2019 CONSOLIDATED Annual Report

People Helping People

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

(246) 622-9000 | www.publicworkers.bb

2019
CONSOLIDATED Annual Report

People Helping People

CONTENTS

LEGACY FOUNDATION

WELLNESS | EMPOWERMENT | LEARNING

www.legacybarbados.org

Who We Are

Legacy Foundation is the philanthropic arm of the Barbados Public Workers' Co-operative Credit Union Limited and its associated companies.

At our core, Legacy Foundation is about making a positive impact that will leave a lasting impression in the communities where our Group of Companies operate. Whether it's a small charitable grant to a local school or a large charitable grant to a public entity, we engage in opportunities that align with Legacy Foundation's strategic objectives.

ORGANISATIONAL STRUCTURE

Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) is a member based financial co-operative. It therefore serves members only and focusses on providing financial services to individuals with the main goal of service to members.

BPW Financial Holdings Inc. was established to hold the shares of BPWCCUL's subsidiary CAPITA Financial Services Inc.

CAPITA Financial Services Inc. (CAPITA) is a wholly owned subsidiary of BPWCCUL and provides financial services to both individuals and corporates. CAPITA focusses on increasing shareholder return through the provision of competitive financial products and services.

CAPITA Insurance Brokers Inc. (CIB) is a wholly owned subsidiary of CAPITA Financial Services Inc., setup to provide an additional source of revenue and return for its shareholders and increase the value proposition for members and clients within the Group of Companies CAPITA Insurance Brokers Inc. (CIB) is a wholly owned subsidiary of CAPITA Financial Services Inc., setup to provide an additional source of revenue and return for its shareholders and increase the value proposition for members and clients within the Group of Companies.

OUR LEADERS

Barbados Public Workers' Co-Operative Credit Union Limited

President
Bro. Glendon Belle

Vice President
Bro. Cedric Murrell

Treasurer
Sis. Kerry-Ann King

Secretary
Sis. Julie Corbin

Assistant Secretary
Bro. Trevor Colucci

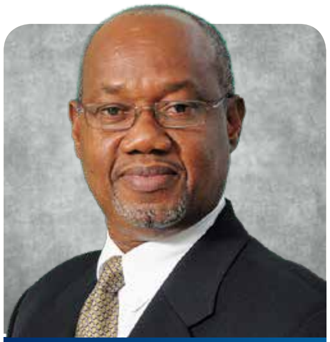
Director
Bro. Troy White

Director
Bro. Clint Hurley

Director
Sis. Tanya Chase

Director
Sis. Lydia Lewis

BPW Financial Holdings Inc.



Chairman
Mr. Cedric Murrell

Vice Chairman
Mr. Glendon A. Belle

Director
Ms. Lydia Lewis

Director
Mr. Luther Jones

Director
Mr. Mark Hope

OUR LEADERS *(Continued)*

CAPITA Financial Services Inc.

Chairperson
Dr. Stacey Estwick

Vice Chairman
Mr. Trevor Colucci

Secretary
Ms. Tanya Chase

Director
Dr. Philmore Alleyne

Director
Mrs. Bertha Pilgrim

Director
Mr. Glyne Harrison

Director
Mr. Michael Mayers

Director
Mr. Hilford Murrell

Director
Mr. Anthony Christie

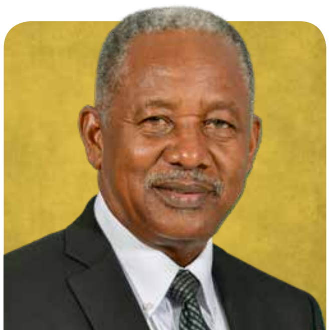
CAPITA Insurance Brokers Inc.

Chairman
Mr. Glendon A. Belle

Vice Chairman
Mr. Cameron Haynes

Secretary
Mr. Clint Hurley

Director
Ms. Deborah Walkes



Director
Mr. Frank Odle

Director
Mr. Glyne Harrison

Director
Mr. Paul Maxwell

CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2015 TO MARCH 31, 2019

In Bds $'000

	2019	2018	2017	2016	2015
Statement of financial position:					
Assets					
Cash and equivalents	216,110	112,849	68,263	73,065	56,129
Investments and other short term deposits	61,974	76,711	84,338	90,309	83,628
Loans to Members (net)	1,235,760	1,174,576	1,099,233	1,001,430	906,060
Property and Equipment	59,772	59,741	44,725	31,712	30,060
Other	18,476	22,011	18,804	19,582	14,801
	1,592,092	1,445,888	1,315,363	1,216,098	1,090,678
Liabilities					
Deposits	1,400,074	1,259,922	1,138,486	1,037,172	915,312
Loans Payable	13,520	15,230	22,323	41,011	52,035
Other	27,362	23,277	21,957	20,619	17,883
	1,440,956	1,298,429	1,182,766	1,098,802	985,230
Equity					
Share Capital	11,401	10,706	10,084	9,407	8,764
Reserve Fund	134,694	121,094	107,687	97,658	89,804
Other Reserves	4,903	5,854	5,808	4,412	2,773
Retained earnings	138	9,805	9,018	5,819	4,107
	151,136	147,459	132,597	117,296	105,448
	1,592,092	1,445,888	1,315,363	1,216,098	1,090,678
Statement of income:					
Interest Income	104,657	101,056	95,242	89,462	80,930
Interest Expense	33,491	32,166	33,400	32,978	31,176
Net Interest Income	71,166	68,890	61,842	56,484	49,754
Other income	5,890	6,129	5,604	5,021	3,730
Net income and other income	77,056	75,019	67,446	61,505	53,484
Impairment loss on subsidiary	2,910	0	0	0	0
Impairment expense	4,151	6,942	5,032	4,246	3,951
Net operating income	69,995	68,077	62,414	57,259	49,533
Total operating expenses	54,441	49,778	45,648	41,481	38,151
Loss on Government Security	4,038	0	0	0	0
Net income before taxes	11,516	18,299	16,766	15,778	11,382
Asset Tax	800	753	728	2,327	1,604
Corporation tax	-28	179	85	269	136
Net income after taxes	10,744	17,367	15,953	13,182	9,642

CONSOLIDATED FINANCIAL HIGHLIGHTS

FOR THE YEARS ENDED MARCH 31, 2015 TO MARCH 31, 2019

In Bds $'000

	2019	2018	2017	2016	2015
Financial statistics in percent:					
Asset Growth	10.11	9.92	8.16	11.50	7.24
Loan Growth	5.21	6.85	9.77	10.53	9.81
Deposit Growth	11.12	10.67	9.77	13.31	9.09
Net Surplus Growth	-38.14	8.86	21.02	36.71	-13.35
Return on Assets	0.71	1.26	1.26	1.14	0.91
Return on Equity	7.20	12.40	12.77	11.84	9.54
Operating Efficiency	77.78	73.12	73.14	72.44	77.02
Net Interest Margin	4.69	4.99	4.89	4.90	4.72

	2019	2018	2017	2016	2015
Other statistics					
Delinquency ratio (%)	8.6	7.4	6.3	6.3	6.7
# of members (000'S)	95.0	89.2	84.0	78.4	73.0
# of branches	6	6	4	4	4

	2019	2018	2017	2016	2015
Net income per member	$113.09	$194.70	$189.92	$168.14	$132.03

PRINCIPAL BANKERS

Barbados Public Workers' Co-operative Credit Union Limited - **Republic Bank (Barbados) Ltd.**
BPW Financial Holdings Inc. - **CIBC First Caribbean International Bank**
CAPITA Financial Services Inc. - **CIBC First Caribbean International Bank**
CAPITA Insurance Brokers Inc. - **First Citizens Bank (Barbados) Limited**

AUDITORS

KPMG – **Chartered Accountants**

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Group's Annual Report provides a discussion and analysis of the financial position and performance of the consolidated operations of the Barbados Public Workers' Co-operative Credit Union Limited, and its subsidiaries ("the Group") for the financial year ended March 31, 2019.

The Group includes the parent, Barbados Public Worker's Co-operative Credit Union Limited, its subsidiary BPW Financial Holdings Inc. and its subsidiaries Capita Financial Services Inc. ("Capita") and Capita Insurance Brokers Limited ("CIB").

OVERVIEW:

The income year 2019 can be best described as a challenging year, primarily for the financial sector, some of which reported losses for the year under review. The prevailing and extended difficult economic conditions have affected the operations and performance of the Group. The Group experienced mixed results such as significant growth in deposits. However, loan growth was below expectations while delinquency increased.

At March 31, 2019, the total consolidated assets of the Group reached $1.6 billion reflecting growth of $146.2 million or 10.1 percent (2018 $130.5 million or 9.9 percent) and represents an average rate of growth of $12.2 million (2018 $10.9 million) per month.

The achievement of this level of growth in difficult circumstances was mainly due to the growth in deposits and signals the confidence, loyalty and support in which members and customers continue to place in the respective Boards, Management and Staff of the Group.

