fund	16(b)	<u>(20,000)</u>	<u>(20,000)</u>
		<u>(33,500)</u>	<u>(22,317)</u>
Loss on derecognition of Government securities	8	(3,456,726)	-
Impairment loss on building	11	<u>(1,296,130)</u>	<u>-</u>
<b>Net (loss) income for the year</b>		<u>(3,646,430)</u>	<u>816,070</u>
<b>Other comprehensive income</b>			
Revaluation reserve owner occupied property		(4,014,629)	-
Unrealised gain (loss) on investments for the year		<u>2,083,373</u>	<u>(52,813)</u>
Other comprehensive (loss) income		<u>(1,936,256)</u>	<u>(52,813)</u>
<b>Total comprehensive (loss) income for the year</b>		\$ <u>(5,577,686)</u>	<u>763,257</u>

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 31, 2019

With comparative figures for 2018

(Expressed in Barbados dollars)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Net (loss) income for the year	\$ (3,646,430)	816,070
Adjustments for:		
Depreciation	245,836	418,627
Amortization	-	6,125
Expected credit loss (2018: allowance for doubtful loans)	1,102,266	713,723
Loss on derecognition of investments	3,456,726	-
Impairment on building	5,310,759	-
Loss on sale of investments	-	12,481
Dividend income	(58,423)	(68,819)
Interest income	(9,808,424)	(9,317,997)
Loss on sale of asset	685,093	-
Interest expense	<u>2,595,988</u>	<u>2,662,694</u>
Operating loss before working capital changes	(116,609)	(4,757,096)
(Decrease) increase in accounts payable	(91,530)	213,943
Decrease (increase) in prepaid expenses	6,543	(4,959)
Decrease in deferred expense	-	6,125
Increase in accounts receivable	(4,437)	(14,513)
Increase in loans to members	(16,596,565)	(11,030,562)
Increase in regulatory capital	<u>192,300</u>	<u>184,650</u>
<b>Net cash used in operations</b>	(16,610,298)	(15,402,412)
Interest received – loans	9,102,728	8,331,976
Interest paid	<u>(2,577,096)</u>	<u>(2,871,687)</u>
<b>Net cash used in operating activities</b>	<u>(10,084,666)</u>	<u>(9,942,123)</u>
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(3,523,126)	(3,450,852)
Net proceeds from sale of assets	15,394	18,051
Net proceeds from sale of investments	-	37,895
Interest received on investments	754,416	972,877
Dividends received	58,423	68,819
Increase in investments - net	<u>(1,218,342)</u>	<u>(2,111,075)</u>
<b>Net cash used in investing activities</b>	<u>(3,913,235)</u>	<u>(4,464,285)</u>
<b>Cash Flows from Financing Activities</b>		
Increase in members' deposits	21,862,745	15,238,153
Proceeds from loan payable	-	280,258
Repayment of loan principal	<u>(161,736)</u>	<u>(74,078)</u>
<b>Net cash from financing activities</b>	<u>21,701,009</u>	<u>15,444,333</u>
Increase in cash resources during year	7,703,108	1,037,925
Cash resources, beginning of year	<u>6,346,745</u>	<u>5,308,820</u>
Cash resources, end of year	\$ <u>14,049,853</u>	<u>6,346,745</u>

See accompanying notes to the financial statements.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 1. Reporting Entity

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

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

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

These financial statements were authorised for issue by the Directors on June 11, 2019.

## 2. Basis of Preparation

### (a) *Statement of compliance*

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and available for sale investments.

### (b) *The use of estimates and judgments*

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below in note 2(b)(i).

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 2. Basis of Preparation (continued)

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

#### (i) Key sources of estimation and uncertainty

Applicable to 2019 only:

##### *Classification of financial assets:*

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

##### *Expected credit losses (ECL)*

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

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

Applicable to 2018:

##### *Impairment losses on loans and mortgages to members*

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

##### *Impairment of available-for-sale equity investments*

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

Applicable to 2018 & 2019:

##### *Measurement of fair values*

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 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%

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 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) *Lease payments*

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

### (i) *Provisions*

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 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 - Policy applicable from April 1, 2018**

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

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

#### Financial assets measured at amortized cost

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

#### Financial assets measured at FVOCI

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

#### Financial assets measured at FVTPL

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

#### 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.

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# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 3. Significant Accounting Policies (continued)

### (j) Financial instruments (continued)

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

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

#### **Business model assessment**

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

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

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

#### **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).
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# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 3. Significant Accounting Policies (continued)

### (j) *Financial instruments (continued)*

#### ***Non-derivative financial assets – Classification and subsequent measurement - Policy applicable before April 1, 2018, continued***

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

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

#### Financial assets measured at held to maturity

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

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

Impairment losses are reported as a deduction from the carrying value of the investment (through an allowance account) or investment balance. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income.

