

Barbados Public Workers' Co- operative Credit Union Limited

Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

Barbados Public Workers' Co-operative Credit Union Limited

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March 31, 2023

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Independent auditor's report

To the Shareholder of Barbados Public Workers' Co-operative Credit Union Limited

Bridgetown, Barbados
DATE

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Income

For the year ended March 31, 2023

(expressed in Barbados dollars)

	Notes	2023 \$	2022 \$
Interest income	3	88,928,158	86,601,215
Interest expense	3	(21,272,682)	(22,138,818)
Net interest income	3	67,655,476	64,462,397
Other income	4	4,866,655	4,579,702
Net interest and other income		72,522,131	69,042,099
Reversal of impairment on investment in subsidiary	14	1,307,400	—
Expected credit losses	5	(4,765,757)	(6,498,336)
Net operating income		69,063,774	62,543,763
Staff costs	6	23,892,216	19,540,859
Operating expenses	7	31,494,001	28,227,298
Depreciation	12	4,275,974	4,508,769
Total expenses		59,662,191	52,276,926
Net income for the year		9,401,583	10,266,837

The accompanying notes form an integral part of these separate financial statements.

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Comprehensive Income

For the year ended March 31, 2023

(expressed in Barbados dollars)

	Notes	2023 \$	2022 \$
Net income for the year		<u>9,401,583</u>	<u>10,266,837</u>
Other comprehensive income			
<i>Items that will never be reclassified subsequently to profit or loss:</i>			
Re-measurements of defined benefit plan	13	(2,771,590)	2,890,966
Net unrealised (loss)/gain on FVOCI equity investments	20	<u>(39,084)</u>	<u>146,748</u>
Other comprehensive (loss)/income		<u>(2,810,674)</u>	<u>3,037,714</u>
Total comprehensive income for the year		<u><u>6,590,909</u></u>	<u><u>13,304,551</u></u>

The accompanying notes form an integral part of these separate financial statements.

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Financial Position

As at March 31, 2023

(expressed in Barbados dollars)

	Notes	2023 \$	2022 \$
Assets			
Cash resources	9	435,708,442	419,998,157
Financial investments:			
- Amortised cost	10	21,690,419	23,689,806
- FVOCI	10	2,930,336	2,660,000
- FVTPL	10	10,000,000	—
Loans and advances	11	1,146,391,297	1,114,979,587
Property and equipment	12	48,657,495	51,376,612
Pension plan asset	13	3,115,674	4,175,858
Investment in subsidiary	14	12,500,000	11,192,600
Due from related companies	21	24,591,178	26,040,952
Other assets	15	18,156,575	19,084,610
Total Assets		1,723,741,416	1,673,198,182
Liabilities and Equity			
Liabilities			
Deposits	16	1,500,898,805	1,453,146,065
Reimbursable shares		22,725,836	20,756,626
Other liabilities	17	11,427,770	14,900,889
Total Liabilities		1,535,052,411	1,488,803,580
Equity			
Share capital	18	13,334,160	12,900,720
Statutory reserves	19	162,810,107	156,740,595
Other reserves	20	7,628,628	10,001,846
Retained earnings		4,916,110	4,751,441
Total Equity		188,689,005	184,394,602
Total Liabilities and Equity		1,723,741,416	1,673,198,182

The accompanying notes form an integral part of these separate financial statements.

Approved by the Board of Directors on

and signed on its behalf by:

Courtney Gibson
President

Jameela Hollingsworth
Treasurer

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Changes in Equity

For the year ended March 31, 2023

(expressed in Barbados dollars)

	Notes	Share capital \$	Statutory reserves \$	Other reserves \$	Retained earnings \$	Total \$
At April 1, 2021		12,357,000	149,395,379	7,040,642	4,373,365	173,166,386
Net income for the year		—	—	—	10,266,837	10,266,837
Other comprehensive income		—	—	3,037,714	—	3,037,714
Issue of shares	18	634,800	—	—	—	634,800
Redemption of shares	18	(91,080)	—	—	—	(91,080)
Transfer to statutory reserves	19	—	7,318,766	—	(7,318,766)	—
Entrance fees	19	—	26,450	—	—	26,450
Transfer to special reserves	20	—	—	815,080	(815,080)	—
Special reserves released to retained earnings	20	—	—	(921,848)	921,848	—
Net reserve for interest on non-performing loans	20	—	—	—	—	—
Distributions to members	8	—	—	30,258	(30,258)	—
		—	—	—	(2,646,505)	(2,646,505)
At March 31, 2022		12,900,720	156,740,595	10,001,846	4,751,441	184,394,602
Net income for the year		—	—	—	9,401,583	9,401,583
Other comprehensive loss		—	—	(2,810,674)	—	(2,810,674)
Issue of shares	18	544,080	—	—	—	544,080
Redemption of shares	18	(110,640)	—	—	—	(110,640)
Transfer to statutory reserves	19	—	6,046,842	—	(6,046,842)	—
Entrance fees	19	—	22,670	—	—	22,670
Transfer to special reserves	20	—	—	1,093,624	(1,093,624)	—
Special reserves released to retained earnings	20	—	—	(1,071,296)	1,071,296	—
Net reserve for interest on non-performing loans	20	—	—	415,128	(415,128)	—
Distributions to members	8	—	—	—	(2,752,616)	(2,752,616)
At March 31, 2023		13,334,160	162,810,107	7,628,628	4,916,110	188,689,005

The accompanying notes form an integral part of these separate financial statements.

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Cash Flows

For the year ended March 31, 2023

(expressed in Barbados dollars)

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Net income for the year		9,401,583	10,266,837
Adjustments for:			
Depreciation	12	4,275,974	4,508,769
Expected credit losses	5	4,765,757	6,498,336
Gain on disposal of property and equipment	4	(8,824)	(48,605)
Interest income	3	(88,928,158)	(86,601,215)
Interest expense	3	21,272,682	22,138,818
Pension (income) expense	13	(938,003)	709,626
Dividend income	4	(60,600)	(67,954)
		(50,219,589)	(42,595,388)
Changes in operating assets and liabilities			
Increase in loans and advances		(35,611,808)	(67,731,867)
Decrease /(increase) in other assets		641,363	(2,719,959)
Increase in deposits		47,950,108	79,038,120
Increase in reimbursable shares		1,969,209	6,054,462
Decrease in due from related companies		1,736,447	2,402,337
Decrease /(increase) in other liabilities		(2,784,721)	834,077
Net cash from operations		(36,318,991)	(24,718,218)
Interest received		88,362,499	87,520,378
Interest paid		(21,470,050)	(22,337,089)
Pension contributions paid	13	(773,403)	(818,261)
Net cash generated from operating activities		29,800,055	39,646,810
Cash flows from investing activities			
Purchase of investments		(46,623,009)	(7,403,335)
Investment in Allied Co-Operators Inc.		—	(1,000,000)
Investments redeemed		1,858,127	431,591
Purchase of property and equipment	12	(1,576,871)	(3,399,837)
Proceeds from sale of property and equipment		28,838	70,406
Dividends received	4	60,600	67,954
Net cash used in investing activities		(46,252,315)	(11,233,221)
Carried forward		(16,452,260)	28,413,589

Barbados Public Workers' Co-operative Credit Union Limited

Separate Statement of Cash Flows ...continued

For the year ended March 31, 2023

(expressed in Barbados dollars)

	Notes	2023 \$	2022 \$
Brought forward		<u>(16,452,260)</u>	<u>28,413,589</u>
Cash flows used in financing activities			
Principal portion of lease liability	17	(688,398)	(936,398)
Issue of shares	18	544,080	634,800
Entrance fees received	19	22,670	26,450
Redemption of shares	18	(110,640)	(91,080)
Distributions to members	8	<u>(2,752,616)</u>	<u>(2,646,505)</u>
Net cash used in financing activities		<u>(2,984,904)</u>	<u>(3,012,733)</u>
Net (decrease)/increase in cash and cash equivalents		(19,437,164)	25,400,856
Cash and cash equivalents, beginning of year		<u>376,389,632</u>	<u>350,988,776</u>
Cash and cash equivalents, end of year	9	<u>356,952,468</u>	<u>376,389,632</u>

The accompanying notes form an integral part of these separate financial statements.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

1 Corporate Information

The Barbados Public Workers' Co-operative Credit Union Limited ("the Credit Union") was registered on May 6, 1970, and continued under the Co-operative Societies Act of Barbados 1990-23. Its registered office is located at "Olive Trotman House", Keith Bourne Complex, Belmont Road, St. Michael.

The principal activities of the Credit Union are the provision of savings products and credit facilities to its members and to educate them in co-operative principles.

The amendment of the financial statements is subject to the approval of the Credit Union's Board of Directors.

2 Accounting policies

a) Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared for filing with the Credit Union's regulator, the Financial Services Commission. The Credit Union has taken advantage of the exemptions under IFRS 10, 'Consolidated financial statements' and these financial statements do not reflect the generally accepted accounting principles of IFRS, of consolidation of the accounts of subsidiary companies. The consolidated financial statements of the Credit Union and its subsidiary companies, have been prepared for presentation to the shareholders.

The financial statements were authorised for issue by the Board of Directors on June XXXX, 2023.

These separate financial statements have been prepared on a historical cost basis, except for the following items in the separate statement of financial position:

- Equity investments measured at fair value through other comprehensive income (FVOCI)
- Net defined benefit asset, which is measured at the fair value of plan assets less the present value of the defined benefit obligation

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

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

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

c) Standards issued but not yet effective

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

- Amendments to IAS 1 - Classification of liabilities as current or non-current - effective January 1, 2024
- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2) - effective January 1, 2023
- Definition of Accounting Estimate (Amendments to IAS 8) - effective January 1, 2023

None of these is expected to have a significant impact on the Credit Union's separate financial statements in the period of adoption.

d) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial assets and financial liabilities is described below.

Derecognition

Financial assets

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such derecognised financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income (OCI) is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as Fair Value Through Other Comprehensive Income (FVOCI) is not recognised in profit or loss on derecognition of such securities but transferred to retained earnings.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Recognition, initial measurement and derecognition ...continued

Derecognition ...continued

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.

Non-derivative financial assets - Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Credit Union may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Credit Union may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Non-derivative financial assets - Classification and subsequent measurement ...continued

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);
- 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).

Applicability to the Credit Union

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

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

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Non-derivative financial assets - Classification and subsequent measurement ...continued

Applicability to the Credit Union ...continued

Financial assets measured at amortised cost

The Credit Union's non-derivative financial assets measured at amortised cost comprise cash and cash equivalents, term deposits, sovereign debt securities, loans and advances and due from related companies. The Credit Union measures these assets at amortised 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 these 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 amortised cost using the effective interest method. The amortised 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 recognised 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 recognised in OCI and are never reclassified to profit or loss.

Reclassifications

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

Non-derivative financial liabilities - Classification and subsequent measurement

Financial liabilities other than loan commitments are classified and measured at amortised cost. Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise deposits, reimbursable shares and other liabilities.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment

The Credit Union utilises a forward-looking expected credit loss model to recognise loss allowances on its financial assets measured at amortised cost and loan commitments issued. At each reporting date, the Credit Union measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition (Stage 2) or if there is objective evidence of impairment (Stage 3). If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Credit Union measures the loss allowance for the financial asset an amount equal to twelve month expected credit losses (Stage 1). Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.

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.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

No impairment loss is recognised on equity investments.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union considers both quantitative and qualitative information and analysis based on the Credit Union's historical experience and credit risk assessment.

The determination of whether there has been a significant increase in credit risk is critical to the staging process. Factors to consider include:

- Changes in market or general economic conditions;
- Expectation of potential breaches;
- Expected delays in payment;
- Deterioration in credit ratings; or
- Significant changes in operating results or financial position of the borrower.

The Credit Union uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment ...continued

The Credit Union considers that significant increase in credit risk occurs for debt investments when investments with investment grade rating at acquisition moves to a non-investment grade but above a default grade. For debt investments with a non-investment grade at acquisition, a significant increase in credit risk occurs when there is an unfavorable movement in the ratings relative to the rating at initial recognition, including movement to a lower end of non-investment grade.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months.

Credit impaired 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 default or past due event
- The restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not otherwise consider
- The disappearance of an active market for a security because of financial difficulties

A loan that has been renegotiated due to the 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 loan that is overdue for 90 days or more is considered credit-impaired.

Credit impaired financial assets

The Credit Union considers the following when assessing whether sovereign debt is credit-impaired:

- The market's assessment of credit worthiness as reflected in the bond yields
- The rating agencies' assessment 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.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment ...continued

Measurement of ECL

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

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

The inputs used to estimate the expected credit losses are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.
- Forward looking information - The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.
- Discount rate - The standard requires the ECL to be discounted using the effective interest rate (EIR).

The above parameters are modelled and estimated independently and combined to obtain the ECL.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment ...continued

Presentation of ECL

The ECL allowance associated with financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

For loan commitments, generally a provision is recognised. In the event the financial instruments includes both a drawn and undrawn component, and the Credit Union cannot identify the ECL on the loan commitment separately from the drawn component, the Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

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 are 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 flow 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.