SNAPSHOT OF CAPITA'S PERFORMANCE

CAPITA continued to realize steady growth since its acquisition in August 2010, recording asset growth of $19.8 million or 7.6 percent for the year to reach $281.1 million at March 31, 2019.

Income before de-recognition of Government securities, levies and taxation at March 31, 2019 was approximately $1.9 million versus $1.5 million for the financial year ended March 31, 2018.

The Asset Tax for the year was $799.8 thousand increasing by $47.3 thousand or 6.3 percent over the prior year ended March 31, 2018.

The loss on de-recognition precipitated by the restructuring of the Government securities in the financial year ending March 2019 was $403.3 thousand.

CAPITA's income before taxation was $705.6 thousand while net income after tax was $733.8 thousand for the year.

As part of its planned income diversification strategy, CAPITA continues to work with the Co-operative and Credit Union Leagues in Barbados and St. Lucia to deploy a number of services including ATM, Debit Card and Credit Card services.

GROUP PERFORMANCE SUMMARY:

The Group's consolidated net income before levies and taxation for the year under review was $11.5 million compared with $18.8 million for the previous year. This result was impacted by the loss on Government securities of $4.0 million and the impairment loss on Goodwill of $2.9 million, both of which were not factors in prior years. It is also worthy to note, that the tax levied on the assets of the Group for the year ended March 31, 2019 was reported at $799.8 thousand (2018 $752.6 thousand) and corporation tax recovery (credit) of $28 thousand.

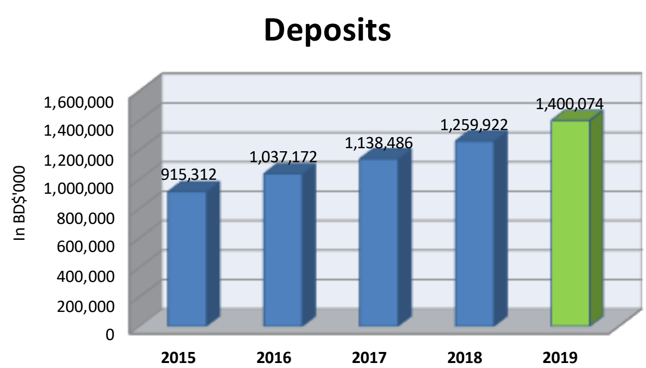
It is noted here that the Group adopted IFRS 9 effective this financial year and details to this effect are reflected in the notes of these consolidated financial statements.

Net income after tax and levies for the year totaled $10.7 million compared to $17.4 million for the year ended March 31, 2018.

The Group's expected credit allowance (ECL) (2018: loan impairment provision) increased by $1.4 million in 2019 mainly due to the adoption of accounting standard, IFRS 9 which replaced IAS 39. Consequently, the ratio of expected credit losses to non-performing loans was 25.3 percent compared to 33.2 percent in 2018.

Overall, the Group recorded growth year-on-year in its key areas of operations. Loan growth in 2019 was $61.8 million or 5.2 percent compared to $77.5 million or 6.9 percent in 2018. Similarly, deposit growth in 2019 was $140.2 million or 11.1 percent as compared to $121.4 million or 10.7 percent in 2018.

Throughout the financial year ended March 31, 2019, interest rates on savings and deposits trended downwards at some leading financial institutions which reached a low of 0.01 percent at March 31, 2019. However, the minimum interest rate on deposits within the Group at March 31, 2019 stood at 1.25 percent.



Net interest margin for the year was 3.9 percent as compared to 4.7 percent in 2018.

ECONOMIC OUTLOOK

In its press release of December 2018, the Central Bank of Barbados stated that the year 2018 was a very challenging one for the Barbadian economy and that economic activity remained sluggish. Other key features in the release includes:

1. The need to sustain the fiscal consolidation efforts could continue to dampen economic activity. Real economic activity contracted by an estimated 0.6% in 2018, as moderate gains in tourism were outweighed by the fall-off in manufacturing and other services.
2. The forecast for global growth, including our major

source markets, has been revised downwards by the IMF from 3.7 percent to 3.5 percent.

3. Liquidity in the banking system is expected to remain high and the excess cash will continue to keep interest rates very low. The weighted average deposit rate of 0.2 percent was virtually unchanged since 2017 and is expected to continue, while the weighted average loan rate was 6.8 percent, approximately twenty basis points higher than last year.
4. Over the past decade, the average rate of growth was negative 0.7 percent. Revitalizing growth is therefore critical but the forecast for 2019 is for growth to be flat. The release's expectation is that, the road ahead remains challenging, but that the commitment of the Government and all Barbadians to continue the critical structural reforms, will position the economy to overcome these hurdles and strengthen economic sustainability.

Potential impact of Current Economic Conditions on the Group:

1. Economic slowdown could impact realization of set financial goals and could also over-extend the support structures such as Social Outreach, Education and Grants. The Credit Union will need to find a balance between growth, surplus and member assistance and financial relief (rate reductions, interest forgiveness etc.)
2. The retrenchment programme in the Public Sector was expected to continue until the end of the first quarter of the financial year 2020. Many of our members and potential members and customers work in this sector. This could potentially affect member's ability to qualify for loans and/or service existing loans thus negatively impacting the delinquency levels, loan recovery and planned loan growth.
3. Due to cash flow constraints brought about through lower disposable income or heightened price levels, members who are employed will find that their borrowing capacity will be under strain. For some time now, the Group has been considering the introduction of risk-based lending as a mitigating factor to deal with the heightened credit risk. However, this will have to be balanced with the Credit Union's mantra of assisting our members where possible.

CONSOLIDATED FINANCIAL STATEMENT HIGHLIGHTS

REVENUES:

For the financial year ended March 31, 2019 the Group earned total interest revenue of $104.6 million, up from $101.1 million the previous year. This represented an increase of $3.6 million or 3.5 percent over the prior year. Increases in non-accrual loans due to the growth in delinquency has negatively impacted this result.

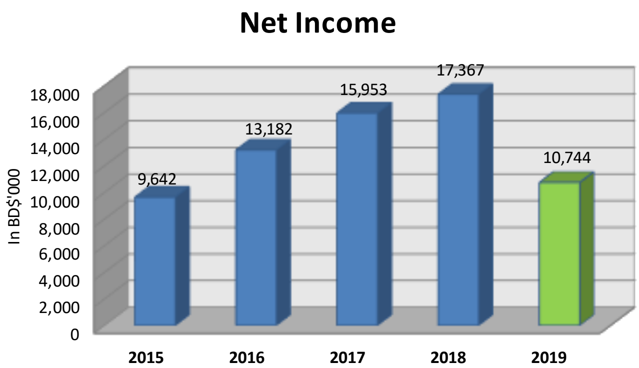
Income generated from non-interest sources decreased by $239.4 thousand or 3.9 percent from the results of prior year.

NET INTEREST INCOME:

Net interest income moved from $68.9 million in 2018 to $71.2 million at March 31, 2019. This represents an increase of $2.3 million or 3.3 percent.

NET INCOME:

The Group earned a consolidated net income before levies and taxes of $11.5 million for the year ended March 31, 2019 compared to $18.3 million for the previous year. This represented a decrease of approximately $6.8 million or 37.1 percent below the prior year. As previously stated, the impairment of goodwill of $2.9 million together with the loss on Government securities of $4.0 million contributed to this decrease.



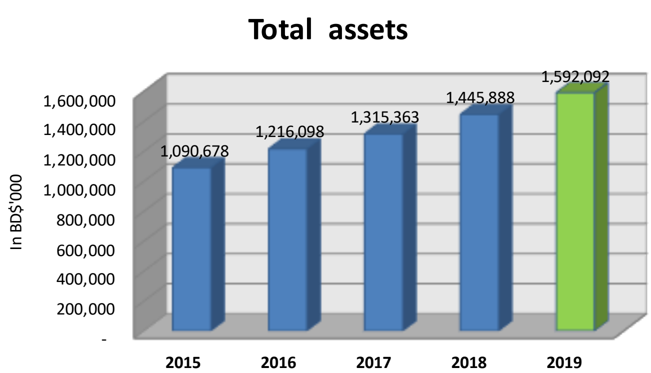
OPERATING EXPENSES:

Total operating expenses inclusive of taxes increased from $50.7 million in 2018 to $59.3 million in 2019. This was principally driven by loss on Government security, increases in repairs and maintenance, staff costs, membership security, staff and members' training, rent and utilities.

During the year, staff cost increased by $3.9 million mainly due to the following; union negotiated salary increases, the addition of 41 new employees across the Group, a full years' salary for the two newest branches at Mile & A Quarter and the Mobile Financial Center.