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 3. Significant Accounting Policies (continued)

### (j) Financial instruments (continued)

#### **Non-derivative financial assets – Classification and subsequent measurement - Policy applicable before April 1, 2018, continued**

##### Financial assets measured at available for sale

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

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

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

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

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

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

##### Financial assets measured as loans and receivables

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 3. Significant Accounting Policies (continued)

### (j) Financial instruments (continued)

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

#### **Derecognition**

##### *Financial assets*

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

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

From April 1, 2018, any cumulative gain or loss recognized in OCI in respect of equity investment securities designated as FVOCI is not recognized in the statement of comprehensive income on derecognition of such securities but transferred to retained earnings.

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

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

#### **Derecognition**

##### *Financial liabilities*

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 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.

#### **Impairment**

##### *Policy applicable from April 1, 2018*

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

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

No impairment loss is recognised on equity investments

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 3. Significant Accounting Policies (continued)

### (j) Financial instruments (continued)

#### **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.
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# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 3. Significant Accounting Policies (continued)

### (j) *Financial instruments (continued)*

#### ***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.

##### *Policy applicable from April 1, 2018*

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

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.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 3. Significant Accounting Policies (continued)

### (j) *Financial instruments (continued)*

#### **Impairment (continued)**

*Policy applicable from April 1, 2018 (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.

*Policy applicable before April 1, 2018*

#### **Objective evidence of impairment**

##### (i) *Assets carried at amortised cost*

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

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

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



# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 3. Significant Accounting Policies (continued)

### (j) *Financial instruments (continued)*

#### **Impairment (continued)**

*Policy applicable before April 1, 2018 (continued)*

#### **Objective evidence of impairment (continued)**

##### (i) *Assets carried at amortised cost (continued)*

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

##### (ii) *Assets classified as available-for-sale*

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

##### (iii) *Renegotiated loans*

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

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

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

In 2014, the IASB issued IFRS 9, *Financial Instruments* replacing IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets, forward-looking 'expected credit loss' model ("ECL model") for assessing the impairment of financial assets and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 3. Significant Accounting Policies (continued)

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

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 3. Significant Accounting Policies (continued)

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

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

	<b>IAS 39 carrying amount <u>March 31, 2018</u></b>	<b><u>Re- classification</u></b>	<b><u>Re- measurement</u></b>	<b>IFRS 9 carrying amount <u>April 1, 2018</u></b>
<b>Financial assets</b>				
<b>Amortized cost:</b>				
<i>Cash and equivalents</i>	\$ 6,346,745	-	-	6,345,745
<i>Term deposits</i>				
Opening balance	9,942,355	-	-	-
Re-measurement	-	-	(181,593)	-
Closing balance	-	-	-	9,760,762
<i>Sovereign debt securities</i>				
Opening balance	18,355,100	-	(533,546)	-
Re-measurement	-	-	-	-
Closing balance	-	-	-	17,821,554
<i>Loans and advances</i>				
Opening balance	103,414,072	-	-	-
Re-measurement	-	-	(4,489,399)	-
Closing balance	-	-	-	98,924,673
Due from related companies	-	-	-	-
<b>Total amortized cost</b>	<b>\$ <u>138,058,272</u></b>	<b><u>-</u></b>	<b><u>(5,204,538)</u></b>	<b><u>132,853,734</u></b>
<b>Available for sale:</b>				
<i>Equity securities</i>				
Opening balance	\$ 2,588,320	-	-	-
To FVOCI – equity	-	<u>(2,588,320)</u>	-	-
Total available for sale	<b>\$ <u>2,855,320</u></b>	<b><u>(2,588,320)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 3. Significant Accounting Policies (continued)

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

	<b>IAS 39 carrying amount March 31, 2018</b>	<b>Re- classification</b>	<b>Re- measurement</b>	<b>IFRS 9 carrying amount April 1, 2018</b>
<b>FVOCI – equity:</b>				
From available for sale	\$ -	2,588,320	-	-
<b>Total FVOCI - equity</b>	\$ -	2,588,320	-	2,588,320
<b>FVTPL - equity</b>	\$ 21,020	-	-	21,020