In assessing whether the modified terms are “substantially” different from the original terms, the following factors are considered:

- Introduction of significant new terms
- Significant change in loan's interest rate
- Significant extension in loan's term
- Significant change in credit risk from inclusion of collateral or other credit enhancements.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. For certain revolving facilities such as lines of credit, the expected credit life is estimated based on the period over which the Credit Union's exposure to credit losses is not mitigated by normal credit risk management actions.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment ...continued

Write-off

Loans and debt securities are written off 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 the assets or source 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 profit or loss. Financial assets that are written off are still subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

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.

Modifications of financial assets and liabilities

Financial assets

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

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 amortised cost or FVOCI does not result in derecognition of the financial asset, then the Credit Union first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

d) Financial instruments ...continued

Expected credit losses and impairment ...continued

Modifications of financial assets and liabilities ...continued

Financial liabilities

The Credit Union derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

e) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the financial statements and accompanying notes. Actual amounts may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and judgments that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

e) Significant accounting judgements, estimates and assumptions ...continued

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.

The Credit Union has an established control framework with respect to the measurement of fair values.

This includes the services of a professional valuation team that has overall responsibility for overseeing all significant fair value measurements, including investment fair values. This team reports directly to the Chief Financial Officer. They also review market estimates where assets and liabilities are traded in active markets.

Significant valuation issues are reported to the Finance, Investment and Asset Management Committee (FIAMC) which has oversight of the Credit Union's investment policy. This Committee meets monthly to review any challenges as it relates to the carrying value of the Credit Union's 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 24.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Credit Union recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Credit Union recognises its sovereign debt securities issued by the Barbados Government as purchased or originated credit impaired (POCI) assets, and are valued as disclosed in Note 23.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

e) Significant accounting judgements, estimates and assumptions ...continued

Measurement of fair values ...continued

Given market volatility during the year, the Credit Union reviewed the appropriateness of the inputs to its fair values of financial instruments. As a result, and as part of the process to determine fair values of financial instruments the Credit Union applies a level of judgment which is reflective of the current economic conditions and that estimated for the next twelve months with the objective of determining the fair value that is most applicable to those financial instruments.

Impairment of non-derivative financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of members defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2(d).

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- The Credit Union's criteria for determining if there has been a significant increase in credit risk and hence whether impairment allowances for financial assets should be measured on a lifetime expected credit loss (ECL) basis
- Choosing appropriate models and assumptions for the measurement of expected credit losses, including post model adjustments
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment rates, collateral values, inflation and GDP levels, and their effect on PDs, EADs and LGDs
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

In determining ECL, management judgment is applied, using objective, reasonable and supportable information about current and forecast economic conditions.

When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Credit Union's historical loss experience.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

e) Significant accounting judgements, estimates and assumptions ...continued

Impairment of non-derivative financial assets ...continued

Incorporation of forward-looking information

The Credit Union formulated three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Credit Union for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the region where the Credit Union operates, international organisations such as the International Monetary Fund and selected private-sector forecasts.

The scenario probability weightings applied in measuring ECL are as follows:

2023

March 31

	Upside	Central	Downside
Scenario probability weighting	20%	50%	30%

2022

March 31

	Upside	Central	Downside
Scenario probability weighting	20%	50%	30%

Macro-economic variables used in these scenarios include (but are not limited to), unemployment rates, GDP growth rates, inflation rates and price indices. Forward looking macro-economic information and assumptions have been considered in these scenarios, including potential impacts of anticipated government policies and regulatory actions.

Periodically, the Credit Union carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the future cash inflows.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

e) Significant accounting judgements, estimates and assumptions ...continued

Pension obligations

The cost of the defined benefit pension plan is determined using an actuarial valuation. Accounting for employee pension obligations requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their services in the current and prior period.

The actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Variations in these assumptions could cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

f) Foreign currency

Functional and presentation currency

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

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Barbados dollars at the rates of exchange ruling at the statement of financial position date. Transactions arising during the year denominated in foreign currencies are translated into Barbados dollars and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the statement of income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities classified as FVOCI investments, are recognised in other comprehensive income.

g) Cash resources

- (i) Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost, which is equivalent to fair value. Cash and cash equivalents also comprise cash balances which are payable on demand and deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are disclosed as current liabilities.
- (ii) Term deposits are liquid investments which have original maturity dates in excess of 90 days, but which are available on demand with or without penalty.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

h) Investment in subsidiary

The investment in subsidiary is accounted for by the cost method whereby the investment is initially recorded at cost and income from the investment is recognised only to the extent that it represents distributions from accumulated profits arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment. The investment in subsidiary is subsequently measured at cost less impairment.

i) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, 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 included in the statement of income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and these are included in the statement of income. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Items of property and equipment are depreciated from the date they are available for use. Depreciation is recognised in the statement of income on the straight-line basis, at rates designed to write off the cost of the assets over the periods of their estimated useful lives. Land is not depreciated.

The following annual rates apply:

Buildings	- 2.00% - 4.00%
Motor vehicles	- 20.00%
Furniture and equipment	- 10.00% - 33.33%
Leasehold improvements	- 10.00% - 33.33%

j) Leases

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

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

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

j) Leases ...continued

Credit Union acting as a lessee

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

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

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

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

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

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

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

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

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

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

j) Leases ...continued

Short-term leases and leases of low-value assets

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

k) Reimbursable shares

Reimbursable shares represent amounts due to the estates of deceased members.

l) Deposits

Members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Members' deposits are subsequently measured at amortised cost using the effective interest rate method.

m) Other liabilities

Liabilities for trade creditors and other payables are classified as other financial liabilities and initially measured at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortised cost using the effective interest rate method.

n) Share capital

Members' shares are classified as other financial liabilities under the IAS 32, *Financial Instruments: Disclosure and Presentation* and are measured at par value.

Dividends are paid on an annual basis at rates that are determined at the Annual General meeting of members. Dividends are calculated based on the monthly minimum share balance of each active member of the Credit Union and distributed via credits to members' deposits.

o) Recognition of income and expenses

Revenue is recognised on an accrual basis to the extent that it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense are recognised:

Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

o) Recognition of income and expenses ...continued

Interest income and expense ...continued

Effective interest rate ...continued

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2(d).

Presentation

Interest income calculated using the effective interest method presented in the statement of income and statement of comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortised cost

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

o) Recognition of income and expenses ...continued

Interest income and expense ...continued

Presentation ...continued

Interest expense presented in the statement of income and statement of comprehensive income includes:

- financial liabilities measured at amortised cost; and
- interest expense on lease liabilities.

Fees and commission income

The Credit Union offers to its membership certain value-added services for which a fee or commission is derived either directly from the member or by way of the specific nature of the transaction via a third-party provider. Those which are member specific are currently limited to legal fees, administrative charges for withdrawals relative to the management of their RRSP and recoveries relative to loans previously charged off.

The Credit Union provides an international MasterCard debit card to its membership from which income is earned on a transactional basis from the MasterCard proportionate to the spend on each transaction.

Dividend income

Dividend income relates to amounts earned on shares held within corporate entities. Dividends are recognised when the right to receive the dividend is established.

p) Taxation

The Credit Union is exempt from corporation tax under Section 9(1)(g) of the Income Tax Act.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

2 Accounting policies ...continued

q) Loan commitments

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised. Derecognition policies for financial assets [see Note 2(d)] are applied to loan commitments issued and held.

Liabilities arising from loan commitments are included within "other liabilities" on the statement of financial position.

r) Provisions, contingent assets and contingent liabilities

Provisions for legal disputes or other claims are recognised when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Credit Union and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Credit Union is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. Such situations are disclosed as contingent liabilities unless the outflow of resource is remote.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

3 Net interest income

	2023 \$	2022 \$
Interest income		
Loans and advances	85,952,072	84,181,033
Financial investments	1,493,671	1,599,049
Cash resources	1,482,415	821,133
	<u>88,928,158</u>	<u>86,601,215</u>
Interest expense		
Deposits	21,135,236	21,974,772
Lease liability	137,446	164,046
	<u>21,272,682</u>	<u>22,138,818</u>
Net interest income	<u>67,655,476</u>	<u>64,462,397</u>

4 Other income

	2023 \$	2022 \$
Fee income	2,455,347	2,006,808
Legal income	1,030,549	1,191,798
Rental income	158,348	146,757
Bad debt recoveries	1,152,987	1,117,780
Dividend income	60,600	67,954
Gain on disposal of property and equipment	8,824	48,605
	<u>4,866,655</u>	<u>4,579,702</u>

5 Expected credit losses

	Notes	2023 \$	2022 \$
Loans and advances	11	4,838,664	6,648,132
Undrawn loan commitments	22	(101,488)	(35,010)
Financial investments	10	(3,240)	(13,152)
Term deposits	9	31,821	(101,634)
		<u>4,765,757</u>	<u>6,498,336</u>

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

6 Staff costs

	Note	2023 \$	2022 \$
Salaries		21,554,989	15,530,731
National Insurance Scheme contributions		1,622,847	1,573,340
Pension plan - defined benefit plan	13	(938,003)	709,626
Other costs		1,652,383	1,727,162
		<u>23,892,216</u>	<u>19,540,859</u>

7 Operating expenses

	2023 \$	2022 \$
Anniversary expenses	6,484	—
Advertising	645,475	680,171
Affiliation	100,000	100,000
Amortisation of deferred expenses	485	169,454
Audit fees	645,758	615,911
Bank charges	185,925	251,863
Committee travelling allowances	182,749	187,080
Development expenses	71,666	73,167
Direct cost of services	1,961,274	815,193
Education grant and scholarship expenses	196,610	262,284
Elected Officials and Committee Training	505,371	56,161
Entertaining	35,867	35,556
Insurance	553,225	570,625
Janitorial services	971,099	1,226,146
Legacy Foundation - Donations	500,000	300,000
Legal and professional fees	3,631,118	2,758,045
Meetings and conferences	1,276,153	807,200
Membership security	5,171,725	4,500,460
Sundry expenses	22,453	48,158
National development expenses	60,000	60,000
Office stationery and supplies	231,456	604,815
Postage	108,098	201,660
Property taxes	425,967	393,465
Publicity and promotion	2,912,707	3,148,148
Regulatory fees	500,000	500,000
Rent	77,752	51,347
Repairs and maintenance	6,016,719	5,150,092
Security services	1,843,898	1,818,793
Social outreach expenses	243,020	226,397
Staff and members' training	524,585	956,583
Utilities	1,886,362	1,658,524
	<u>31,494,001</u>	<u>28,227,298</u>

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

8 Distributions to members

Distributions to members include a dividend of \$0.246 (2022: \$0.236) per share amounting to \$621,397 (2022: \$609,135) and interest rebate amounting to \$2,131,219 (2022: \$2,037,370).

9 Cash resources

	2023 \$	2022 \$
Cash on hand	10,017,974	17,145,785
Cash and cash equivalents	346,934,494	359,243,847
Total cash and cash equivalents	356,952,468	376,389,632
Term deposits	78,824,560	43,645,290
Total gross cash resources	435,777,028	420,034,922
Less: expected credit loss allowance	(68,586)	(36,765)
	435,708,442	419,998,157

The average effective yield on cash resources during the year was 0.40% (2022: 0.23%).

The movement in expected credit loss allowance on term deposits is as follows:

	Note	2023 \$	2022 \$
Balance at beginning of year		36,765	138,399
Expected credit loss on term deposits	5	31,821	(101,634)
Balance at end of year		68,586	36,765

At March 31, 2023, \$68,586 (2022: \$36,765) of the expected credit losses allowance relating to term deposits related to those classified as stage 1.

At March 31, 2023, cash resources carry interest rates varying from 0.0 % to 3.5% per annum (2022 - 0.0% to 3.5%).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

10 Financial investments

	2023 \$	2022 \$
<i>Debt securities</i>		
Amortised cost		
Sovereign bonds	21,689,057	23,694,671
Interest receivable	4,509	1,522
	<u>21,693,566</u>	<u>23,696,193</u>
Less: expected credit loss allowance	<u>(3,147)</u>	<u>(6,387)</u>
	<u>21,690,419</u>	<u>23,689,806</u>
<i>Equities securities</i>		
FVOCI		
Corporate equity - quoted (i)	890,000	890,000
Corporate equity - unquoted	2,040,336	1,770,000
	<u>2,930,336</u>	<u>2,660,000</u>
<i>Debt securities</i>		
FVTPL		
Preferred shares (ii)	10,000,000	—
Balance at end of year	<u>34,620,755</u>	<u>26,349,806</u>

The average effective yield during the year on amortised cost investments was 5.76% (2022: 6.76%).

(i) Quoted equities represent the Credit Union's investment in 500,000 (2022: 500,000) common shares. As at March 31, 2023, the quoted bid price of these common shares was \$1.78 (2022: \$1.78) per share.