ASSETS:

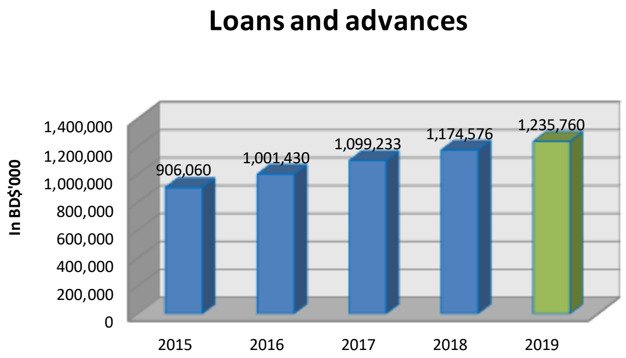
Total assets of the Group stood at $1.6 billion at March 31, 2019. This represented an increase of $146.4 million or 10.1 percent over the previous year.



MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

At March 31, 2019, the Group's consolidated net loans and advances stood at $1.2 billion, an increase of $61.2 million or 5.2 percent over prior year.

Loan growth was primarily led by increased consumer loans of $40.7 million while mortgage and business loans grew by $8.3 million and $12.9 million, respectively. Loan growth was below expectations due to the impact of the retrenchment of public sector employees and those members who were experiencing other economic challenges.



The Group remained highly liquid with total cash resources of $216.1 million compared to $112.8 million over prior year. Financial investments and other term deposits decreased by $15 million or 19.2 percent, mainly due to the de-recognition loss of investments in Government Securities and the strategic decision by management not to renew some investments upon maturity.

ASSET QUALITY:

The delinquency ratio increased to 8.7 percent at the end of March 31, 2019 compared to 6.7 percent at the end of March 31, 2018.

While this rate was above prior year, it is a trend which continues to command the highest attention of all stakeholders within the Group. We recognize these are challenging times for our members and customers, nevertheless, we will continue to make proactive changes to how we manage delinquency as a Group.

Thus, going forward, a key focus of management will be to take a hands-on approach to working with members and customers by offering them financial counselling, alternative loan facilities and restructuring plans, to assist them in maintaining a sound credit rating.

LIABILITIES:

The Group's liquidity position continues to be strong and is primarily driven by the continued growth in deposits. At the end of the financial year, the Group's deposits totaled $1.4 billion, an increase of $140.2 million or 11.1 percent compared to an increase of $121.4 million or 10.7 percent in prior year.

The Group's only external borrowing pertains to the subsidiary Capita Financial Services Inc. and at the end of the financial year, this stood at $13.5 million compared to $15.2 million in prior year.

EQUITY:

As at March 31, 2019, the Group's total equity was $151.1 million. This is an increase of $3.6 million or 2.5 percent compared to an increase of $14.9 million or 11.2 percent in the previous year.

The changes can be quantified as follows; the April 1 retro-active adjustment for the impact of IFRS 9 at $3.1 million, the issuance of shares of $1.3 million and the distribution to members, with a Dividend and Interest Rebate of $3.4 paid during the year as compared to $3.2 million in the prior year.

The Group's capital adequacy ratios continue to be above regulatory requirements and continues to be monitored on an on-going basis when assessing capital needs in evaluating changes in strategic focus, risk tolerance levels, business plans and the operating environment that might materially affect capital adequacy.

OUTLOOK – 2019 AND BEYOND

The financial year 2018/19 has been a challenging one for the Group, its members and clients, however, there are positive signs now emanating from the economy which suggests that things are starting to turn around for the country.

While the recent retrenchment exercise in the public sector would have negatively impacted some of our members, there are some positive signs such as the renewed confidence of foreign investors especially in the Tourism and Real Estate sectors.

Additionally, the recent reduction in taxation at the corporate and individual levels, will serve to increase the cash flows of companies and the disposable income of individuals.

This together with the Government's issuance of starter business loans to retrenched workers, the payment of overdue tax returns and the conclusion of the CLICO payout to individuals, all paints a picture of hope for the country.

Our Group remains optimistic that the economy will continue to see real positive changes in 2019/20 and beyond. Expectations are that these changes will improve the circumstances and well-being of our members and customers.

The Group's focus this upcoming year will include: managing loan quality to control delinquency, identifying new lending options and delivery methods to assist our members and customers; diversification of our revenue streams to address falling lending trends and leveraging new technologies to provide our products and services at an improved level of efficiency and effectiveness.

BOARD OF DIRECTORS REPORT

President
Bro. Glendon Belle

OVERVIEW

The Barbados Public Workers' Co-operative Credit Union Limited has been characterized always by its tenacity, progressive ambitious outlook, and its ready response to opportunities which are for the benefit of its members. The financial year April 01, 2018 – March 31, 2019 proved to be one of the more challenging years in recent times. Against a tapestry of events including national elections and a new Government, enhanced sector and corporate regulations, regulatory policy changes, changes in financial accounting standards, particularly the introduction of IFRS 9, an economic slowdown and lifestyle changes for our members, the Credit Union was happy to be able to continue to support you the membership during this difficult period.

PERFORMANCE

At the end of the 2018 - 2019 financial year, the Credit Union recorded total assets of $1.4 billion which represents an increase of $128.7 million or 10.5 percent over last year's performance. Cash resources totaled $233.6 million, an increase of $98.0 million or 72.3 percent, while financial investments reclassified as equity investments-amortized cost totaled $19.7 million, decreased by $6.4 million or 24.7 percent.

While the loan portfolio increased during the year under review, due to the financial challenges with the economy, this year we saw a decline in net loan growth. The impact of the well-known austerity programme and the resulting changes in the economy would be attributing factors that have given rise to a situation where members are preferring to hold strain during this period of financial uncertainty and seeking out smaller value loans on average It should be noted however, that we saw the deposit portfolio out performing its budgeted targets and totaling $1.2 billion at the yearend. Your confidence in the Credit Union to provide a sound financial option for investing was the direct result of this significant growth.

We take this opportunity to note that this year saw the introduction of a fee structure by the regulators, a significant change, which will impact the Credit Union through the direct imposition of fees based on asset size.

The performance of our subsidiary, CAPITA Financial Services Inc. (CAPITA) remained steady, and as at year-end its assets totaled $281.0 million, an increase of $19.9 million or 7.6 percent.

The consolidated assets of the Group at March 31, 2019 reflected growth of $146.4 million finishing at a total of $1.6 billion As we reflect on the financial year just ended, we commend the effects of the respective boards, management and staff who in spite of a difficult financial year across the sector, were able to ensure that members' loyalty, support and confidence were sustained. To achieve this level of growth in difficult financial circumstances is commendable and signals the confidence, loyalty and support in which members and customers continue to place in the respective boards, management and staff of the Group.

OPERATIONS

We are pleased to report that all of our branches, including the Mobile Financial Centre registered creditable performances notwithstanding the prevailing economic challenges. The overall branch performance reported total deposits of $119.8m compared to target of $105.2m, while actual loan growth recorded at the end of the financial year was $39.1m, which was 35% under budget.

This result in the overall loan growth, was commensurate with the drastic measures undertaken in the market, where many members were affected by the government's restructuring program and resulted in members being cautionary in borrowing. We also note with great regret that our members continue to experience the harsh reality of a weakened economy through decreases in disposable income, layoffs and changes to job status. These factors impacted members' ability to service outstanding debt and resulted in an increase in our delinquency at the end of the financial year. We have however been able to bring this rate to 8.6% with the assistance of the hard work and dedication of our teams and the determination of our members to honor their obligations

We understand, that when financial challenges are experienced, priorities may change, but assure you that we stand committed as a Board of Directors to help during your time of financial difficulty. The Financial Recovery Centre was conceptualized and introduced to focus on offering members financial counselling and restructuring loans of those in financial difficulty; those affected by the government restructuring programme, as well as those who may have been otherwise financially challenged. Since its commencement in October 2018, a total of four hundred and seventy- seven (477) members reached out to the Credit Union for assistance and to date many have been assisted. We continue to place priority on getting our members back on solid financial footing wherever possible, and will ensure this remains the case while the country transitions through these difficult times.

We commenced the first phase of the online loan application, with the implementation of the Enhanced Loan Application, effective January 2019. While there were teething problems, as would be the case with any new technology, loan staff are now able to process loan applications online with improved turnaround times. Our long-term objective is to be able to provide full on-line processing for members to allow for greater convenience and flexibility in your schedule.

BOARD OF DIRECTORS REPORT *(Continued)*

We are aware of the need to keep abreast with changing technologies to provide faster, efficient and effective value-added services to the members. The year 2019 – 2020 will see the Credit Union continuing to seek out technological solutions, business models and partners which will impact the way products and services are made available.

We are pleased to report that we have answered the call from our members to make loans more competitive and have reduced the rates on several products including our mortgages. Additionally, in response to your cries to make financing more accessible, we have also reviewed and relaxed some of our lending criteria around the treatment of pension income and borrower age to allow for this. It should be noted that while we are always mindful of the needs of our members in an effort to remain financially sound and viable we have had to prudently consider the reduction of rates in tandem with deposit rates, which though reduced, are still the best in the market.

We continue to realise our objective of taking the Credit Union to underserved areas. The Mobile Financial Centre, introduced to the market for this specific purpose, has been largely successful to date. This Centre has had a monthly schedule of visits to various locations island wide and has been well received wherever it was stationed. It continues to play a significant role in getting to members who may not always be able to get to us.