### Financial liabilities

#### Amortized cost:

Deposits	\$ 131,111,220	-	-	131,111,220
Regulatory capital	2,117,250	-	-	2,117,250
Other liabilities	1,838,402	-	-	1,838,402
<b>Total amortized cost</b>	\$ 135,066,872	-	-	135,066,872

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

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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### 3. Significant Accounting Policies (continued)

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

#### **IFRS 15 Revenue from Contracts with Customers**

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

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

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

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

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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### 3. Significant Accounting Policies (continued)

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

#### IFRS 16 Leases

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

### 4. Financial Risk Management

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

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

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

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

(a) *Credit risk*

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

(1) Cash resources

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

(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.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 4. Financial Risk Management, (continued)

### (a) Credit risk, (continued)

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

### (3) Financial Investments

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

### Classified Loans

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

### Expected credit loss (ECL) allowance

Set out below is an analysis of the gross and net (of ECL allowance 2018: allowances for impairment) loans and advances to members.

### Loans and mortgages to members

	<u>2019</u>	<u>2018</u>
<b>Delinquent Loans</b>		
90 days and over	\$ 4,277,899	2,812,411
Classified Loans fully provided	<u>1,404,993</u>	<u>1,584,841</u>
Carrying amount	5,682,892	4,397,252
Less: ECL Allowance (2018: Allowance for doubtful loans)	<u>(3,571,102)</u>	<u>(1,769,280)</u>
Carrying amount less allowance loans > 90 days	\$ <u>2,111,790</u>	<u>2,627,972</u>
	<u>2019</u>	<u>2018</u>
<b>Loans in Good Standing</b>		
Not yet due	\$ 87,543,772	78,991,324
1-29 days	13,967,213	14,524,620
30-59 days	5,273,896	3,632,392
60-89 days	<u>2,489,567</u>	<u>1,868,484</u>
Carrying amount	109,274,448	99,016,820
Less: ECL Allowance (2018: Allowance for doubtful loans)	<u>(4,241,643)</u>	<u>(990,168)</u>
Carrying amount less ECL allowance for loans in good standing	<u>105,032,805</u>	<u>98,026,652</u>
Total carrying amount	\$ <u>107,144,595</u>	<u>100,654,624</u>



# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 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.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 4. Financial Risk Management, (continued)

### (a) Credit risk, (continued)

Credit risk

Exposure to credit risk

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

### (b) Liquidity risks

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 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:

<b>2019</b> <b><u>Deposits by Type</u></b>	<b>Interest</b> <b><u>Rate</u></b>	<b>Total</b>	<b>Less than</b> <b><u>3 months</u></b>	<b>3 months</b> <b><u>to 1 year</u></b>	<b>1 year to</b> <b><u>5 years</u></b>	<b>5 years</b> <b><u>and over</u></b>
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%	<u>44,795,347</u>	<u>40,816,198</u>	<u>131,313</u>	<u>1,594,850</u>	<u>2,252,986</u>
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>
<b><u>Loan by Type</u></b>						
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%	<u>1,404,850</u>	<u>1,404,850</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 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:

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

### (d) Operational risks

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 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 2.95% (2018 – 7.37%).

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

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

### (f) Fair value

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

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

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

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

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:

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

## 5. Cash Resources

This balance consists of:

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

## 6. Interest Receivable

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

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

## 7. Expected Credit Losses

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 8. Financial Investments

(a) *Financial investments comprise:*

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

(1) The Credit Union outsources the management of its investment portfolio referred to as the “Blue Eagle” to CIBC First Caribbean International Bank’s (The Bank) wealth management department. The Bank was given an investment policy and parameters to guide the investment decisions. The Investment policy was prepared by a group of members with an investment career background. Reports are submitted monthly to the management where the performance of the fund is reviewed. The total fund under management is \$720,711 (2018 - \$704,348). The portfolio is valued by CIBC First Caribbean International Bank Wealth Management Barbados.

(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.



# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 8. Investment, (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, 2019, the Credit Union is in breach of these investment provisions and is in discussion with The Financial Services Commission to bring its investment portfolio in line with the provision of the Act.