(ii) Preferred shares represents the Credit Union's investment in 10,000,000 (2022: nil) cumulative preferred shares. On March 31, 2023 the Credit Union purchased 10,000,000 cumulative redeemable preferred shares with a par value of a \$1.00 (2022: nil) each. The shares carry a sixty-four (64) months tenure and pays a 7.00% dividend.

The movement in expected credit loss allowance on debt investments is as follows:

	Note	2023 \$	2022 \$
Balance at beginning of year		6,387	19,539
Expected credit loss on investments	5	<u>(3,240)</u>	<u>(13,152)</u>
Balance at end of year		<u>3,147</u>	<u>6,387</u>

There was nil (2022: nil) expected credit loss allowance at March 31, 2023 related to debt securities classified as stage 3 and \$3,147 (2022: \$6,387) related to debt securities classified as stage 1.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

11 Loans and advances

(i) Loans and advances are comprised of the following:

	2023			
	Consumer	Business	Mortgages	Total
	\$	\$	\$	\$
Gross loans	678,442,712	4,271,815	496,505,048	1,179,219,575
Less: ECL allowance	(32,718,637)	(540,547)	(7,451,060)	(40,710,244)
	<u>645,724,075</u>	<u>3,731,268</u>	<u>489,053,988</u>	<u>1,138,509,331</u>
Add: Interest receivable				<u>7,881,966</u>
				<u>1,146,391,297</u>
	2022			
	Consumer	Business	Mortgages	Total
	\$	\$	\$	\$
Gross loans	695,911,979	4,971,950	446,555,966	1,147,439,895
Less: ECL allowance	(36,278,799)	(176,310)	(3,321,506)	(39,776,615)
	<u>659,633,180</u>	<u>4,795,640</u>	<u>443,234,460</u>	<u>1,107,663,280</u>
Add: Interest receivable				<u>7,316,307</u>
				<u>1,114,979,587</u>

The average yield on loans for the year was 7.60 % (2022: 7.76%).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

11 Loans and advances ...continued

(ii) The Credit Union's loans and advances portfolio as at March 31, are in the following staging categories.

	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Consumer	554,826,187	23,790,949	99,825,576	678,442,712
Business	2,069,086	111,844	2,090,885	4,271,815
Mortgages	419,462,513	16,394,830	60,647,705	496,505,048
Gross loans	976,357,786	40,297,623	162,564,166	1,179,219,575
Less: ECL allowance	(1,597,219)	(1,360,746)	(37,752,279)	(40,710,244)
	<u>974,760,567</u>	<u>38,936,877</u>	<u>124,811,887</u>	<u>1,138,509,331</u>
Add: Interest receivable				<u>7,881,966</u>
				<u>1,146,391,297</u>
	2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Consumer	584,575,323	12,704,971	98,631,685	695,911,979
Business	2,315,282	406,027	2,250,641	4,971,950
Mortgages	377,812,454	15,198,535	53,544,977	446,555,966
Gross loans	964,703,059	28,309,533	154,427,303	1,147,439,895
Less: ECL allowance	(2,799,190)	(2,399,838)	(34,577,587)	(39,776,615)
	<u>961,903,869</u>	<u>25,909,695</u>	<u>119,849,716</u>	<u>1,107,663,280</u>
Add: Interest receivable				<u>7,316,307</u>
				<u>1,114,979,587</u>

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

11 Loans and advances ...continued

(iii) The movement in the expected credit loss allowance is as follows:

	2023			
	Consumer \$	Business \$	Mortgages \$	Total \$
Balance, beginning of year	36,278,799	176,310	3,321,506	39,776,615
Amounts charged off/write off	(3,857,596)	(47,439)	—	(3,905,035)
Expected credit loss	297,434	411,676	4,129,554	4,838,664
Balance, end of year	32,718,637	540,547	7,451,060	40,710,244

	2022			
	Consumer \$	Business \$	Mortgages \$	Total \$
Balance, beginning of year	26,414,883	633,291	6,080,309	33,128,483
Amounts charged off/write off	—	—	—	—
Expected credit loss	9,863,916	(456,981)	(2,758,803)	6,648,132
Balance, end of year	36,278,799	176,310	3,321,506	39,776,615

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

12 Property and equipment

Property and equipment is comprised of the following:

	2023					
	Land and buildings \$	Motor vehicles \$	Furniture and equipment \$	Leasehold improvements \$	Assets being acquired \$	Total \$
Cost						
Balance, beginning of year	46,841,525	2,803,619	34,442,019	5,575,146	16,198,332	105,860,641
Additions/transfer	908,738	331,523	2,761,056	—	(2,424,446)	1,576,871
Disposal	(1,154,828)	(4,939)	(126,580)	—	—	(1,286,347)
Balance, end of year	46,595,435	3,130,203	37,076,495	5,575,146	13,773,886	106,151,165
Accumulated depreciation						
Balance, beginning of year	16,210,041	1,596,790	31,246,690	5,430,508	—	54,484,029
Depreciation	1,916,242	373,993	1,841,101	144,638	—	4,275,974
Disposal	(1,154,828)	(2,675)	(108,830)	—	—	(1,266,333)
Balance, end of year	16,971,455	1,968,108	32,978,961	5,575,146	—	57,493,670
Net book value, end of year	29,623,980	1,162,095	4,097,534	—	13,773,886	48,657,495

Assets being acquired represent purchases of property and equipment which were not yet in operation and on which no depreciation has been charged.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

12 Property and equipment ...continued

	2022					
	Land and buildings \$	Motor vehicles \$	Furniture and equipment \$	Leasehold improvements \$	Assets being acquired \$	Total \$
Cost						
Balance, beginning of year	44,866,702	2,907,990	32,997,653	5,575,146	16,327,938	102,675,429
Additions/transfer	1,974,823	101,405	1,453,215	—	(129,606)	3,399,837
Disposal	—	(205,776)	(8,849)	—	—	(214,625)
Balance, end of year	46,841,525	2,803,619	34,442,019	5,575,146	16,198,332	105,860,641
Accumulated depreciation						
Balance, beginning of year	14,351,637	1,426,492	29,374,027	5,015,928	—	50,168,084
Depreciation	1,858,404	354,273	1,881,512	414,580	—	4,508,769
Disposal	—	(183,975)	(8,849)	—	—	(192,824)
Balance, end of year	16,210,041	1,596,790	31,246,690	5,430,508	—	54,484,029
Net book value, end of year	30,631,484	1,206,829	3,195,329	144,638	16,198,332	51,376,612

Assets being acquired represent purchases of property and equipment which were not yet in operation and on which no depreciation has been charged.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

12 Property and equipment ...continued

As at March 31, 2023, land and buildings includes right-of-use assets of \$2,122,217 (2022: \$2,794,199) related to the Credit Union's leased branches and office premises.

Set out below, are the carrying amounts of the Credit Union's right-of-use assets and lease liabilities and the movements during the year:

	2023	
	Right of use property \$	Lease liability \$
Balance at April 1, 2022	2,794,199	2,968,737
Depreciation expense	(858,213)	—
Interest expense	—	137,446
Additions	186,231	—
Lease payments (principal and interest)	—	(825,844)
As at March 31, 2023	2,122,217	2,280,339

Additions to the right-of-use asset during the year were \$186,231 (2022: \$1,825,652).

	2022	
	Right of use property \$	Lease liability \$
Balance at April 1, 2021	1,914,016	2,079,483
Depreciation expense	(945,469)	—
Interest expense	—	164,046
Addition	1,825,652	1,825,652
Lease payments (principal and interest)	—	(1,100,444)
As at March 31, 2022	2,794,199	2,968,737

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

12 Property and equipment ...continued

Maturities of Leases

Maturities of our lease liabilities on an undiscounted basis as of March 31, 2023 are presented below along with the current and non-current lease liabilities on a discounted basis.

	2023 \$	2022 \$
Up to 3 months	251,788	276,912
Within 3-12 months	748,020	742,024
Within 1-5 years	1,442,305	2,282,566
Thereafter	\$968	12,602
Total future payments on an undiscounted basis	2,443,081	3,314,104
Less: Present value discount	162,742	(345,367)
Present value of lease liabilities	2,280,339	2,968,737
Current portion	999,808	885,060
Non-current portion	1,280,531	2,083,676
Weighted-average remaining lease term (in years)	2.50 years	2.74 years
Weighted-average discount rate	4.95%	4.95%

Lease liability is presented as part of 'Other Liabilities' in Note 17.

13 Pension plan asset

The Credit Union participates in a defined benefit pension plan operated by a reputable insurance provider. The pension plan is jointly funded by payments from the Credit Union and certain employees, taking into account the recommendations of independent qualified actuaries.

The actuary periodically (at least every three years) evaluates the financial position of the plan and recommends the future contribution rate for the Credit Union.

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 2021. The next full review will be performed in 2024.

In a defined benefit pension plan, the employees' entitlement is determined by a formula based on their years of pensionable service and pensionable salary. It is typical for the employees' benefit to be integrated with the retirement benefits provided by the National Insurance.

The contribution rate paid by the employee is fixed and the Credit Union pays the balance of the ultimate cost of the benefits and hence the Credit Union's contribution is unknown. The Credit Union is expected to pay \$802,470 in contributions to its defined benefit plan in 2024 (2023: \$819,109).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

13 Pension plan asset ...continued

Currently at retirement, employees with service to April 1, 2015 are entitled to receive a pension benefit equal to:

1. 1.75% of their pensionable salary as at April 1, 2015 reduced by 1.32% of the National Insurable Earnings as at April 1, 2015.

Plus

2. 1.75% of annual pensionable salary earned while a member of the plan after April 1, 2015 reduced by 1.32% of the annual national insurance salary while a member of the plan after April 1, 2015.

Employees' pension benefits are further increased by the amount of pension that can be purchased with any voluntary contributions accumulated with credited interest to their retirement date.

There are three trustees of the plan, one is an employee representative while the other two are external to the Credit Union. The trustees are required to understand the risks taken, make reasonable investment decisions, and provide members with information and act in the best interests of the plan participants.

The Plan is invested in a segregated pensions fund consisting of two Funds which cover a broad spectrum of available assets. The strategic investment policy of the Funds can be summarised as follows:

Bonds Fund:

A unit trust with a strategy of acquiring regional and non-regional long-dated securities, where possible, but the majority of its financial investments are still predominantly in Barbados currency. The Fund's objective is to generate income and preserve capital through investment in competitive yielding fixed income securities including mortgages, bonds and other debt instruments.

Equity Fund:

This is a unit trust that invests mainly in Barbadian equities, Barbadian real estate, commercial mortgages, foreign equities and bonds. This Fund's objective is to provide long-term capital growth through investment in a diversified portfolio of equity securities and real estate.

The current instruction is to invest all new cash flows 50% in the Bonds Fund and 50% in the Equity Fund. At present, approximately 50% of the Plan's assets are invested in the Equity Fund and 50% are invested in the Bonds Fund.

- a) The amounts recognised in the statement of financial position are determined as follows:

	2023 \$	2022 \$
Present value of obligation to plan members	(13,958,780)	(12,998,135)
Pension plan assets at fair value	17,074,454	17,173,993
Asset recognised in the statement of financial position	3,115,674	4,175,858

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

13 Pension plan asset ...continued

- b) Movement in the amounts recognised in the statement of financial position is as follows:

	2023 \$	2022 \$
Asset, beginning of year	4,175,858	1,176,257
Contributions paid	773,403	818,261
Pension expense recognised in statement of income	938,003	(709,626)
Re-measurement recognised in other comprehensive income	(2,771,590)	2,890,966
Asset, end of year	3,115,674	4,175,858

- c) Changes in the present value of the obligation for defined benefit pension plans were as follows:

	2023 \$	2022 \$
Obligation, beginning of the year	12,998,135	14,435,966
Interest cost	1,098,158	1,172,394
Current service cost	593,739	743,520
Employees' contributions	152,353	204,712
Past service cost	(1,234,388)	—
Benefits paid	(822,607)	(406,116)
Actuarial (gains)/losses arising from experience adjustments	1,173,390	(3,152,341)
Obligation, end of year	13,958,780	12,998,135

- d) (i) Changes in the fair value of the defined benefit pension plan assets were as follows:

	2023 \$	2022 \$
Opening fair value of plan assets	17,173,993	15,612,223
Actual return	(178,104)	971,446
Employer's contributions	773,402	818,261
Employees' contributions	152,353	204,712
Benefits paid	(822,607)	(406,116)
Administrative expenses	(24,583)	(26,533)
Closing fair value of plan assets	17,074,454	17,173,993

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

13 Pension plan asset ...continued

d) (ii) Plan assets consist of the follow:

	2023 \$	2022 \$
Equities	8,606,672	8,897,019
Bonds	8,447,581	8,264,730
Other	20,201	12,244
	<u>17,074,454</u>	<u>17,173,993</u>

The assets of the plan are invested in segregated funds. The major asset categories underlying the plan assets are as follows:

	2023	2022
Mortgages	12.96%	12.78%
Bonds	32.28%	35.34%
Equities	45.06%	41.16%
Property	4.20%	4.48%
Other	5.50%	6.24%

e) The amounts recognised in the statement of income are as follows:

	2023 \$	2022 \$
Current service cost	593,739	743,520
Past service cost	(1,234,388)	—
Interest cost on obligation	1,098,158	1,172,394
Expected return on plan assets	(1,420,095)	(1,232,822)
Administrative expenses	24,583	26,534
	<u>(938,003)</u>	<u>709,626</u>
Net pension expense included in staff costs (Note 6)		

f) The amounts recognised in other comprehensive income are as follows:

	2023 \$	2022 \$
Remeasurement loss (gain) on obligation	1,173,391	(1,842,664)
Remeasurement loss (gain) on plan assets	1,598,199	(1,048,302)
	<u>2,771,590</u>	<u>(2,890,966)</u>

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

13 Pension plan asset ...continued

g) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023	2022
Discount rate at end of year	8.25%	8.25%
Expected return on plan assets at end of year	8.25%	8.25%
Future salary increases	6.75%	6.75%
Future pension increases	1.75%	1.75%
Future changes in NIS ceiling	4.25%	4.25%
Termination of active members	0.00% - 11.25%	0.00% - 11.25%
Future expenses	0.00%	0.00%

At March 31, 2023, the weighted-average duration of the defined benefit obligation was 19.03 (2022: 19.79) years.

h) Sensitivity analysis on projected benefit obligation:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	(2,234,510)	2,914,638
Future salary growth (0.5% movement)	972,655	(883,717)

As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately \$340,033.