The Credit Union property acquired during 2017 at Lower Broad Street, Bridgetown is currently undergoing preliminary works to allow for the refurbishment to relocate the existing Upper Broad Street branch to a larger floor space to alleviate the congestion associated with the existing upper Broad Street branch. The current location is now dated and not of the standard expected of your Credit Union and on completion of the refurbishment and move, employees and members alike will enjoy commodious surroundings similar to the Belmont Road location. Rental options for the remaining floor space are being explored and we main positive about being able to do so.

CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY INVOLVEMENT

Our Credit Union is committed to, and prides itself on being a responsible corporate citizen. To this end we continue to provide support through donations and sponsorship to various groups for several events including but not limited to health, sports, education and culture. At the same time we continue to extend our assistance to members through our Social Outreach and Education Grant facilities as well as to our Annual Summer Camp and Easter Development Programs for our younger members.

We have continued our expansion of the Thrift Club School Savers Program and through discussions and outreach, we were able to successfully extend the program to the Alleyne School. This initiative has received credible support and we are committed to further expansion of this program having started discussion with two additional schools we have targeted to bring on board during the next financial year. We recognize that the future of the Credit Union, lies with our younger members and believe that once we can preserve the benefits of belonging and contributing in a co-operative way, the legacy of the Credit Union would go on for generations.

This year, we embarked on a Credit Union Educational Seminar Series geared towards those who may have been impacted by the government restructuring program, entrepreneurs and other interested members to help them equip themselves for the world of business, whether through formal employment or an entrepreneurial path. We took this approach as a way of giving back to our members through education.

Our relationship and work continued in the diaspora with visits to Atlanta, Georgia and Coventry, England during the reporting period. Both events exposed the Credit Union to insights into the challenges which Barbadians face with repatriating funds to their local accounts and reinforced our commitment to working with our Barbadian brothers and sisters away from home.

Our philanthropic arm, Legacy Foundation was incorporated for the sole purpose of giving back to the community and its success can be measured by the real difference it continues to make in people's lives. To date, we are proud to advise that Legacy Foundation has donated in excess of $600,000 to various causes.

During the reporting period, the Trustees of the Foundation formulated plans and strategies to redefine the Foundation's operations and focus on expanding the donor base beyond appropriations, these plans were as follows:

- The redesign of its logo to reflect the brands, strength and core values of the foundation – Learning, Wellness and Empowerment.
- The Foundation relaunched its website to creating depth and content to the site and providing more useful information and direct access to apply for funding. Visit them at www.legacybarbados.org
- The development of guidance information to help applicants to better understand the Foundation's funding criteria and whether their project would fit into one of its fundamental and key strategic objectives. It also provides information for applicants on what information is required when applying for funding and basic format guidelines in addition to what is required should an application be successful.
- This year the Foundation introduced a Member Engagement – In-Branch Experience, where the main feature of this campaign was a one day a month "Legacy Day" in the Credit Union branches, to share information about the Foundation. In addition, there were donation collection boxes in location so that members who wished to make a donation, could do so easily.
- Based on feedback and expressions of interest from individual members, the Foundation expanded its donor base through the development of multiple channels

through which members or the general public can support the Foundation's work. These donation channels include the following:

1. Donation collections boxes (in-branch)
2. Direct deposit to a GL account at any branch of BPWCCUL
3. Direct deposit to the Foundations bank account at RBC Royal Bank of Canada

- The Foundation evaluated a number of applications during the reporting period. Funding was provided for the following:

  a. Awarded scholarships to four (4) young men with special needs to participate in an educational programme and innovative platform to provide skills in the construction industry with Lifelong Skills Academy Inc.

  b. Awarded Get-An-Advantage Academy, an entity with a focus on inspiring breakthroughs in the way secondary children learn.

  c. Provided a service contract with Pentax Medical for the maintenance of equipment purchased for the Gastroenterology Unit at the Queen Elizabeth Hospital, a project funded in 2015.

  d. Expedited a partnership with the Barbados Kidney Association, which included the donation of ten (10) dialysis chairs and an ECG machine to the Dialysis Unit at the Queen Elizabeth Hospital (QEH) along with an extended three year agreement with the Association, to support their education and outreach initiatives with respect to renal issues.

Legacy Foundation will continue to learn and adapt in order to improve the lives of the Credit Union membership and the wider community and recognizes that communication and engagement is central to achieving the Foundation's strategic objectives to be effective. Our plans for the future include:

1. Specific and targeted community impact
2. Grant making that is both broad and deep
3. Financially sustainable operating model
4. Maximum integration of effort and resources

CORPORATE REDESIGN

The corporate redesign exercise continued during the year under review with the strategic intent to reposition the BPWCCUL, its subsidiaries and affiliated companies to be market leaders in the financial services industry within the region. We will continue to work through the redesign exercise to ensure that the corporate structure is optimized in a manner that realises this goal.

LOOKING AHEAD 2019

The Credit Union's 50th Anniversary in 2020 is less than one year away and we have begun the process to plan for this significant landmark. Who would have thought when this noble institution commenced back in 1970, that it would have stood the test of time to become an indigenous icon and a beacon of hope and pipeline for success for so many that have entered its doors. It goes without saying that our founding visionaries were on the correct tract when this institution commenced and so, as we enter into our Golden Jubilee we look forward to your support of the activities that will be planned and for your continued support of the Credit Union.

As we look to the future of our organisation, it is our goal to continue to work with you hand in hand to provide relevant and efficient services, albeit when faced with changes in technologies, regulations and the needs of our members. The Credit Union is aware of the need to remain relevant, competitive and accessible and as members of the Board of Directors, we give you the assurance that we stand by our slogan "This is where you belong", for the essence of belonging, connotes that one has somewhere to go, to be part of, to fit in and to be in the right place. Fellow members, you are in the right place, for it is in this organisation that we strive to ensure that your financial goals are met, that you are supported in your endeavours and that you can reach out to us, in times of difficulty.

ACKNOWLEDGEMENT

The Board of Directors wishes to extend gratitude to members of the elected committees, our committed staff, sub-committees and of course, you, our members for the commitment, perseverance and resolute support of the achievement of the Credit Union during the year under review.

The Board of Directors wishes also to place on record appreciation for the immense contribution, devotion and commitment of retiring directors Bro. Trevor Colucci, Sis. Julie Corbin and Sis. Kerry-Ann King.

CONDOLENCES

We take this opportunity to extend condolences to those of the Credit Union family, who lost loved ones during the past year.

KPMG
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Barbados West Indies
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P. O Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

KPMG

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of Barbados Public Workers' Co-operative Credit Union Limited, continued

Report on the Audit of the Consolidated Financial Statements, continued

Other Information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS’ REPORT (continued)

To the Members of Barbados Public Workers’ Co-operative Credit Union Limited, continued

Report on the Audit of the Consolidated Financial Statements, continued

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

KPMG

INDEPENDENT AUDITORS' REPORT (continued)

To the Members of Barbados Public Workers' Co-operative Credit Union Limited, continued

Report on the Audit of the Consolidated Financial Statements, continued

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

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

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

Other Matter

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

KPMG

Chartered Accountants
Bridgetown, Barbados
May 30, 2019

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Income

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

(Expressed in Barbados dollars)

	Notes		2019	2018
Interest income	3	$	104,657,383	101,056,083
Interest expense	3		(33,491,259)	(32,165,647)
Net interest income	3		71,166,124	68,890,436
Other income	4		5,889,753	6,129,104
Net interest and other income			77,055,877	75,019,540
Impairment loss on goodwill	17		(2,910,000)	-
Expected credit losses (2018 – impairment loss)	6		(4,151,448)	(6,942,341)
Net operating income			69,994,429	68,077,199
Staff costs	5		22,712,069	18,788,208
Operating expenses	7		25,948,555	26,239,113
Depreciation	14		5,779,966	4,751,513
Total expenses			54,440,590	49,778,834
Income before loss on derecognition of investments			15,553,839	18,298,365
Loss on derecognition of investments	12		(4,037,931)	-
Income before levies and taxation			11,515,908	18,298,365
Tax on assets	8		(799,800)	(752,574)
Income before taxation			10,716,108	17,545,791
Taxation	9		28,046	(178,787)
Net income for the year		$	10,744,154	17,367,004

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Comprehensive Income

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

(Expressed in Barbados dollars)

	Notes		2019	2018
Net income for the year		$	10,744,154	17,367,004
Items that will never be reclassified to profit or loss				
Remeasurements of defined benefit asset			(1,548,205)	364,484
Items that are or may be reclassified to profit or loss				
Net unrealised gain (loss) on FVOCI (2018 – AFS) investments			230,237	(294,656)
Other comprehensive (loss) income			(1,317,968)	69,828
Total comprehensive income for the year		$	9,426,186	17,436,832

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Financial Position

As at March 31, 2019
With comparative figures as at March 31, 2018

(Expressed in Barbados dollars)