## 9. Loans and Mortgages to Members

Loans and mortgages to members comprise:

	<u>2019</u>	<u>2018</u>
Loans	\$ 52,671,624	46,048,132
Mortgages	<u>62,285,716</u>	<u>57,365,940</u>
	114,957,340	103,414,072
Less ECL allowance (2018: allowance for doubtful loans)	<u>(7,812,745)</u>	<u>(2,759,448)</u>
	\$ <u>107,144,595</u>	<u>100,654,624</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 2019 mortgages are being offered at a variable rate of 4% to 6.5% (2018 - 4.5% to 7.5%) per annum on the reducing balance. Mortgages are repayable to the Credit Union in monthly blended principal and interest instalments over a maximum period of thirty years.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 9. Loans and Mortgages to Members, (continued)

Allowance for doubtful loans

	<u>2019</u>	<u>2018</u>
Opening balance	\$ (2,759,448)	(2,536,561)
Impact of IFRS 9	<u>(4,489,399)</u>	<u>-</u>
Opening balance adjusted	(7,248,847)	-
Expected credit loss (2018: impairment loss)	(1,059,097)	(713,723)
Write offs	480,200	487,303
Recoveries	<u>-</u>	<u>3,533</u>
Ending balance	\$ <u><u>(7,812,745)</u></u>	<u><u>(2,759,448)</u></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>2019</u>	<u>2018</u>
Accounts receivable	\$ 268,300	263,863
Interest receivable – Investments	<u>-</u>	<u>22,328</u>
	\$ <u><u>268,300</u></u>	<u><u>286,191</u></u>

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 11. Property and Equipment

### 2019

	Equipment and Computer Software	Motor Vehicle	Land Buildings	Leasehold Improvement	Total
<b>Cost/Valuation</b>					
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	<u>(680,728)</u>	<u>-</u>	<u>(25,605)</u>	<u>-</u>	<u>(706,333)</u>
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>
<b>Accumulated Depreciation</b>					
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	<u>(533,935)</u>	<u>-</u>	<u>(178,802)</u>	<u>-</u>	<u>(712,737)</u>
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>

### 2018

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 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 \$269,790 on the property at the date of the valuation was eliminated against the gross carrying amount of the property and the net amount restated to the revalued amount of the property.

## 12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses comprise:

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

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

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

## 13. Deposits of Members

Members' deposits comprise the following:

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

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

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 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 1% (2018 – 1.75%) during the financial year.

Registered Retirement Savings Plan is a retirement account registered with the Barbados Revenue Authority, withdrawals incur a withholding tax. This plan attracted an interest rate of 3.25% (2018 – 3.75%)

## 14. Loan Payable

Central Fund Facility Trust

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

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

National Insurance Board

	<u>2019</u>	<u>2018</u>
Current portion	\$ 53,635	4,013
Long term portion	<u>177,866</u>	<u>262,232</u>
	\$ <u>231,501</u>	<u>266,245</u>
Total loan payable	\$ <u>231,501</u>	<u>393,237</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, 2019 \$ nil (2018: \$280,258) funds were disbursed.

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 15. Regulatory Capital

	<u>2019</u>	<u>2018</u>
Balance at April 1	\$ 2,117,250	1,932,600
Contributions for the year	<u>192,300</u>	<u>184,650</u>
Balance at March 31	\$ <u>2,309,550</u>	<u>2,117,250</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, 2019, capital ratio was 2.95% (2018 -7.40%). The allocation for the year was \$nil (2018 - \$741,982).

(b) *Education Fund*

The Registrar of Co-operatives has advised that 3% of the net income capped at \$20,000 be transferred to an education reserve. This reserve is periodically paid to the Barbados Co-Operative Credit Union League. The amount transferred for the year was \$ 0 (2018 - \$20,000).

(c) *Common Good Fund*

The common good fund was established by the Credit Union and represents amounts allocated to facilitate donations to benevolent causes. The amount transferred is 1% of net income. The amount transferred for the year was \$nil (2018 - \$8,161).

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 19. Interest and Dividend Income

Recognised in profit or loss

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

## 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, 2019	\$ 1,383,719	1,020,075	2,100
As at March 31, 2018	\$ 986,870	1,286,888	1,500

(c) *Key Management personnel compensation:*

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



# THE BARBADOS WORKERS' UNION CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Financial Statements (continued)

For the year ended March 31, 2019  
With comparative figures for 2018

(Expressed in Barbados dollars)

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## 21. Commitments

### Loan commitments

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

## 22. Operating Lease

### Leases as Lessor

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

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

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

### Leases as Lease

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

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

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

## 23. Contingencies

At March 31, 2019, there were certain legal proceedings against the Credit Union. In view of the inherent difficulty of predicting the outcome of such matters, the Credit Union cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Credit Union does not believe that liabilities, if any, arising from pending litigation will have a material adverse effect on its financial position or results of operations.