14 Investment in subsidiary

	2023 \$	2022 \$
BPW Financial Holdings Inc. - 100%	10,192,600	10,192,600
Reversal of impairment	1,307,400	—
	<u>11,500,000</u>	<u>10,192,600</u>
Allied Co-operators Inc. - 100%	1,000,000	1,000,000
	<u>12,500,000</u>	<u>11,192,600</u>

The Credit Union holds 115,000 shares in its 100% owned subsidiary BPWFH Inc, with a par value of \$100 each, totaling \$11,500,000 (2022- \$10,192,000) at March 31, 2023. These shares were previously assessed for impairment and were deemed to be impaired by \$1,307,400 and they were written down accordingly to \$10,192,600 at March 31, 2019. Current assessments show that the carrying values are now above cost and hence they are being written back up to their original cost to reflect that the investment is no longer impaired.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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15 Other assets

Other assets are comprised of the following:

	Notes	2023 \$	2022 \$
Accounts receivable		14,560,245	13,559,635
Prepaid employee benefit	17	432,119	2,018,414
Prepaid expenses		3,124,425	3,466,775
Other assets re Goodwill Credit Union	26	39,786	39,786
		<u>18,156,575</u>	<u>19,084,610</u>

16 Deposits

This amount comprises:

	2023 \$	2022 \$
Saving deposits	668,240,830	641,041,399
Deposits payable on fixed date	780,539,296	760,634,502
Registered retirement savings plan deposits (i)	50,297,197	49,451,314
	<u>1,499,077,323</u>	<u>1,451,127,215</u>
Interest payable	1,821,482	2,018,850
	<u>1,500,898,805</u>	<u>1,453,146,065</u>

- (i) The Credit Union operates two registered retirement savings plan for the benefit of its members the legacy plan guarantees a minimum return on plan deposits of the of 5.0% while the new plan guarantees 1.0% above the minimum deposit rate. At March 31, 2023, the minimum deposit rate was 0.5% (2022: 0.5%).

Concentration of deposits

Deposits (excluding interest payable) comprised the following:

	2023 \$	2022 \$
Personal	1,490,532,343	1,439,551,123
Commercial	8,544,980	11,576,092
	<u>1,499,077,323</u>	<u>1,451,127,215</u>

At March 31, 2023, deposits pledged as security for loans to members and not available for withdrawal totalled \$323,628,932 (2022: \$326,641,212). The average yield of deposits during the year was 1.44% (2022: 1.55%).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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17 Other liabilities

	Notes	2023 \$	2022 \$
Accounts payable and accrued expenses (i)		5,601,933	8,244,223
Amounts payable re Goodwill Credit Union	26	89,286	89,236
Fair value adjustment - staff loans (ii)		138,577	2,018,130
Interest rebate payable		203,026	203,026
Lease liability	12	2,280,339	2,968,737
Unallocated receipts to members		3,114,609	1,377,537
		<u>11,427,770</u>	<u>14,900,889</u>

(i) Included in accounts payable and accrued expenses at March 31, 2023, is expected credit losses on undrawn loan commitments of \$276,106 (2022: \$377,594) and legal litigations of \$250,000 (2022: \$500,000).

(ii) Fair value adjustment staff loans

The fair value adjustment - staff loans represents the deferred interest income on staff loans associated with the difference between the market value and the carrying value of the loans as a result of the interest rates on the staff loans being lower than the market interest rate. This balance is related to the prepaid employee benefit recorded and included in other assets (Note 15). The deferred interest income will be recognised over the term of the staff loans.

Other liabilities contain no amounts due to Legacy Foundation at March 31, 2023 (2022: \$1,631).

18 Share capital

Section 10 of the Co-operative Societies (Amendment) Act, 2007-39, requires that each member hold a minimum value of membership qualifying shares as determined by the Credit Union.

The qualifying amount for membership amounts to \$120 which comprises 24 shares at a nominal value of \$5 per share. All shares are non-withdrawable except on the termination of membership. There is no limit to the number of shares the Credit Union is authorised to issue.

During the year, the Credit Union issued 108,816 (2022: 126,960) shares at \$5.00 each to its members for cash consideration of \$544,080 (2022: \$634,800). The Credit Union redeemed 22,128 (2022: 18,216) shares and subsequently repaid \$110,640 (2022: \$91,080) to previous members.

At March 31, 2023, the total number of membership qualifying shares was 2,666,832 (2022: 2,580,144).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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18 Share capital ...continued

The following table shows a reconciliation of all movements in the membership qualifying shares between the beginning and end of the reporting period.

	2023		2022	
	Carrying amount \$	No. of shares	Carrying amount \$	No. of shares
Balance, beginning of year	12,900,720	2,580,144	12,357,000	2,471,400
Shares issued	544,080	108,816	634,800	126,960
Shares redeemed	(110,640)	(22,128)	(91,080)	(18,216)
Balance, end of year	13,334,160	2,666,832	12,900,720	2,580,144

19 Statutory reserves

Section 197(2) of the Co-operative Societies (Amendment) Act, 2007-39 requires for the Credit Union that an appropriation equivalent to the greater of one half of one per cent (0.5%) of total assets or twenty-five per cent (25%) of net surplus shall be credited to the reserve fund annually until capital equals ten per cent (10%) of total assets. The Registrar of Co-operatives may increase the appropriation amount to forty per cent (40%) of net surplus or one per cent (1%) of total assets in certain circumstances.

The movement in these reserves during the year is as follows:

	2023 \$	2022 \$
Balance, beginning of year	156,740,595	149,395,379
Transfers to reserve - statutory	5,141,641	6,406,986
Transfers to reserve - voluntary	905,201	911,780
	6,046,842	7,318,766
Entrance fees	162,787,437	156,714,145
	22,670	26,450
Balance, end of year	162,810,107	156,740,595

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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20 Other reserves

Other reserves is comprised of the following:

	2023 \$	2022 \$
Fair value reserve (i)	995,081	1,034,165
Special funds (ii)	1,436,975	1,414,647
Donated equity (iii)	\$26,909	26,909
Defined benefit plan (iv)	(151,639)	2,619,950
Reserve for interest on non-performing loans (v)	5,321,302	4,906,175
	<u>7,628,628</u>	<u>10,001,846</u>

(i) Fair value reserve

The fair value reserve represents the net effect of fair value gains or losses on FVOCI investment securities held. The movement on the fair value reserve for the year is as follows:

	2023 \$	2022 \$
Balance, beginning of year	1,034,165	887,417
Unrealised fair value (loss)/gain	<u>(39,084)</u>	<u>146,748</u>
Balance, end of year	<u>995,081</u>	<u>1,034,165</u>

(ii) Special funds

The special reserve funds comprise the following:

a) Social Outreach Fund

The Social Outreach Fund was created to provide charitable donations to members in need of financial assistance.

b) Education Fund

The Education Fund was established to provide grants and scholarships to members pursuing educational programmes.

c) Development Fund

In June 2004, the general membership approved the establishment of the Development Fund to assist with the exploratory cost relating to projects of a developmental nature.

d) BCCUL Training/Education Fund

The BCCUL Training/Education Fund was instituted in June 2002 to finance the education of credit union members and the general public in credit union philosophy and operations.

Barbados Public Workers' Co-operative Credit Union Limited

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March 31, 2023

(expressed in Barbados dollars)

20 Other reserves ...continued

(ii) Special funds ...continued

e) BPWCCUL Foundation

This Fund was established in June 2009 to fund major philanthropic initiatives undertaken by the Credit Union.

f) National Development Fund

This Fund was established in June 2009 to assist the Barbados Co-operative Credit Union League Limited in funding developmental initiatives for the credit union movement in Barbados.

g) Credit Union Liability Insurance Fund

This Fund was established in June 2010 to facilitate the establishment of deposit liability insurance for credit unions.

h) Health and Disaster Relief Fund

This Fund was established in September 2021 to provide a resource for credit unions members and staff who need financial assistance because of medically introduced hardships or a climate related disastrous event.

i) Small and Micro Business Fund

This Fund was established in September 2021 to provide assistance for credit unions members who wish to become entrepreneurs.

The movement in special funds during the year is as follows:

	2023			
	Balance at beginning \$	Amounts appropriated \$	Amounts utilised \$	Balance at end \$
Social Outreach Fund	230,864	245,544	(243,020)	233,388
Education Fund	146,950	214,913	(196,610)	165,253
Development Fund	326,833	23,167	(21,666)	328,334
Health and Disaster Relief Fund	250,000	—	—	250,000
BCCUL Training/Education Fund	50,000	50,000	(50,000)	50,000
BPWCCUL Foundation	—	500,000	(500,000)	—
Small and Micro Business Fund	150,000	—	—	150,000
National Development Fund	—	60,000	(60,000)	—
Credit Union Liability Insurance Fund	260,000	—	—	260,000
	1,414,647	1,093,624	(1,071,296)	1,436,975

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

20 Other reserves ...continued

(ii) Special funds ...continued

	2022			
	Balance at beginning \$	Amounts appropriated \$	Amounts utilised \$	Balance at end \$
Social Outreach Fund	404,286	52,975	(226,397)	230,864
Education Fund	351,796	57,438	(262,284)	146,950
Development Fund	305,333	44,667	(23,167)	326,833
Health and Disaster Relief Fund	—	250,000	—	250,000
BCCUL Training/Education Fund	50,000	50,000	(50,000)	50,000
BPWCCUL Foundation	—	300,000	(300,000)	—
Small and Micro Business Fund	150,000	—	—	150,000
National Development Fund	—	60,000	(60,000)	—
Credit Union Liability Insurance Fund	260,000	—	—	260,000
	1,521,415	815,080	(921,848)	1,414,647

(iii) Donated equity

This amount totalling \$26,909 (2022: \$26,909) represents the value of donations bestowed upon the Credit Union on incorporation.

(iv) Defined benefit plan

This amount totalling (\$151,640), (2022: \$2,619,950) represents the net amount of actuarial losses and other items recognised directly in other comprehensive income on the Credit Union's defined benefit plan (Note 13).

(v) Reserve for interest on non-performing loans

This amount totalling \$5,321,302 (2022: \$4,906,175) is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9. The guidelines of Section 202 (2) of the Co-operative Societies Act Cap. 378A, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to members.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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(expressed in Barbados dollars)

21 Related party disclosures

Related parties include those entities and individuals that have the ability to control or exercise significant influence over the Credit Union in making financial or operating decisions, and entities that are controlled, jointly controlled or significantly influenced by them.

Terms and conditions of transactions with related parties

Certain transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Specifically, transactions with key management personnel are at arm's length.

For the years ended March 31, 2023 and March 31, 2022, the Credit Union has not recorded any impairment of receivables relating to amounts owed by related parties.

Compensation of key management personnel

	2023	2022
	\$	\$
Short term employee benefits	1,984,286	1,641,184
Post-employment benefits	144,517	110,241
	<hr/>	<hr/>
Total compensation paid to key management personnel	2,128,803	1,751,425

Transactions with key management personnel

The Credit Union enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of balances held with related parties for the relevant financial year.

	2023	2022
	\$	\$
Key management personnel:		
Loans and advances	2,668,650	2,604,567
Deposits	2,454,661	2,294,697

The secured loans and advances are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

Expected credit loss allowance totalling \$653 (2022: \$7,557) has been recorded against balances outstanding during the year with key management personnel and their related concerns.