	Notes		2019	2018
Assets				
Cash resources	11	$	252,492,100	156,888,167
Financial investments:				
Amortized cost (2018 - Held to maturity)	12		22,529,971	25,993,354
FVOCI (2018 - Available for sale)	12		2,177,258	1,941,595
FVTPL	12		884,496	778,079
Loans and receivables	12		-	3,958,401
Loans and advances	13		1,235,759,895	1,174,576,465
Property and equipment	14		59,772,033	59,741,234
Pension plan asset	15		577,288	1,808,321
Corporation tax recoverable			313,104	360,321
Intangible asset	17		-	2,910,000
Other assets	16		17,586,217	16,931,791
Total Assets		$	1,592,092,362	1,445,887,728
Liabilities and Equity				
Liabilities				
Deposits	18	$	1,400,074,381	1,259,922,245
Loans payable	19		13,520,176	15,229,798
Reimbursable shares			12,289,404	9,761,121
Corporation tax payable			-	30,678
Asset tax payable	8		391,611	262,499
Deferred taxation	9		60,327	154,141
Other liabilities	20		14,621,052	13,069,238
Total liabilities			1,440,956,951	1,298,429,720
Equity				
Share capital	21		11,400,600	10,705,800
Statutory reserves	22		134,694,284	121,093,797
Other reserves	23		4,902,996	5,853,506
Retained earnings			137,531	9,804,905
Total equity			151,135,411	147,458,008
Total Liabilities and Equity		$	1,592,092,362	1,445,887,728

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

Approved by the Board of Directors on May 30, 2019 and signed on its behalf by:

Glendon Belle
President

Kerry-Ann King
Treasurer

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Changes in Equity

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

(Expressed in Barbados dollars)

	Notes	Share Capital	Statutory Reserves	Other Reserves	Retained Earnings	Total
At March 31, 2017		$ 10,083,720	107,687,256	5,808,261	9,017,545	132,596,782
Net income		-	-	-	17,367,004	17,367,004
Other comprehensive income		-	-	69,828	-	69,828
Issue of shares		730,080	-	-	-	730,080
Redemption of shares		(108,000)	-	-	-	(108,000)
Transfer to statutory reserves	22	-	13,376,121	-	(13,376,121)	-
Entrance fees	22	-	30,420	-	-	30,420
Transfer to special reserves	23	-	-	692,398	(692,398)	-
Special reserves released to retained earnings	23	-	-	(939,102)	939,102	-
Reserve for interest on non-performing loans	23	-	-	222,121	(222,121)	-
Distributions to members	10	-	-	-	(3,228,106)	(3,228,106)
At March 31, 2018		10,705,800	121,093,797	5,853,506	9,804,905	147,458,008
Impact of IFRS 9 implementation	2(b)	-	-	-	(3,115,728)	(3,115,728)
At April 1, 2018		10,705,800	121,093,797	5,853,506	6,689,177	144,342,280
Net income		-	-	-	10,744,154	10,744,154
Other comprehensive income		-	-	(1,317,968)	-	(1,317,968)
Issue of shares		800,640	-	-	-	800,640
Redemption of shares		(105,840)	-	-	-	(105,840)
Transfer to statutory reserves	22	-	13,567,127	-	(13,567,127)	-
Entrance fees	22	-	33,360	-	-	33,360
Transfer to special reserves	23	-	-	1,108,766	(1,108,766)	-
Special reserves released to retained earnings	23	-	-	(1,002,715)	1,002,715	-
Reserve for interest on non-performing loans	23	-	-	261,407	(261,407)	-
Distributions to members	10	-	-	-	(3,361,215)	(3,361,215)
At March 31, 2019		$ 11,400,600	134,694,284	4,902,996	137,531	151,135,411

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows

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

(Expressed in Barbados dollars)

	Notes		2019	2018
Cash Flows from Operating Activities				
Income before taxation		$	10,716,108	17,545,791
Adjustments for:				
Depreciation			5,779,966	4,751,513
Expected credit losses (2018 – impairment loss)			4,151,448	6,942,341
Loss on derecognition of investments	12		4,037,931	-
Impairment loss on goodwill	17		2,910,000	-
Gain on disposal of property and equipment			(27,458)	(50,429)
Interest income			(104,657,383)	(101,056,083)
Interest expense			33,491,259	32,165,647
Dividend income			(138,376)	(101,022)
Tax on assets			799,800	752,574
			(42,936,705)	(39,049,668)
Changes in operating assets and liabilities				
Increase in mandatory reserve deposits with Central Bank			(550,000)	(425,000)
Decrease in other term deposits			8,183,998	5,474,994
Increase in loans and advances			(65,108,400)	(82,381,467)
Increase in pension plan asset			(317,172)	(211,776)
Increase in other assets			(652,035)	(2,710,514)
Increase in deposits			139,112,086	121,875,393
Increase in reimbursement shares			2,528,283	1,885,646
Increase (decrease) in other liabilities			1,551,814	(637,170)
Net cash from operations			41,811,869	3,820,438
Interest received			104,116,457	101,136,560
Interest paid			(32,451,209)	(33,604,941)
Levies paid			(670,688)	(734,340)
Income taxes paid			(49,229)	(49,616)
Net cash from operating activities			112,757,200	71,568,101
Cash Flows from Investing Activities				
Net decrease in financial investments			490,890	2,303,035
Purchase of property and equipment			(5,858,556)	(19,780,023)
Proceeds from sale of property and equipment			75,249	62,906
Dividend income received			138,376	101,022
Net cash used in investing activities		$	(5,154,041)	(17,313,060)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Consolidated Statement of Cash Flows, continued

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

(Expressed in Barbados dollars)

	Notes		2019	2018
Cash Flows from Financing Activities				
Net decrease in loans payable		$	(1,709,622)	(7,093,367)
Issue of shares			800,640	730,080
Entrance fees received			33,360	30,420
Redemption of shares			(105,840)	(108,000)
Distributions to members			(3,361,215)	(3,228,106)
Net cash used in financing activities			(4,342,677)	(9,668,973)
Net increase in cash and cash equivalents			103,260,482	44,586,068
Cash and cash equivalents, beginning of year			112,849,056	68,262,988
Cash and cash equivalents, end of year	11	$	216,109,538	112,849,056

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

1. Corporate information

Barbados Public Workers' Co-operative Credit Union Limited and its subsidiaries ("the Group") are registered under the relevant financial, co-operative and corporate legislations within the countries in which they operate.

The parent company, Barbados Public Workers' Co-operative Credit Union Limited ('the Credit Union") is a company incorporated and domiciled in Barbados with its registered office at Olive Trotman House, Keith Bourne Complex, Belmont Road, St. Michael.

On 23 March 2010, the Group incorporated a 100% owned subsidiary, BPW Financial Holdings Inc., the principal activity of which is to hold the capital investments of the Group.

On 27 August 2010, BPW Financial Holdings Inc. obtained 100% control over Clico Mortgage & Finance Corporation now renamed Capita Financial Services Inc.

On September 11, 2015, Capita Financial Services Inc. incorporated a 100% owned subsidiary, Capita Insurance Brokers Inc., the principal activity of which is provision of insurance broker services.

The Group provides savings products, credit facilities, lease financing, brokerage services and serves as a general and life insurance agent to its customer base. The Group's operations span across Barbados and St. Lucia.

2. Accounting Policies

(a) *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared on a historical cost basis, except for fair value through other comprehensive income (2018: available for sale) and fair value through the profit or loss (FVTPL) investments which have been measured at fair value.

These consolidated financial statements are expressed and presented in Barbados dollars which is the functional currency, rounded to the nearest dollar.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Credit Union and its subsidiaries, disclosed in Note 1. The consolidated financial statements of the subsidiaries are prepared for the same reporting year end as the Credit Union, using consistent accounting policies. All intra–group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2. Accounting Policies, continued

(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 are effective for annual periods beginning on or after January 1, 2018 and have been applied in preparing these consolidated financial statements. None of these have a significant effect on the consolidated financial statements except IFRS 9 disclosed below.

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

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

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

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

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

(Expressed in Barbados dollars)

2. Accounting Policies, continued

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

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

	Classification under IAS 39	Classification under IFRS 9	Carrying Amount under IAS 39	Carrying Amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Loans and receivable	Amortized cost	118,649,884	118,649,884
Term deposits	Loans and receivable	Amortized cost	12,764,789	12,757,776
Term deposits	Held to maturity	Amortized cost	25,473,494	25,465,644
Sovereign debt securities	Held to maturity	Amortized cost	25,993,354	23,699,503
Sovereign debt securities	Loans and receivable	Amortized cost	3,958,401	3,616,251
Equities securities	Available for sale	FVOCI	1,941,595	1,941,595
Equities securities	FVTPL	FVTPL	778,079	778,079
Other assets	Loans and receivables	Amortized cost	11,501,929	11,501,929
Loans and advances	Loans and receivables	Amortized cost	1,174,576,465	1,174,111,601
Total financial assets			**1,375,637,990**	**1,372,522,262**
Financial Liabilities				
Deposits	Amortized cost	Amortized cost	1,259,922,245	1,259,922,245
Reimbursable shares	Amortized cost	Amortized cost	9,761,121	9,761,121
Loans payable	Amortized cost	Amortized cost	15,229,798	15,229,798
Other liabilities	Amortized cost	Amortized cost	13,069,238	13,069,238
Total financial liabilities			**1,297,982,402**	**1,297,982,402**

(Expressed in Barbados dollars)

2. **Accounting Policies,** continued

b) *New standards, amendments and interpretations mandatory for the first time for the financial year, continued*
The following table reconciles the carrying amounts under IAS 39 to the carrying amount under IFRS 9 on transition to IFRS 9 on April 1, 2018.