Barbados Public Workers' Co-operative Credit Union Limited

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21 Related party disclosures ...continued

Due from related companies

	2023 \$	2022 \$
Due from Allied Co-operators Inc. (i)	111,208	422,418
Due from BPW Financial Holdings Inc. (i)	17,627,590	17,551,623
(Due to)/due from Capita Insurance Brokers Inc. (i)	225,875	(22,012)
Due from Capita Financial Services Inc. (ii)	7,562,112	8,702,377
Due to Capita Financial Services Inc. (i)	(989,411)	(903,187)
Due from Legacy Foundation (i)	53,804	289,733
	<u>24,591,178</u>	<u>26,040,952</u>

- (i) Amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) On July 30, 2021, the Credit Union entered into a loan agreement with Capita Financial Services Inc. The Credit Union advanced \$11,674,344 with a term of 10 years and an interest rate of 1.25% per annum. Fixed annual repayments are \$1,242,528 over the life of the loan. The outstanding balance as at March 31, 2023 is \$7,562,112 (2022: \$8,702,377).

Other transactions

Cash resources include deposits held with Capita Financial Services Inc. amounting to \$66,040,679 (2022: \$31,462,241) which resulted in interest income of \$1,633,681 (2022: \$720,562). At March 31, 2023 accrued interest receivable was \$ 1,409,573 (2022: \$952,843). The Credit Union receives a management fee for the provision of support services to Capita Financial Services Inc. on an annual basis which is reported within fee income (Note 4). During the fiscal ending March 31, 2023, the Credit Union recorded management fees of \$144,000 (2022: \$144,000).

Deed of Sale and Administration agreement

During the financial year ended March 31, 2023, the Credit Union purchased loans from its subsidiary, Capita Financial Services Inc. in the amount of \$ 3,664,019 (2022: \$5,363,161). Substantially all the risks and rewards of the said loan portfolio have been transferred to the Credit Union and consequently, the loans were included in the Credit Union's statement of financial position.

The balance as at March 31, 2023 was \$nil (2022: \$4,123,953). The Credit Union receives an administrative fee for the collection and remittance of loan payments on behalf of Capita Financial Services Inc. The administrative fees for the year ended March 31, 2023 was \$22,948 (2022: \$51,288). The Credit Union has determined that substantially all the risks and rewards of the said loan portfolio have been transferred to Capita Financial Services Inc. and consequently, the loans were eliminated from the Credit Union's statement of financial position.

Barbados Public Workers' Co-operative Credit Union Limited

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Other transactions, *Continued*

Allied Co-operators Inc. (ACI) was established to offer co-operative shared services to credit unions and their members. Phase 1 of its development will provide assurance services to affiliated credit unions of the Barbados

Co-operative Credit Union League Ltd. These services will include corporate governance, operational risk management, compliance and internal audit.

In subsequent phases of its expansion ACI will provide similar services to micro, small and medium sized enterprises (MSMEs) and not for profit organizations locally. Additionally, it will leverage the brand of Capita Financial Services Inc. to further expand into the OECS and other Caribbean regions.

Finally, ACI's suite of services will be broadened to include finance and financial planning, information technology, strategic planning, marketing, customer experience and research.

The capitalisation of ACI as a wholly owned subsidiary of the Credit Union invoked section 34(A) of the Co-operative Societies Act, CAP. 378A, which states that any such investments shall be limited to ten percent of the Credit Union's statutory reserves.

In accordance with the Co-operative Societies Act, CAP. 378A, on May 19, 2020 the Credit Union sought approval from the Financial Services Commission to capitalize its fully owned subsidiary Allied Co-operators Inc. in the amount of \$1,000,000. The Credit Union completed the investment of \$1,000,000 for 10,000 shares in ACI on July 5, 2021 for sole ownership in the subsidiary.

Barbados Public Workers' Co-operative Credit Union Limited

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(expressed in Barbados dollars)

22 Commitments and contingencies

(i) Loan commitments

	2023 \$	2022 \$
Consumer loans approved and pending disbursement	14,421,203	18,081,361
Mortgage loans approved and pending disbursement	46,580,777	61,582,361
Available balances on line of credit accounts	17,885,396	17,703,194
Gross commitments	78,887,376	97,366,916

The total expected credit loss (ECL) allowance on undrawn loan commitments at March 31, is as follows:

	2023		2022	
	Gross carrying amount \$	ECL \$	Gross carrying amount \$	ECL \$
Consumer	14,421,203	80,883	18,081,361	133,739
Mortgages	46,580,777	73,929	61,582,361	115,827
Line of credits available	61,001,980	154,812	79,663,722	249,566
	17,885,396	121,294	17,703,194	128,028
	78,887,376	276,106	97,366,916	377,594

The movement in the expected credit loss allowance:

	2023 \$	2022 \$
Balance at beginning of year	377,594	412,604
Expected credit loss	(101,488)	(35,010)
Balance at end of year	276,106	377,594

The expected credit allowance for the undrawn loan commitments is included in other liabilities in Note 17.

(ii) Loan facilities

Loan facilities committed but not recognised in the financial statements as at March 31, 2023 are as follows:

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

22 Commitments and contingencies ...continued

- (a) an approved line of credit facility of \$7,800,000 (2022: \$7,800,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2023 and 2022 this facility was undisbursed.
- (b) an approved line of credit facility of \$200,000 (2022: \$200,000) with a bank for the purpose of enabling corporate development meetings by Credit Union representatives. This facility is secured. The commitment due on this facility at year end was \$32,449 (2022: \$19,800).

(iii) Legal proceedings

At March 31, 2023, there were certain legal proceedings against the Credit Union. In view of the inherent difficulty of predicting the outcome of such matters, the Credit Union cannot state what the eventual outcome of such matters will be; however, based on current knowledge, the Credit Union has made provision for legal litigation liabilities of \$250,000 (2022: \$500,000) and does not believe that any liabilities arising from pending litigation will have a material adverse effect on its financial position or results of operations.

23 Financial risk management

Introduction

Risk is inherent in the Credit Union's activities but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Credit Union's continuing profitability and each employee is accountable for the risk exposures relating to the performance of their duties. The Credit Union is exposed to credit risk, liquidity risk, market risk and operational risk.

The Credit Union's aim therefore is to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Credit Union's policy is to monitor those business risks through its strategic planning process.

Risk management structure

The Board of Directors ("the Board") is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Supervisory Committee has the responsibility to monitor the overall risk process within the Credit Union.

The Credit Union's policy is that risk management processes are audited annually by the Internal Audit function, which examines both the adequacy of the processes and the Credit Union's compliance with the processes. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Committee.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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Financial risk management ...continued

23 Introduction ...continued

Risk mitigation

As part of its overall risk management, the Credit Union invests a portion of its available funds in lending, financial investments and non-earning assets. The Credit Union's main source of income is derived from lending and it seeks to actively use collateral to reduce its credit risk. The Credit Union also has sought long term funding requirements to match its long-term loan positions.

In order to avoid excessive concentrations of risk, the Credit Union's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties fail to discharge their contractual obligations. The Credit Union manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. Credit risk exposures arise principally in lending activities that lead to loans and advances and investment activities that bring debt securities into the Credit Union's asset portfolio. There is also credit risk in off-balance sheet financial instruments such as commitments.

The Credit Union's models are calibrated to consider past performance and macroeconomic forward-looking variables as inputs. Expert credit judgment is applied to consider the exceptional economic circumstances including the assessment of underlying credit deterioration and migration of balances to progressive stages.

Consistent with requirements of IFRS 9, the Credit Union considered both quantitative and qualitative information in the assessment of significant increase in risk. First time utilization of a payment deferral program was not considered an immediate trigger, in keeping with IASB and regulatory guidance, for an account to migrate to a progressive stage, given the purpose of these programs is to provide temporary cashflow relief to the Credit Union's members.

Modifications

The Credit Union offers various payment solutions to members who may be experiencing challenging economic times. These include extension of loan term, converting outstanding interest to a separate loan and or debt consolidation. Where modification occurs, loans meeting such criterion are classified according to type and circumstance giving rise to any such modification. The terms and conditions related to each type is tracked monthly and accessed for substantial modifications. Where required, modification gains or losses have been recognised.

The ECL methodology, model inputs, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at March 31, 2022. Forward-looking information, scenarios and associated weightings, were revised to reflect current and projected future economic conditions.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

Financial risk management ...continued

23 Credit risk ...continued

The Credit Union groups its loans based on their risk characteristics and in so doing is able to evaluate whether a SICR has occur based on the following characteristics:

- 1) The borrower is in default greater than 30 days where prior to the evaluation period they were in default 30 days or less
- 2) Based on a 1,000-basis points increase in the groups 95% Confidence Interval Factor (CIF).

While the Credit union currently has a number of loan products these are assessed for risk purposes in three categories:

- 1) Consumer loans
- 2) Business loan
- 3) Mortgages

Additionally, the credit union accessed these by categories at the product level for any significant increases in credit risk based on the 95% CIF.

Key inputs and assumptions:

Measuring expected credit losses is a complex calculation involving many interrelated inputs and assumptions. The key drivers of changes in expected losses under the IFRS 9 model include our internal historical default rates, unemployment rates, GDP and inflation rates.

Further details on the key inputs and assumptions used as at March 31, 2023, are provided in Note 2 (e).

The following table compares our probability-weighted estimate of expected credit losses for performing loans to expected credit losses estimated in our base case scenario. Results reflect the Stage 1 and Stage 2 allowance for credit losses.

	Carrying value (\$'000)	Base Scenario (\$'000)
As at March 31, 2023		
ECL on performing loans	2,958	2,877
As at March 31, 2022		
ECL on performing loans	5,199	5,140

Further to our current policy for transfers between stages as described in Note 2, as part of our overlay, we qualitatively increased ECL in stage 2 to reflect the current challenging economic environment. This qualitative adjustment was informed by remaining time to maturity, economic projections, scenario weights and the historical behaviour of our portfolio.

The following table illustrates the impact of staging on our ECL by comparing our allowance if all performing loans were in Stage 1, to the actual ECL recorded on these.

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	As at March 31, 2023 Performing loans (\$'000)	As at March 31, 2022 Performing loans (\$'000)
ECL - all performing loans to Stage 1	1,597	2,799
Impact of staging	1,361	2,400
Stage 1 and 2 ECL	2,958	5,199

Adjustments to ECL have been considered to moderate the impact of dramatic swings in economic input variables or their lagging impact on credit losses. Judgment has been required in the development and application of these overlays. Management relies on the prediction of key reputable authorities with expertise in the area.

While the Barbados economy is projected to experience 4% to 5% growth in 2023, the impact of other world economies upon its tourism product and related industries remains highly uncertain. Consequently, the assumptions used to determine our allowances have a higher-than-usual degree of uncertainty. The inputs used in the calculation of the allowance are inherently subject to change, which may materially impact our estimate of the allowance for expected credit losses.

The Credit Union's stage 1 and 2 allowance for credit losses on the loan portfolios as at March 31, 2023 reflects a decrease as a result of the recent recovery observed in many economies and the resilience of our portfolio. The IFRS 9 model could not solely be used to determine expected credit losses as it was not designed with events of this magnitude in mind. As a consequence, a model overlay was used to account for incremental expected losses not captured by the IFRS 9 model.

To address the uncertainties inherent in the current environment and to reflect all relevant risk factors not captured in our model, we applied expert credit judgement in the design of the overlay and the determination of inputs used in the calculation of the allowance in light of the significant uncertainty, the impact of expert credit judgement on our allowances during 2022-2023 decreased as compared to 2021-2022. We applied qualitative adjustments to macroeconomic projections, the assumed credit response of the portfolio to the macroeconomic conditions, levels of loss severity and the determination of significant increase in credit risk.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

The measurement of expected credit losses is a complex calculation that involves a large number of inputs and assumptions. The key drivers of changes in expected losses include the following:

- Forward looking macroeconomic projections;
- Recent portfolio performance;
- Scenario design and the weights associated with each scenario; and
- Transfers between stages, which can result from changes in any of the above inputs.

Forward looking macroeconomic projections

The PD and LGD inputs used to predict expected credit losses are primarily based on GDP growth projections. The assumed level of response of the PD to the level of economic contraction was informed by historical events, recent portfolio performance and expert judgement. The LGDs used in the calculation of our allowance were qualitatively adjusted upwards to reflect higher expected time to resolution for future defaults secured with real estate collateral. Our allowance for credit losses reflect our economic outlook as at March 31, 2023. Subsequent changes to this forecast and related estimates will be reflected in our allowance for credit losses in future periods.

Our base scenario accounts for the expected gradual recovery of the Barbados economy during 2022-2023 and for continued expansion in the economy thereafter, with non-performing loans maintaining a downward trajectory for the 2023-2024 fiscal.

Our downside scenario adjust for negative trends which can adversely affect the future of the Barbadian economy. Our upside scenario considers a marginal improvement on base conditions resulting from faster-than-expected economic recovery. The forecasts of GDP growth rates were informed by external economic projections of key regulatory authorities.

Internal assessment of the level of member resilience

The PDs used are specific to the type of loan and automatically adjusted for the borrowers' position during the financial year. This adjustment was reflective of the main economic sector impacted by unemployment.

Recent portfolio performance

The PDs used are specific to the portfolio segments and automatically adjusted to take-into account recent portfolio performance. Portfolios which have shown high resilience to adverse economic conditions would have a lower PD level than portfolios with higher default rates.