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
Financial assets					
Held to maturity:					
Term deposits					
Opening balance	$	25,473,494	-	-	-
To amortized cost		-	(25,473,494)	-	-
Closing balance		-	-	-	-
Sovereign debt securities					
Opening balance		25,993,354	-	-	-
To amortized cost		-	(25,993,354)	-	-
Closing balance		-	-	-	-
Total held to maturity	$	51,466,848	(51,466,848)	-	-
Loans and receivables*:*					
Cash and equivalents					
Opening balance	$	118,649,884	-	-	-
To amortized cost		-	(118,649,884)	-	-
From loans and receivable		-	-	-	-
Closing balance		-	-	-	-
Term deposits					
Opening balance		12,764,789	-	-	-
To amortized cost		-	(12,764,789)	-	-
Closing balance		-	-	-	
Loans and advances					
Opening balance		1,174,576,465	-	-	-
To amortized cost		-	(1,174,576,465)	-	-
Closing balance		-	-	-	-
Sovereign debt securities					
Opening balance		3,958,401	-	-	-
To amortized cost		-	(3,958,401)	-	-
Closing balance		-	-	-	-
Sub-total loan and receivable c/f	$	1,309,949,539	(1,309,949,539)	-	-

(Expressed in Barbados dollars)

2. Accounting Policies, continued

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

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
Financial assets					
Sub-total loan and receivable b/f	$	1,309,949,539	(1,309,949,539)	-	-
Other assets					
Opening balance		11,501,929	-	-	-
To amortized cost		-	(11,501,929)	-	-
Closing balance		-	-	-	-
Total loan and receivable	$	1,321,451,468	(1,321,451,468)	-	-
Available for sale:					
Equity securities - quoted	$	-	-	-	-
Opening balance		1,941,595	-	-	-
To FVOCI - equity		-	(1,941,595)	-	-
Total available for sale	$	1,941,595	(1,941,595)	-	-

(Expressed in Barbados dollars)

2. Accounting Policies, continued

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

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
Financial assets					
Amortized cost:					
Cash and equivalents					
Opening balance	$	-	-	-	-
From loans and receivables		-	118,649,884	-	-
Closing balance		-	-	-	118,649,884
Term deposits					
Opening balance		-	-	-	-
From held to maturity		-	25,473,494	-	-
From loans and receivables		-	12,764,789	-	-
Remeasurement		-	-	(14,863)	-
Closing balance		-	-	-	38,223,420
Loans and advances					
Opening balance		-	-	-	-
From loans and receivables		-	1,174,576,465	-	-
Remeasurement		-	-	(464,864)	-
Closing balance		-	-	-	1,174,111,601
Sovereign debt securities					
Opening balance		-	-	-	-
From held to maturity		-	25,993,354	-	-
From loans and receivables		-	3,958,401	-	-
Remeasurement		-	-	(2,636,001)	-
Closing balance		-	-	-	27,315,754
Other assets					
Opening balance		-	-	-	-
From loans and receivables		-	11,501,929	-	-
Closing balance		-	-	-	11,501,929
Total amortized cost	$	-	1,372,918,316	(3,115,728)	1,369,802,588

(Expressed in Barbados dollars)

2. Accounting Policies, continued

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

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
FVOCI – equity:					
From available for sale	$	-	1,941,595	-	-
Total FVOCI - equity	$	-	1,941,595	-	1,941,595
FVTPL - equity	$	778,079	-	-	778,079
Financial liabilities					
Amortized cost:					
Deposits	$	1,259,922,245	-	-	1,259,922,245
Reimbursable shares		9,761,121	-	-	9,761,121
Loans payable		15,229,798	-	-	15,229,798
Other liabilities		13,069,238	-	-	13,069,238
Total amortized cost	$	1,297,982,402	-	-	1,297,982,402

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

Opening balance under IAS 39 at March 31, 2018	$	9,804,905
Recognition of expected credit losses under IFRS 9 *(including loans and advances, undrawn loan commitments term deposits and sovereign debt securities)*		(3,115,728)
Closing balance under IFRS 9 at April 1, 2018	$	6,689,177

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

		IAS 39 carrying amount March 31, 2018	Re-classification	Re-measurement	IFRS 9 carrying amount April 1, 2018
Loans and advances	$	(26,719,005)	-	(464,864)	(27,183,869)
Sovereign debt securities		-	-	(2,636,001)	(2,636,001)
Term deposits		-	-	(14,863)	(14,863)
	$	(26,719,005)	-	(3,115,728)	(29,834,733)

2. Accounting Policies, continued

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

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

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

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

(c) New standards and interpretations in issue but not yet effective
New standards, interpretations and amendments to extensive standards that are not yet effective and have not been early adopted by the Group are as follows:

- IFRS 16 *Leases* – effective January 1, 2019
- IFRIC 23 *Uncertainty over Income Tax Treatments* – effective January 1, 2019
- Annual improvements to IFRS Standards 2015 – 2017 Cycle various standards – effective January 1, 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – effective January 1, 2019
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement – effective January 1, 2019
- Amendments to IFRS 3 - Definition of a Business – effective January1, 2020
- Amendments to References to Conceptual Framework in IFRS Standards – effective January 1, 2020
- Amendments to IAS 1 and IAS 8 - Definition of Material - effective January 1, 2020

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

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

2. Accounting Policies, continued

(d) Financial instruments

Non-derivative financial assets and liabilities
The Credit Union initially recognises cash resources, financial investments, loans and advances, due from related companies, other assets, deposits, loans payable, reimbursable shares and other liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

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

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

2. Accounting Policies, continued

(d) Financial instruments

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

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

Business model assessment
The Group 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 Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)
In assessing whether the contractual cash flows are SPPI, the Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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).

2. Accounting Policies, continued

(d) Financial instruments, continued

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

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

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

Financial assets measured at held to maturity

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

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

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

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

Financial assets measured at available for sale

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

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

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

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

2. Accounting Policies, continued

(d) Financial instruments, continued

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

Financial assets measured at available for sale, continued
For available-for-sale financial investments, the Group assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

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

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

Derecognition
Financial assets
The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

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

2. Accounting Policies, continued

(d) Financial instruments, continued

Derecognition

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group 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.

Modifications of financial assets and liabilities

Financial assets

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

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

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

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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.

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions

The preparation of the consolidated 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 consolidated 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.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group 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 Level 3 fair values. This team reports directly to the Group Financial Controller. 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 Group's investment policy. This Committee meets monthly to review any challenges as it relates to the carrying value of the Group's assets and liabilities.

When measuring the fair value of an asset or a liability, the Group 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 27.

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

Impairment of non-derivative financial assets and non-financial assets

Please refer to significant accounting policy note 2(p).

2. Accounting Policies, continued

(e) Significant accounting judgments, 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

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

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 consolidated 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 (2018 - available for sale) investments, are recognised in other comprehensive income.

(g) Cash and cash equivalents

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.

2. Accounting Policies, continued

(h) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are included in the consolidated 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 consolidated statement of income. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

Items of property and equipment are depreciated from the date they are available for use. Depreciation is recognised in the consolidated 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%

(i) Leased assets

Leased assets

For assets leased out under finance leases, the present value of the lease payments at the start of the lease is recognised as a receivable and is included in loans and advances. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return.

Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

Lease payments

For assets leased out under operating leases, the total payments received are included as other operating income in the consolidated statement of income on the straight-line basis over the period of the lease.

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Accounting Policies, continued

(j) Reimbursable shares

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

(k) 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 amortized cost using the effective interest rate method.

(l) 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 amortized cost using the effective interest rate method.

(m) 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 Group and distributed via credits to members' deposits.

(n) 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 Group 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

For all financial instruments measured at amortized cost, interest income or expense is recognized in the consolidated statement of income using the effective interest method. The effective interest rate (EIR), is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or a shorter period, where appropriate), to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. For financial liabilities such as deposits, interest is expensed based on the outstanding balance of these deposit accounts.

Fees and commission income

Fees and commission income are generally recognised on an accrual basis when the service has been provided.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

2. Accounting Policies, continued

(o) Taxation

A subsidiary is subject to income taxes in both Barbados and St. Lucia. Significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

(p) Expected credit losses and impairment

Non derivative financial assets

As at April 1, 2018 and thereafter, the Group recognizes a forward looking expected credit loss model on its financial assets measured at amortized cost and loan commitments issued. At each reporting date, the Group 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 Group measures the loss allowance for the financial asset an amount equal to twelve month expected credit losses (Stage 1).