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23 Financial risk management ...continued

Credit risk ...continued

Changes in scenario design and the weights associated to each scenario

All scenarios considered in our analysis include the impact of the economic conditions as at March 31, 2023; reflective of current economic conditions. In determining our IFRS 9 allowance for credit losses, we reassessed our scenario weights to more heavily weigh the downside scenarios contrast to that which was predicted.

Loans and advances

The Credit Union employs a range of policies and practices to mitigate credit risk relating to loans and advances. The most traditional of these is the taking of security for funds advanced. The principal collateral types for loans and advances within the Credit Union are:

- Mortgages over residential properties
- Charges over financial instruments such as debt securities and equities
- Charges over business assets such as premises
- Hypothecation of deposit balances

It is the Credit Union's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims. The Credit Union does not occupy repossessed properties for business use.

Generally, the Credit Union updates the valuation of property held against exposures to members on inception of the loan. However, a more formal valuation is performed, when:

- loan is 90 days past due and is deemed to have experienced a significant increase in credit risk; and/or
- the valuation is required to provide input into determining management's credit risk actions.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Credit risk ...continued

Key inputs and assumptions: ...continued

Loans and advances ...continued

The table below sets out the carrying amount and the value of identifiable collateral (mainly residential property) held against loans and advances to members measured at amortised cost. Where the same collateral is held against two or more loans, the market value of the collateral is proportionally assigned across loans based on the original amount loaned. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

	2023		2022	
	Carrying amount \$	Collateral \$	Carrying amount \$	Collateral \$
Stage 1	976,357,786	772,183,480	964,703,059	738,319,865
Stage 2	40,297,623	29,911,116	28,309,533	22,228,392
Stage 3	162,564,166	102,355,359	154,427,303	100,733,348
	1,179,219,575	904,449,955	1,147,439,895	861,281,605

The collateral value expressed as a percentage of the carrying value was 76.7 percent (2022: 75.1 percent).

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Credit Union during the year by taking possession of collateral held as security against loans and advances and held at the year-end are shown below.

	2023 \$	2022 \$
Collateral repossessed during the year and held at year-end	180,711	1,121,427
	180,711	1,121,427

Financial investments

The Credit Union limits its exposure to credit risk by investing only in entities that have high credit ratings and Government of Barbados securities. Government securities are invested over a longer period than term deposits with other financial institutions which typically mature within one year. The Credit Union also invests in FVOCI equity instruments which gives it an opportunity to monitor the performance of these companies over time and make economic decisions where warranted. The Credit Union has documented investment policies in place, which guide the management of credit risk on investments.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Credit risk ...continued

Assessment of corporate investments (term deposits)

Due to limited published market data for term deposits, the Credit Union's internally developed model using published credit rating scores for similar investees and/or Moody's published statistics was used to determine the Probability of Default (PD) rates and Loss Given Default (LGD) applied in the Estimated Credit Losses (ECL) on term deposits.

The Credit Union currently has \$78,824,560 (2022: \$43,645,290) in corporate term deposits which were assessed on an entity level.

Currently, these investments are held in entities which are either regulated by the Central Bank of Barbados or Financial Services Commission as per Section 34A of the Co-operative Societies Act.

Corporate term deposits and investments were staged based on the probability of default assigned to each entity.

These investments were categorized as follows:

Stage 1: The entity shows no decline in its ability to repay either based on past performance or future events for which a 12-month PD was assigned. The Investment Credit Rating was unchanged as at the financial year-end.

Stage 2: There has been a significant event which has caused or is highly probable to have significant impact on the investee's ability to repay for which the PD assigned was the Cumulative Probability of Default (CPD) rate less the survival period. The Investment credit rating has declined below a company rating. This is where the company or investment classification family is considered speculative and subject to substantial default risk.

Stage 3: There has been a default or significant event which has caused or is highly probable to have a significant impact on the investee's ability to repay for which the assigned PD was the CPD rate. The investment credit rating has significantly declined. The company or investment classification family is considered speculative or in poor standing and subject to very high default risk or may be in default on some part of the its investment obligation.

IFRS 9 provides that cost can be used as a basis for estimating fair value where there are limitations on supportable information to do otherwise.

There is currently insufficient trading information from published sources to measure the fair market value of the corporate investments.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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23 Financial risk management ...continued

Credit risk ...continued

Assessment of corporate investments (term deposits) ...continued

The Credit Union's definition of Significant Increase in Credit Risk (SICR)

A significant increase in credit risk (SICR) is defined as a significant change in the estimated default risk over the remaining expected life of the investment.

A comparison is made between the default risk as estimated at the reporting date and the default risk at the initial recognition of each investment individually or by investment group. Where an investment is initially deemed to have low credit risk at origination (the purchase date) and continues to be assessed as having low credit risk at the reporting date, it is deemed that there has been no significant increase in credit risk.

The indicators used to establish whether there has been a significant increase in credit risk is dependent on the nature of the investee, the product type, internal management methods and external market resources.

Key factors for management's consideration in the assessment of credit risk for investments is as follows:

1. A significant change in liquidity which can be expected to reduce the investee's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
2. Actual or forecasted significant investee downgrade in an external credit rating, withdrawal of a credit rating or delisting from a Stock Exchange.
3. Length of time (duration) or the extent to which the fair value of the underlying financial asset or security is less than the amortised cost of the investment at initial recognition.
4. An actual or expected significant adverse change in the regulatory, economic, or technological environment of the investee.
5. Actual or expected significant change in the operating results of the investee, which can include one or more of the following financial indicators for increased credit risk.
 - (i) Declining revenues or margins
 - (ii) Increasing operating risks
 - (iii) Working capital deficiencies
 - (iv) Decreasing asset quality
 - (v) Increased balance sheet leverage
 - (vi) Liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Credit risk ...continued

Assessment of corporate investments (term deposits) ...continued

The Credit Union has identified the following qualitative and quantitative indicators as those where cost might not be representative of fair value as the following;

- Significant change in the performance of the investee compared with that of the market;
- Changes in expectations that the investee's technical product milestones will be achieved;
- A significant change in the market for the investee's products, global economy, economic environment in which the entity operates;
- Performance of competitors, matters such as fraud, commercial disputes, litigation, changes in management or strategy; or
- Evidence of external transactions in the investee's equity (take overs).

Each investment was assessed based on the companies' ability to meet its short-term obligations together with its historical relationship with the Credit Union relative to meeting these same obligations.

This back testing approach is allowed under IFRS 9 in relation to the ranking of investments based on the purpose for which the investment is held.

The investments mentioned herein are best described as callable upon demand, with the exception of that of the Barbados Light & Power Limited which is held as a security deposit. While each investment contract carries a fixed term, they can be called prior to maturity with the penalty of forgone interest.

Loss Given Default (LGD)

This methodology is based on Moody's Average Corporate Debt rates measured by Trading prices proxies. The LGD reflects 100% minus the percentage recovery rate. The average LGD for a 1st Lien Bank loan was used as a proxy for BPWCCUL Cash Deposits portfolio.

The expected credit loss allowance computed was \$68,586 (2022: \$36,765) as at March 31, 2023 (Note 9).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Credit risk ...continued

Assessment of Amortized Cost Fixed Income Securities

Sovereign debt securities - Government of Barbados

On June 19, 2018, the Barbados government formally entered into default when the grace period for payment of interest and principal on its foreign 2035 bonds expired.

The Barbados Government entered into the Barbados Economic Recovery and Transformation (BERT) program, with its local currency debtors. Under this program holders of treasury bills, treasury notes, debentures, loans and bonds owed by the Government of Barbados received an offer of exchange on September 7, 2018.

The Credit Union's acceptance of this offer resulted in the restructuring of principal and interest payments of \$19,002,841 on its debt securities measured at amortised cost. The new securities were designated as Series B bonds in the amount of \$17,994,321 together with Series D bonds in the amount of \$1,008,847.

In keeping with the requirements of the IFRS 9 standard, the previous investments which were carried at amortised cost were derecognised and replaced by that of the new securities at their fair market value. This resulted in a derecognition loss of \$3,634,651 below their 2018 year end stated value.

As a consequence, a derecognition assessment was carried out as at October 1, 2018 on the principal and capitalized interest of the underlying investments. The Central Bank of Barbados yield curve for these securities was compared with that of the Institute of Chartered Accountants of Barbados (ICAB) to arrive at the risk free rate used in the performance of this calculation. The Net Present Value (NPV) was calculated on each strip and was deducted from the carrying value to arrive at the loss on derecognition.

Subsequent to the initial local currency sovereign credit rating on November 16th, 2018 of "Selective Default" (SD), this improved to B- with a Stable outlook on January 13th, 2021. There were no further credit rating updates during the current financial year.

Assessment of Sovereign debt securities

At March 31, 2023 the Credit Union's holdings in Government Securities relating to the Series B and D bonds were classified as POCI (Purchased or Originated Credit Impaired) and the Credit Union subsequently reversed any associated expected credit loss provisions booked on origination. At March 31, 2023, the balance was \$14,702,065 (2022: \$14,915,552) with a weighted average effective rate of 2.44% (2022: 2.45%). The derecognition loss of \$3,634,651 which was initially recognised was reported at \$2,333,102 (2022- \$2,739,883) at March 31, 2023.

POCI financial assets are assets that are credit impaired on initial recognition. The Government of Barbados bonds are carried at lifetime ECL which was incorporated into the calculation of the effective interest rate on initial recognition. Therefore, these bonds would not carry a separate impairment allowance subsequent to initial recognition.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Credit risk ...continued

Assessment of Corporate debt securities

As at March 31, 2023, the Credit Union held corporate debt securities with the Barbados Port Inc. (BPI) with a carrying value of \$6,986,992 (2022: \$8,779,119) with an average weighted effective yield of 4.65% (2022: 4.74%). An ECL assessment was performed as required by IFRS 9. This assessment on the Credit Union's debt securities measured at amortised cost utilized the following methodology as outlined below:

- Due to the lack of published statistical data and the lack of an active market for securities, Moody's Investor's Report dated April 14, 2022 on Sovereign default and recovery rates, 1983 to 2021 was used to provide the cumulative default rates (CDR) for categories of bonds similar to Barbados. This gave the cumulative probability of default over a 10-year period.
- The recovery rate of 89% (2021-85%) for the Barbados Port Inc. bonds were used since these securities were not part of the debt exchange and had a higher likelihood of repayment due to the corporate independence, financial stability and profitability of the Barbados Port Inc. The loss given default (LGD) was therefore 11% (2022-15%).
- The discount rate applied was the yield curve supplied by the Institute of Chartered Accountants of Barbados (ICAB).

Similar to the ECL assessment for term deposits, the staging methodology is as follows:

Stage 1: The entity shows no decline in its ability to repay either based on past performance or future events for which a 12-month PD was assigned. The Investment Credit Rating was unchanged as at the financial year-end.

Stage 2: There has been a significant event which has caused or is highly probable to have significant impact on the investee's ability to repay for which the PD assigned was the Cumulative Probability of Default (CPD) rate less the survival period. The Investment credit rating has declined below a company rating. This is where the company or investment classification family is considered speculative and subject to substantial default risk.

Stage 3: There has been a default or significant event which has caused or is highly probable to have a significant impact on the investee's ability to repay for which the assigned PD was the CPD rate. The investment credit rating has significantly declined. The company or investment classification family is considered speculative or in poor standing and subject to very high default risk or may be in default on some part of the its investment obligation.

The above assumptions were the best-case scenario for the Credit Union's securities that are backed by the most reasonable and supportable data available at the time of the assessment.

Key data sources as outlined in the expected credit loss assessment methodology were obtained from Moody's, a global credit rating agency that provided published statistics and data on corporate and sovereign bonds and investments. Also used were the yield curves from the Central Bank of Barbados (CBB) and the Institute of Chartered Accountants of Barbados (ICAB).

The expected credit losses computed were \$3,147 (2022: \$6,387) as at March 31, 2023 (Note 10).

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Assessment of Corporate debt securities ...continued

Incorporation of Forward-Looking Information Assessment

The Credit Union's forward-looking information, an IFRS 9 requirement, was modelled using its internal due diligence process and was included in the final ECL calculation for the year ended March 31, 2023.

The below qualitative and quantitative indicators are used to assess whether it is likely that an investment or group/class of investments would change in the future:

External Indicators - Market/Macro-economic specific shocks

- Significant change in the performance of the investee compared with that of the market
- Changes in expectations that the investee's technical product milestones will be achieved
- A significant change in the market for the investee's products, global economy, economic environment in which the entity operates
- Performance of competitors, matters such as fraud, commercial disputes, litigation, changes in management or strategy
- Evidence of external transactions in the investee's equity (take overs)

Internal Indicators - Company specific shocks

- Increasing/Declining revenues or margins
- Increasing/Decreasing operating risks
- Working capital deficiencies or improvements
- Increase/Decrease in asset quality
- Decreased/Increased balance sheet leverage
- Liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations (where the opposite is true)
- Corporate Credit Rating downgrade or upgrade by CariCRIS or other recognised International Rating Agency

The below table provides the Forecast of the Macroeconomic Outlook Scenarios:

Scenarios	Expected State
Upside	Positive
Base case	Stable
Downside	Negative

The Credit Union assigned probabilities and related weights based on the most likely forecasted economic outlook for the period under assessment. This probability is multiplied by a multiplier factor based on management's professional judgement to derive the adjustment required to incorporate the forward-looking estimate.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Incorporation of Forward-Looking Information Assessment ...continued

Since Barbados received a stable outlook for the period under assessment by Moody's and the Central Bank of Barbados, the base case scenario was the most likely scenario. Out of the sensitivity analysis of nine forecasted states, a forward-looking adjustment of 4% (4%-2022) was applied as at March 31, 2023.

Exposure to credit risk before collateral held or other credit enhancements

The Credit Union limits its exposure to credit risk by investing only in entities that have high credit ratings and Government of Barbados securities. Government securities are invested over a longer period than term deposits with other financial institutions which typically mature within one year. The Credit Union has invested in FVOCI equity instruments as well, which gives it an opportunity to monitor the performance of these companies over time and make economic decisions where warranted. The Credit Union has documented investment policies in place, which guide the management of credit risk on investments.

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2023	2022
	\$	\$
Loans and advances to members:		
Consumer	678,442,712	695,911,979
Mortgages	496,505,048	446,555,966
Business	4,271,815	4,971,950
Financial investments:		
Debt securities-amortised cost	21,690,419	23,689,806
Cash resources	435,708,442	419,998,157
Credit risk exposures relating to off-balance sheet items as follows:		
Loan commitments	78,887,376	97,366,916
Total maximum exposure	1,715,505,812	1,688,494,774

The above table represents the maximum credit risk exposure of the Credit Union as of March 31, 2023 and March 31, 2022, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit quality by class of financial assets

Loans and advances

The credit quality of the loans and advances is managed through the prudent underwriting principles established by the Credit Union.

Financial investments

The Credit Union has principally invested in government bonds issued by the Government of Barbados which in the 2022 financial year was rated by Standard & Poor's as B-. During the financial year ended March 31, 2023, these bonds remained rated B-.

Cash resources

The credit quality of financial institutions holding the Credit Union's cash resources is assessed according to the level of their credit worthiness and by comparison to other financial institutions. The Credit Union places its cash resources with reputable financial institutions.

The tables below show the credit quality and aging analysis by class of financial assets.

	2023			
	Neither past due nor impaired \$	Past due but not impaired \$	Individually impaired \$	Total \$
Cash resources	435,708,442	—	—	435,708,442
Financial investments:				
Amortised cost	6,988,253	—	14,705,313	21,693,566
Loans and advances:				
Consumer	492,698,030	102,527,322	83,217,360	678,442,712
Mortgages	362,411,598	95,925,950	38,167,500	496,505,048
Business	1,282,979	1,649,846	1,338,990	4,271,815
Total	1,299,089,302	200,103,118	137,429,163	1,636,621,583

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit quality by class of financial assets ...continued

	2022			
	Neither past due nor impaired \$	Past due but not impaired \$	Individually impaired \$	Total \$
Cash resources	419,998,157	—	—	419,998,157
Financial investments:				
Amortised cost	8,780,640	—	14,915,553	23,696,193
Loans and advances:				
Consumer	523,001,727	90,187,888	82,722,364	695,911,979
Mortgages	323,994,813	90,143,493	32,417,660	446,555,966
Business	1,733,916	1,831,576	1,406,458	4,971,950
Total	1,277,509,253	182,162,957	131,462,035	1,591,134,245

Aging analysis of past due but not impaired loans and advances:

	2023				
	1-30 days \$	31-60 days \$	61-90 days \$	Over 90 days \$	Total \$
Loans and advances:					
Consumer	61,984,628	20,363,137	3,427,812	16,751,745	102,527,322
Mortgages	57,016,680	13,940,306	2,488,759	22,480,205	95,925,950
Business	786,108	91,221	20,622	751,895	1,649,846
Total	119,787,416	34,394,664	5,937,193	39,983,845	200,103,118

	2022				
	1-30 days \$	31-60 days \$	61-90 days \$	Over 90 days \$	Total \$
Loans and advances:					
Consumer	61,573,597	10,315,520	2,389,450	15,909,321	90,187,888
Mortgages	53,817,640	10,999,943	4,198,593	21,127,317	90,143,493
Business	581,366	334,064	71,963	844,183	1,831,576
Total	115,972,603	21,649,527	6,660,006	37,880,821	182,162,957

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Expected Credit Loss Allowance Model

Refer to Accounting policies 2 (d).

Loans with renegotiated terms and the Credit Union's forbearance policy

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Credit Union has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Credit Union has provided initially. The Credit Union implements a forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Credit Union's forbearance policy, loan forbearance is granted on a selective basis in situations where the debtor is currently in default on its debt, or where there is a high risk of default, there is evidence that the debtor made all the reasonable efforts to pay under the original contractual terms and it is expected to be able to meet the revised terms.

The revised terms usually include extending maturity, changing timing of interest payments and amendments to the terms of loan covenants. All loans are subject to the forbearance policy.

Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring. The Credit Union's Credit Committee regularly reviews reports on forbearance activities.

	2023 \$	2022 \$
Renegotiated loans and advances to individuals	3,312,266	4,023,450

Write-off policy

The Credit Union writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when it is determined that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Commitments and guarantees

To meet the financial needs of members, the Credit Union enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Credit Union.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit Quality Analysis

	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Loans and advances at amortised cost				
Current	856,516,209	—	—	856,516,209
Overdue <30 days	119,841,577	—	—	119,841,577
Overdue 31 days to 89 days	—	40,297,623	—	40,297,623
Overdue over 90 days	—	—	162,564,166	162,564,166
<i>Total gross loans</i>	<i>976,357,786</i>	<i>40,297,623</i>	<i>162,564,166</i>	<i>1,179,219,575</i>
Expected credit loss allowance				
Balance at March 31, 2022	(2,799,190)	(2,399,838)	(34,577,587)	(39,776,615)
Transfer to stage 1	(536,929)	—	—	(536,929)
Transfer to stage 2	—	(129,290)	—	(129,290)
Transfer to stage 3	—	—	(376,627)	(376,627)
Net re-measurement of loss allowance	1,738,900	1,168,382	1,106,970	4,014,252
Amounts charged-off/write-off	—	—	(3,905,035)	(3,905,035)
<i>Total expected credit loss allowance</i>	<i>(1,597,219)</i>	<i>(1,360,746)</i>	<i>(37,752,279)</i>	<i>(40,710,244)</i>
Balance at March 31, 2023	<i>974,760,567</i>	<i>38,936,877</i>	<i>124,811,887</i>	<i>1,138,509,331</i>
Interest receivable				<i>7,881,966</i>
<i>Net loans and advances</i>				<i>1,146,391,297</i>

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

Credit risk ...continued

Credit Quality Analysis ...continued

	2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Loans and advances at amortised cost				
Current	848,730,456	—	—	848,730,456
Overdue <30 days	115,972,603	—	—	115,972,603
Overdue 31 days to 89 days	—	28,309,533	—	28,309,533
Overdue over 90 days	—	—	154,427,303	154,427,303
<i>Total gross loans</i>	964,703,059	28,309,533	154,427,303	1,147,439,895
Expected credit loss allowance				
Balance at March 31, 2021	(2,054,158)	(1,460,060)	(29,614,265)	(33,128,483)
Transfer to stage 1	(869,698)	—	—	(869,698)
Transfer to stage 2	—	(99,906)	—	(99,906)
Transfer to stage 3	—	—	(298,550)	(298,550)
Net re-measurement of loss allowance	124,666	(839,872)	(4,664,772)	(5,379,978)
Amounts charged-off/write-off	—	—	—	—
Total expected credit loss allowance	(2,799,190)	(2,399,838)	(34,577,587)	(39,776,615)
Balance at March 31, 2022	961,903,869	25,909,695	119,849,716	1,107,663,280
Interest receivable				7,316,307
<i>Net loans and advances</i>				1,114,979,587

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit Quality Analysis ...continued

	2023			
	Stage 1 \$	Stage 2 \$	POCI \$	Total \$
Sovereign debt securities measured at amortised cost				
Standard & Poor's rating: B				
Government of Barbados				
- series B & D bonds ***	—	—	14,702,065	14,702,065
<i>Not rated</i>				
Barbados Port Inc.	6,986,992	—	—	6,986,992
<i>Gross sovereign debt securities</i>	6,986,992	—	14,702,065	21,689,057
<i>Expected credit losses allowance</i>	(3,147)	—	—	(3,147)
<i>Interest receivable</i>	4,509	—	—	4,509
<i>Net sovereign debt securities</i>	6,988,354	—	14,702,065	21,690,419

*** During the financial year ended March 31, 2023, the credit rating of the Government of Barbados series B & D bonds as per Standard & Poor's was B- (stable) (2022: B- (stable)).

	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Term deposits measured at amortised cost				
Standard & Poor's rating:				
<i>Not rated</i>	77,111,017	-	-	77,111,017
<i>Gross term deposit</i>	77,111,017	—	—	77,111,017
<i>Expected credit losses allowance</i>	(68,586)	—	—	(68,586)
<i>Interest receivable</i>	1,713,544	—	—	1,713,544
<i>Net term deposits</i>	78,755,975	—	—	78,755,975

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

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23 Financial risk management ...continued

Credit risk ...continued

Credit Quality Analysis ...continued

	2022			
	Stage 1 \$	Stage 2 \$	POCI \$	Total \$
Sovereign debt securities measured at amortised cost				
Standard & Poor's rating: B				
Government of Barbados				
- series B & D bonds ***	—	—	14,915,552	14,915,552
<i>Not rated</i>				
Barbados Port Inc.	8,779,119	—	—	8,779,119
<i>Gross sovereign debt securities</i>	8,779,119	—	14,915,552	23,694,671
<i>Expected credit losses allowance</i>	(6,387)	—	—	(6,387)
<i>Interest receivable</i>	1,522	—	—	1,522
<i>Net sovereign debt securities</i>	8,774,254	—	14,915,552	23,689,806

*** During the financial year ended March 31, 2023, the credit rating of the Government of Barbados series B & D bonds as per Standard & Poor's was B- (stable) (2022: B- (stable)).

	2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Term deposits measured at amortised cost				
Standard & Poor's rating:				
<i>Not rated</i>	42,593,502	—	—	42,593,502
<i>Gross term deposit</i>	42,593,502	—	—	42,593,502
<i>Expected credit losses allowance</i>	(36,765)	—	—	(36,765)
<i>Interest receivable</i>	1,051,788	—	—	1,051,788
<i>Net term deposits</i>	43,608,525	—	—	43,608,525

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit Quality Analysis ...continued

The movement across the loan portfolio as at March 31, are in the following staging categories:

	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Gross carrying amount April 1, 2022	964,703,059	28,309,533	154,427,303	1,147,439,895
Stage 1 to stage 2	(30,791,513)	28,401,166	—	(2,390,347)
Stage 1 to stage 3	(18,520,798)	—	17,444,825	(1,075,973)
Stage 2 to stage 1	9,301,825	(12,211,262)	—	(2,909,437)
Stage 2 to stage 3	—	(10,709,876)	10,350,358	(359,518)
Stage 3 to stage 1	3,759,202	—	(11,773,481)	(8,014,279)
Stage 3 to stage 2	—	2,266,311	(2,721,433)	(455,122)
Net loans originated (paid)	47,906,011	4,241,751	(5,163,406)	46,984,356
Gross carrying amount April 1, 2023	976,357,786	40,297,623	162,564,166	1,179,219,575
	2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Gross carrying amount April 1, 2021	874,181,931	58,350,105	147,026,196	1,079,558,232
Stage 1 to stage 2	(14,464,010)	13,481,721	—	(982,289)
Stage 1 to stage 3	(19,266,196)	—	18,369,703	(896,493)
Stage 2 to stage 1	31,196,865	(35,474,276)	—	(4,277,411)
Stage 2 to stage 3	—	(8,609,456)	8,176,740	(432,716)
Stage 3 to stage 1	6,181,011	—	(7,681,639)	(1,500,628)
Stage 3 to stage 2	—	3,351,731	(3,754,882)	(403,151)
Net loans originated (paid)	86,873,458	(2,790,292)	(7,708,815)	76,374,351
Gross carrying amount April 1, 2022	964,703,059	28,309,533	154,427,303	1,147,439,895

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Credit risk ...continued

Credit Quality Analysis ...continued

The movement across ECL stages at March 31 were as follows:

	2023			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Expected credit loss allowance				
Beginning balance	2,799,190	2,399,838	34,577,587	39,776,615
Stage 1 to stage 2	(89,345)	82,409	-	(6,936)
Stage 1 to stage 3	(53,740)	-	50,618	(3,122)
Stage 2 to stage 1	788,529	(1,035,165)	-	(246,636)
Stage 2 to stage 3	-	(907,891)	877,414	(30,477)
Stage 3 to stage 1	841,717	-	(2,636,182)	(1,794,465)
Stage 3 to stage 2	-	507,446	(609,352)	(101,906)
Net ECL re-measurement	(2,689,132)	314,109	5,492,194	3,117,171
Ending balance	1,597,219	1,360,746	37,752,279	40,710,244

The movement across ECL stages at March 31 were as follows:

	2022			
	Stage 1 \$	Stage 2 \$	Stage 3 \$	Total \$
Expected credit loss allowance				
Beginning balance	2,054,158	1,460,060	29,614,265	33,128,483
Stage 1 to stage 2	(33,988)	31,679	-	(2,309)
Stage 1 to stage 3	(45,272)	-	43,165	(2,107)
Stage 2 to stage 1	780,621	(887,652)	-	(107,031)
Stage 2 to stage 3	-	(215,429)	204,602	(10,827)
Stage 3 to stage 1	1,244,990	-	(1,547,249)	(302,259)
Stage 3 to stage 2	-	675,111	(756,315)	(81,204)
Net ECL re-measurement	(1,201,319)	1,336,069	7,019,119	7,153,869
Ending balance	2,799,190	2,399,838	34,577,587	39,776,615

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Credit Union will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Credit Union might be unable to meet its payment obligations when they fall due under both normal and stressed circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Credit Union has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Credit Union maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Credit Union also has committed lines of credit that it can access to meet liquidity needs.