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability weighted basis.

The ECL allowance associated with financial assets measured at amortized cost are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the assets.
For loan commitments, generally a provision is recognized. In the event the financial instruments includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment separately from the drawn component, the Group 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.

No impairment loss is recognized on equity investments.

2. Accounting Policies, continued

(p) Expected credit losses and impairment, continued

Non derivative financial assets

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 Group on terms that the Group 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 Group 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.

2. Accounting Policies, continued

(p) Expected credit losses and impairment, continued

Non derivative financial assets

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 Group 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 the consolidated statement of income and consolidated statement of comprehensive income. Financial assets that are written off are still subject to enforcement activities in order to company with the Group's procedures for recovery of amounts due.

Prior to April 1, 2018, under IAS 39, financial assets not classified as FVTPL were assessed at each reporting date to determine whether there was objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or group of financial assets was impaired when objective evidence demonstrated that a loss event had an impact on the future cash flows of the assets that could be estimated reliably.

The Group considered evidence of impairment for financial assets measured at amortized cost (i.e. held to maturity and loans and receivable) both a specific asset and a collective level. All individually significant loans and advances and held to maturity investments were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment. Loans and advances and held to maturity investments that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held to maturity investments securities with similar credit risk characteristics.

For financial assets measured at amortized cost (i.e. held to maturity and loans and receivable), an impairment loss was calculated as the difference between the carrying amount of the financial asset or portfolio of financial assets and the respective estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment losses were recorded in the consolidated statement of income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

In periods subsequent to the impairment where the impairment loss had decreased, and such decrease could be related objectively to an event occurring after the impairment was initially recognized, the previously recognized impairment loss was reversed through the consolidated statement of income. The impairment reversal was limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment was reversed did not exceed what the amortized cost would have been had the impairment not been recognized after the reversal.

2. Accounting Policies, continued

(p) Expected credit losses and impairment, continued

Non derivative financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognized in the profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(q) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the consolidated statement of income. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the consolidated statement of income in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash–generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is included in the consolidated statement of financial position in intangible assets.

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(r) Intangible assets

Intangible assets are recognised only when their cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the acquirer.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

3. Net Interest Income

		2019	2018
Interest income			
Loans and advances	$	101,919,027	97,576,856
Financial investments		2,157,517	2,064,817
Cash resources		580,839	1,414,410
		104,657,383	101,056,083
Interest expense			
Deposits		33,093,571	31,647,448
Loans payable		397,688	518,199
		33,491,259	32,165,647
Net interest income	$	71,166,124	68,890,436

(Expressed in Barbados dollars)

4. Other Income

		2019	2018
Fee income	$	1,824,165	1,759,574
Legal income		988,423	942,256
Rental income		50,804	48,572
Bad debt recoveries		1,063,131	1,755,487
Insurance agency commissions		1,174,469	1,127,441
Dividend income		138,376	101,022
Gain on disposal of equipment		27,458	50,429
Lease income		-	225,818
Other		622,927	118,505
	$	5,889,753	6,129,104

5. Staff Costs

		2019	2018
Salaries	$	18,027,240	14,958,173
National insurance scheme contributions		1,532,949	1,243,731
Pension plan – defined contribution plan		83,706	84,330
Pension plan – defined benefit plan (Note 15)		465,744	482,153
Other costs		2,602,430	2,019,821
	$	22,712,069	18,788,208

6. Expected Credit Losses

		2019	2018
Loans and advances and undrawn loan commitments	$	4,253,760	6,942,341
Financial investments		(110,000)	-
Term deposits		7,688	-
	$	4,151,448	6,942,341

(Expressed in Barbados dollars)

7. Operating Expenses

		2019	2018
Anniversary expenses	$	163,756	248,118
Advertising		750,697	1,503,223
Affiliation		100,000	100,000
Audit fees		440,138	343,354
Bank charges		406,366	239,748
Committee travelling allowances		248,000	168,761
Development expenses		290,997	138,609
Direct cost of services		604,269	628,111
Educational grant and scholarship expenses		385,943	390,493
Elected Officials and Committee Training		498,115	357,938
Entertaining		32,894	63,687
Insurance		748,094	772,659
Janitorial services		556,652	470,954
Legacy Foundation – Donations		200,000	200,000
Legal and professional fees		1,093,742	1,089,306
Meetings and conferences		564,077	558,968
Membership security		3,142,001	2,853,476
Sundry expenses		62,729	111,268
National development expenses		60,000	60,000
Office stationery and supplies		1,226,634	1,224,822
Postage		105,432	206,049
Property taxes		329,958	268,764
Publicity and promotion		3,284,693	3,488,567
Regulatory licences		351,835	278,288
Rent		1,689,647	1,711,721
Repairs and maintenance		3,950,627	3,987,568
Security services		1,595,273	1,366,618
Social outreach expenses		178,430	150,000
Staff and members' training		1,148,643	1,669,292
Utilities		1,738,913	1,588,751
	$	25,948,555	26,239,113

8. Tax on Assets

A subsidiary being a deposit-taking licensee, is required to pay tax on its assets effective June 1, 2014 for entities licensed under Section 22 of the Financial Institutions Act, Cap 324A. The Act states that a deposit taking licensee with total gross assets of $40 million or more and accepts deposits from third parties, shall pay by the 15th of the sixth (6th) month after each assessment quarter, a levy of 0.20% per annum on the average domestic assets of the deposit taking licensee. In the financial year 2017, the levy was increased to 0.35%.

Tax on assets expense incurred by the Group for 2019 amounted to $799,800 (2018: $752,574).

(Expressed in Barbados dollars)

9. Taxation

Taxation comprised the following:

		2019	2018
Current tax expense	$	65,768	108,136
Deferred tax (recovery) charge		(93,814)	70,651
Tax (recovery) expense	$	(28,046)	178,787

The tax on the Group's income before taxation differs from the theoretical amount that would arise using the statutory rate of corporation tax as follows:

		2019	2018
Income before taxation	$	10,716,108	17,545,791
Tax calculated at a rate of 5.50% (2018 – 25.00%)		589,386	4,386,448
Income not subject to tax		(743,995)	(4,207,868)
Change in tax rate		(98,701)	-
Effect of different tax rates		8,751	(23,124)
Deferred tax asset not recognized		28,015	72,543
Expiration of unutilized tax losses		2,516	-
Items not deductible for tax purposes		185,917	-
Items deductible for tax purposes		-	(47,087)
Prior year's under provision of taxes		65	32
Other		-	(2,157)
Tax (recovery) expense	$	(28,046)	178,787

Deferred taxation

The movement of deferred tax liability is as follows:

		2019	2018
Beginning of the year	$	154,141	83,490
Deferred tax charge		(93,814)	70,651
End of year	$	60,327	154,141

The deferred tax asset not recognised comprises tax losses and accelerated tax depreciation of the St. Lucia Branch and tax losses of BPW Financial Holdings Inc.

(Expressed in Barbados dollars)

9. Taxation, continued

The accumulated losses for tax purposes which may be carried forward and set off against future taxable income as follows:

St. Lucia Branch

Year of Loss		Losses B/fwd	Incurred	Utilised	Expired	Losses C/fwd	Expiry Date
2013	$	45,750	-	-	(45,750)	-	2019
2017		43,572	-	-	-	43,572	2023
2018		107,650	-	-	-	107,650	2024
2019		-	113,759	-	-	113,759	2025
	$	196,972	113,759	-	(45,750)	264,981	

BPW Financial Holdings Inc.

Year of Loss		Losses B/fwd	Incurred	Utilised	Expired	Losses C/fwd	Expiry Date
2015		564,677	-	-	-	564,677	2022
2016		637,807	-	-	-	637,807	2023
2017		106,028	-	-	-	106,028	2024
2018		157,403	-	-	-	157,403	2025
2019		-	160,171	-	-	160,171	2026
	$	1,465,915	160,171	-	-	1,626,086	

These losses are as computed by the subsidiary in its corporation tax returns and have as yet neither been confirmed nor disputed by the tax authorities.

10. Distributions to Members

Distributions to members include a dividend of $0.231 (2018 - $0.246) per share amounting to $511,058 (2018 - $479,140) and interest rebate amounting to $2,850,157 (2018 - $2,748,966).

(Expressed in Barbados dollars)

11. Cash Resources

		2019	2018
Cash	$	215,271,356	112,019,130
Short-term deposits		838,182	829,926
Cash and cash equivalents		216,109,538	112,849,056
Other term deposits		30,054,285	38,238,283
Mandatory reserve deposits with Central Bank of Barbados		6,350,828	5,800,828
Total cash resources		252,514,651	156,888,167
Less: expected credit loss allowance		(22,551)	-
Balance at end of year	$	252,492,100	156,888,167

The average effective yield on cash resources during the year was 0.28% (2018 - 0.04%).