The steps taken by the Credit Union to respond to possible future liquidity constraints arising from adverse economic conditions and the impact of those steps on the Credit Union's financial statements include the following:

- i. The Finance, Investment and Asset Management Committee meets monthly to discuss strategies and plans around managing the liquidity and the capital needs of the Credit Union;
- ii. Analysis of account aggregation to ensure funding sources are adequately stratified;
- iii. Robust stress testing of our liquidity buffer at levels above regulatory requirements;
- iv. Assessing the monthly inflow and outflow of funds (liquidity forecasting);
- v. Identifying and assessing the adequacy of contingency liquidity funding for our subsidiaries;
- vi. Revisiting measures geared at strengthening the Credit Union's capital base;
- vii. Monitoring of portfolio behavioral matrices in reference to members servicing their loans;
- viii. Performs periodic liquidity and profitability evaluations for existing activities and strategies;
- ix. Identifies primary and contingent funding sources needed to meet daily operations, as well as seasonal and cyclical cash flow fluctuations;
- x. Ensures liquidity management strategies are consistent with the board's expressed risk tolerance; and
- xi. Evaluates liquidity and profitability risks associated with new business activities.

The Credit Union monitors its loan commitments, which are off-balance sheet items and include unfunded residential mortgages, consumer loans and undrawn lines of credit. Sound risk management practices include closely monitoring the amount of unfunded commitments that require funding over various periods and detailing anticipated demands against unfunded commitments in internal reports and contingency plans.

In addition, the Credit Union maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cashflow. This portfolio value has an estimated value of \$435,708,442 (2022: \$419,998,157) as at March 31, 2023. In balancing profitability goals and liquidity demands, management carefully evaluates the benefits (yield and increased marketability) of holding liquid assets against the expected higher returns associated with less liquid assets. The Credit Union also has a committed line of credit facility for \$7,800,000 that it can access to meet liquidity needs in cases of adverse conditions which results in greater operational cashflows.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Liquidity risk and funding management ...continued

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows (including estimated interest payments) of the Credit Union's financial liabilities as of March 31, 2023 and March 31, 2022 on the basis of their earliest possible contractual maturity.

Liquidity risk - Financial liabilities

	2023				Total \$
	Within 3 months \$	Within 3-12 months \$	Within 1-5 years \$	Over 5 years \$	
Deposits	799,742,597	142,056,538	558,950,193	64,663,625	1,565,412,953
Reimbursable shares	—	—	22,725,836	—	22,725,836
Other liabilities	251,788	9,667,555	1,442,305	139,545	11,501,193
	799,994,385	151,724,093	583,118,334	64,803,170	1,599,639,982

	2022				Total \$
	Within 3 months \$	Within 3-12 months \$	Within 1-5 years \$	Over 5 years \$	
Deposits	753,165,831	131,323,722	567,852,513	66,086,919	1,518,428,985
Reimbursable shares	—	—	20,756,626	—	20,756,626
Other liabilities	276,912	10,656,046	2,282,566	2,030,732	15,246,256
	753,442,743	141,979,768	590,891,705	68,117,651	1,554,431,867

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Credit Union is mainly exposed to interest rate risk. The Credit Union's exposure to currency risk is minimal since it does not have any significant foreign currency denominated assets.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

March 31, 2023

(expressed in Barbados dollars)

23 Financial risk management ...continued

Market risk ...continued

Interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

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23 Financial risk management ...continued

Market risk ...continued

Interest rate risk ...continued

A summary of the Credit Union's interest rate gap position is as follows:

	2023					
	Up to 3 months \$	Within 3 - 12 months \$	Within 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Cash resources	357,042,421	7,724,987	70,941,034	—	—	435,708,442
Financial investments						
Debt securities - amortised cost	1,789,904	9,179,472	10,721,043	—	—	21,690,419
Debt securities- FVTPL	—	—	—	10,000,000	—	10,000,000
Loans and advances	41,313,771	29,129,436	231,190,615	844,757,475	—	1,146,391,297
Due from related companies	287,299	770,532	4,760,430	1,743,851	17,029,066	24,591,178
Other assets	—	—	—	—	14,600,031	14,600,031
Total assets	400,433,395	46,804,427	317,613,122	856,501,326	31,629,097	1,652,981,367
Deposits	795,901,600	137,501,807	531,072,268	36,423,130	—	1,500,898,805
Reimbursable shares	—	—	—	—	22,725,836	22,725,836
Other liabilities	224,492	682,949	1,371,932	966	9,147,431	11,427,770
Total liabilities	796,126,092	138,184,756	532,444,200	36,424,096	31,873,267	1,535,052,411
Interest rate gap	(395,692,697)	(91,380,329)	(214,831,078)	820,077,230	(244,170)	117,929,956

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Market risk ...continued

Interest rate risk ...continued

	2022					
	Up to 3 months \$	Within 3 - 12 months \$	Within 1 - 5 years \$	Over 5 years \$	Non-interest bearing \$	Total \$
Cash resources	381,618,833	14,001,846	24,377,478	—	—	419,998,157
Financial investments						
Debt securities - amortised cost	—	14,226,169	9,463,637	—	—	23,689,806
Loans and advances	29,712,489	59,446,640	189,271,838	836,548,620	—	1,114,979,587
Due from related companies	283,732	760,965	4,701,326	2,956,354	17,338,575	26,040,952
Other assets	—	—	—	—	13,599,421	13,599,421
Total assets	411,615,054	88,435,620	227,814,279	839,504,974	30,937,996	1,598,307,923
Deposits	749,953,484	127,280,518	539,342,341	36,569,722	—	1,453,146,065
Reimbursable shares	—	—	—	—	20,756,626	20,756,626
Other liabilities	244,874	640,186	2,071,431	12,245	11,932,153	14,900,889
Total liabilities	750,198,358	127,920,704	541,413,772	36,581,967	32,688,779	1,488,803,580
Interest rate gap	(338,583,304)	(39,485,084)	(313,599,493)	802,923,007	(1,750,783)	109,504,343

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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23 Financial risk management ...continued

Market risk ...continued

Interest rate risk ...continued

An interest rate sensitivity analysis was performed to determine the impact on profit of reasonable possible changes in the interest rates prevailing as at March 31, 2023, with all other variables held constant.

The impact is illustrated and shown in the table below:

	2023 \$	2022 \$
Increase / decrease of 100 bps		
Impact on profit + 100 bps	(4,600,424)	(3,739,273)
Impact on profit - 100 bps	4,287,340	3,703,847

Operational risk

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.

While operational risk is inherent to each of the Credit Union's business activities, the exposure is minimised by ensuring that the appropriate infrastructure, controls, systems and human resources are in place. Key policies and procedures used in managing operating risk involve a strong internal audit function, segregation of duties, delegation of authority, and financial and managerial reporting.

Within the Credit Union, mitigation of operating risk is assigned to senior management supported by a well-defined organisational structure that segregates operational and administrative functions. Back-up capabilities are also maintained to ensure on-going service delivery in adverse circumstances.

In addition, periodic reviews are undertaken by the Internal Audit department. The results of the reviews are discussed with the management of the business unit to which they relate, senior management and Board of Directors.

24 Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is best evidenced by a quoted market price, if one exists.

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

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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(expressed in Barbados dollars)

24 Fair value ...continued

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

For financial assets and financial liabilities that are liquid or have short term maturity, it is assumed that the carrying amounts approximate their fair value. These include cash resources, due from related companies, other assets, financial instruments, other liabilities and reimbursable shares. The fair value of debt securities is based on quoted prices where available, or otherwise based on an appropriate yield curve with the same remaining term to maturity. The fair value of loans and advances largely approximates carrying value as the Credit Union's portfolio comprises mainly variable rate loans. The fair value of deposits takes account of certain fixed rate deposits which have been discounted at current interest rates.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are shown in the table below:

	2023		2022	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets				
Cash resources	435,708,442	435,708,442	419,998,157	419,998,157
Financial investments				
- Amortised cost	21,690,419	21,690,419	23,689,806	23,689,806
- FVTPL	10,000,000	10,000,000	—	—
- FVOCI - quoted	890,000	890,000	890,000	890,000
- FVOCI - unquoted	2,040,336	2,040,336	1,770,000	1,770,000
Loans and advances	1,146,391,297	1,146,529,874	1,114,979,587	1,116,997,717
Due from related companies	24,591,178	24,591,178	26,040,952	26,040,952
Other assets	14,600,031	14,600,031	13,599,421	13,599,421
	1,665,911,703	1,666,050,280	1,600,967,923	1,602,986,053
Liabilities				
Deposits	1,500,898,805	1,565,412,953	1,453,146,065	1,518,428,985
Reimbursable shares	22,725,836	22,725,836	20,756,626	20,756,626
Other liabilities	11,427,770	11,427,770	14,900,889	14,900,889
	1,535,052,411	1,599,566,559	1,488,803,580	1,554,086,500

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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24 Fair value ...continued

Determination of fair value and fair value hierarchy

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

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

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

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

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

The following table presents the Credit Union's financial instruments that are measured at fair value.

	2023			
	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
Investment securities				
Equity securities				
- FVOCI - quoted		890,000	—	890,000
- FVOCI - unquoted	—	—	2,040,336	2,040,336
Debt securities				
- FVTPL		—	10,000,000	10,000,000
		890,000	12,040,336	12,930,336

March 31, 2023**24 Fair value ...continued**

The following table shows a reconciliation of all movements in the fair value of financial investments categorised within Level 2 between the beginning and end of the reporting period.

The following table shows a reconciliation of all movements in the fair value of financial investments categorised within Level 3 between the beginning and end of the reporting period.

There were no transfers in or out of Level 3 during the year ended March 31, 2023 (2022: nil).

Significant unobservable inputs that have been considered in determining the fair value of Level 3 securities are as follows:

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The valuation assessment performed was based on a market approach and in particular, comparable company valuation multiples. In concluding using this approach, a median of the various market based multiples was considered. These multiples included the price to book value multiple, price to earnings multiple, EBITDA multiple, EBIT multiple and revenue multiple.	Shareholding percentage Net assets Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Earnings Before Interest and Tax (EBIT) Revenue	The estimated fair value would increase/(decrease) if: Shareholding increases/(decreases) Net assets were higher/(lower) EBITDA was higher/(lower) EBIT was higher/(lower) Revenue was higher/(lower)
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25 Capital management

The Credit Union's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of financial institutions where the Credit Union operates;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns to its members and benefits to other stakeholders, and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Credit Union's management, employing techniques based on policies and guidelines regulated by the Co-operative Societies Act.

The Credit Union's approach to managing capital did not change during the period.

Regulatory capital requirement

Under governing legislation which became effective March 31, 2008, the Credit Union is required to transfer from net surplus for the year an amount equivalent to the greater of 25% of net surplus or 0.5% of total assets until the capital to total assets ratio equals 10%. (Note 19)

The Credit Union has complied with all externally imposed capital requirements.

Barbados Public Workers' Co-operative Credit Union Limited

Notes to the Separate Financial Statements

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26 Goodwill Co-operative Credit Union Limited

At a Special General Meeting on October 25, 2014, the members of Goodwill Co-operative Credit Union Limited ("Goodwill") approved the transfer of Goodwill's assets and liabilities to the Credit Union, in accordance with section 132 of the Co-operative Societies Act. The Credit Union subsequently held a Special General Meeting on January 29, 2015, where its members approved the acceptance of the transfer.

The Financial Services Commission effectively approved the cancellation of the registration of Goodwill Co-operative Credit Union Limited on April 16, 2015.

The total assets and liabilities of Goodwill are recorded within Other Assets (Note 15) and Other Liabilities (Note 17) and are disclosed within the respective notes.