The movement in expected credit loss allowance is as follows:

	Note		2019	2018
Balance at beginning of year		$	-	-
Adjustment on initial impact of IFRS 9	2(b)		14,863	-
Balance at beginning of year **(adjusted)**			14,863	-
Expected credit loss on other term deposits			7,688	-
Balance at end of year		$	22,551	-

$22,551 of the expected credit losses allowance at March 31, 2019 relate to term deposits classified as stage 1.

Mandatory reserve deposits with the Central Bank are non-interest bearing and represent a subsidiary's regulatory requirement to maintain a percentage of deposit liabilities as cash or deposits with the Central Bank. These non-interest bearing funds are not available to finance day-to-day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents for the purpose of the consolidated statement of cash flows.

At March 31, 2019, cash resources with the exception of mandatory reserve deposits with Central Bank of Barbados carry interest rates varying from 0.0% to 4.5% per annum (2018 - 0.01% to 5%).

(Expressed in Barbados dollars)

12. Financial Investments

Financial investments comprise:

		2019	2018
Debt securities			
Amortized cost (2018 – Held to maturity)			
Sovereign bonds	$	19,921,603	25,618,465
Interest receivable		210,815	374,889
		20,132,418	25,993,354
Amortized cost (2018 – Loans and receivables)			
Sovereign bonds		3,095,208	3,867,227
Interest receivable		129	91,174
		3,095,337	3,958,401
Gross debt securities		23,227,755	29,951,755
Less: expected credit loss allowance		(697,784)	-
Total debt securities	$	22,529,971	29,951,755
Equities securities			
FVOCI (2018 - Available for sale)			
Corporate equity	$	2,177,258	1,941,595
FVTPL			
Corporate equity		884,496	778,079
	$	25,591,725	32,671,429

During the year ended March 31, 2019, interest rates varied from 1.00% to 8.00% per annum (2018 – 4.25% to 8.50% per annum

Investments include treasury bills and notes of $2,534,447 (2018 - $3,150,000) held as a result of a subsidiary's regulatory requirement to maintain 1.50% total domestic deposits as a statutory reserve.

(Expressed in Barbados dollars)

12. Financial Investments, continued

The movement in expected credit loss allowance is as follows:

	Note		2019	2018
Balance at beginning of year		$	-	-
Impact of IFRS 9	2(b)		2,636,001	-
Balance at beginning of year **(adjusted)**			2,636,001	-
Derecognition of expected credit loss allowance	(ii)		(1,828,217)	-
Expected credit loss on investments			(110,000)	-
Balance at end of year		$	697,784	-

(i) On October 1, 2018, the Government of Barbados restructured all of its treasury notes and debentures and some state owned debt resulting in the derecognition of the existing debt securities given the contractual cash flows of the new debt securities were significantly different. The carrying value of those debt securities was $20,369,309 (i.e. gross carrying value of $22,197,526 net of expected credit allowance of $1,828,217). The new series B and D bonds issued by the Government of Barbados effective October 1, 2018 was $16,331,378, resulting in a derecognition loss on investments of $4,037,931 which was recognized in the consolidated statement of income.

$35,642 and $662,142 of the expected credit loss allowance at March 31, 2019 relate to debt securities classified as stage 1 and stage 3 respectively.

13. Loans and Advances

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

		2019			
		Consumer	Business	Mortgages	Total
Gross loans	$	744,604,500	34,611,621	476,186,497	1,255,402,618
Less: ECL allowance ***		(21,085,445)	(883,022)	(6,185,296)	(28,153,763)
	$	723,519,055	33,728,599	470,001,201	1,227,248,855
Add: interest receivable					8,511,040
				$	1,235,759,895

*** Included in expected credit loss allowance as at March 31, 2019, is a provision for the undrawn loan commitments of $231,587.

(Expressed in Barbados dollars)

13. Loans and Advances, continued

	2018			
	Consumer	Business	Mortgages	Total
Performing loans	$ 652,183,378	24,465,843	436,391,422	1,113,040,643
Non-performing loans	51,743,242	1,883,948	26,910,251	80,537,441
Gross loans	703,926,620	26,349,791	463,301,673	1,193,578,084
Less: provision for impairment	(21,126,237)	(161,360)	(5,431,408)	(26,719,005)
	$ 682,800,383	26,188,431	457,870,265	1,166,859,079
Add: interest receivable				7,717,386
				$ 1,174,576,465

Non-performing loans comprise of:

i. Loans and advances of the parent that are in arrears over 90 days, which are either past due but not impaired or individually impaired

ii. Non-accrual loans of a subsidiary.

The average yield on loans for the year was 8.86% (2018 – 8.98%).

The Credit Union's loans and advances portfolio as at March 31, 2019 are in the following staging categories.

		2019			
		Stage 1	Stage 2	Stage 3	Total
Consumer	$	649,294,162	34,898,846	60,411,492	744,604,500
Business		21,048,876	2,371,178	11,191,567	34,611,621
Mortgages		385,850,505	50,654,722	39,681,270	476,186,497
Gross loans		1,056,193,543	87,924,746	111,284,329	1,255,402,618
Less: ECL allowance ***		(2,359,004)	(1,995,213)	(23,799,546)	(28,153,763)
	$	1,053,834,539	85,929,533	87,484,783	1,227,248,855
Add: interest receivable					8,511,040
					$ 1,235,759,895

*** Included in expected credit loss allowance as at March 31, 2019, is a provision for the undrawn loan commitments of $231,587.

(Expressed in Barbados dollars)

13. Loans and Advances, continued

In October 2015, the subsidiary entered into a Deed of Sale and Administration agreement with the Eastern Caribbean Home Mortgage Bank (ECHMB), wherein the subsidiary sold its rights to 100% of the cash flows arising on a portfolio of loans amounting to $2,424,473. The agreement provides that the subsidiary could repurchase and replace any loan included in the loan portfolio subject to the mutual agreement of the parties. The subsidiary has determined that substantially all the risks and rewards of the said loan portfolio have been retained by the subsidiary and consequently, the loans were not derecognized. The subsidiary accounted for the transaction as collateralized borrowing and recorded the cash received from such agreement as loans payable reported in the consolidated statement of financial position (see Note 19).

A portfolio of mortgage loans of a subsidiary has been pledged as security for certain customer deposits totalling $18,850,000 (2018 - $18,850,000). At March 31, 2019 a floating charge of $15,000,000 (2018 - $15,000,000) over these deposits had been formalised.

(ii) The movement in the expected credit loss allowance (2018 – provision for impaired loans) is as follows:

		2019			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	$	21,126,237	161,360	5,431,408	26,719,005
Impact of IFRS 9		(482,745)	22,255	925,354	464,864
Balance, beginning of year **(adjusted)**		20,643,492	183,615	6,356,752	27,183,869
Amounts charged/write off		(3,040,134)	(37,830)	(205,902)	(3,283,866)
Expected credit losses		3,482,087	737,237	34,436	4,253,760
Balance, end of year	$	21,085,445	883,022	6,185,296	28,153,763

(Expressed in Barbados dollars)

13. Loans and Advances, continued

The movement in the provision for impaired loans is as follows:

		2018			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	$	19,908,638	104,189	4,681,512	24,694,339
Amounts charged off		(4,908,834)	(8,841)	-	(4,917,675)
Loan impairment expense		6,126,433	66,012	749,896	6,942,341
Balance, end of year	$	21,126,237	161,360	5,431,408	26,719,005
Individual impairment	$	18,374,476	136,765	4,830,142	23,341,383
Collective impairment		2,751,761	24,595	601,266	3,377,622
	$	21,126,237	161,360	5,431,408	26,719,005

(Expressed in Barbados dollars)

14. Property and Equipment

Property and equipment is comprised of the following:

		2019					
		Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost							
Balance, beginning of year	$	40,186,106	4,628,233	32,611,411	8,086,446	12,672,071	98,184,267
Additions/transfer		171,295	2,912,511	1,120,859	-	1,653,891	5,858,556
Disposals		-	(124,674)	(56,303)	(204,278)	-	(385,255)
Balance, end of year		40,357,401	7,416,070	33,675,967	7,882,168	14,325,962	103,657,568
Accumulated depreciation							
Balance, beginning of year		9,855,024	975,145	23,800,976	3,811,888	-	38,443,033
Depreciation		867,642	917,214	2,872,289	1,122,821	-	5,779,966
Disposals		-	(76,883)	(56,303)	(204,278)	-	(336,464)
Balance, end of year		10,722,666	1,815,476	26,616,962	4,730,431	-	43,885,535
Net book value, end of year	$	29,634,735	5,600,594	7,059,005	3,151,737	14,325,962	59,772,033

(Expressed in Barbados dollars)

14. Property and Equipment, continued

		2018					
		Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost							
Balance, beginning of year	$	38,226,812	2,316,809	29,428,793	6,330,472	3,501,029	79,803,915
Additions/transfer		1,959,294	2,745,614	3,746,220	2,157,853	9,171,042	19,780,023
Disposals		-	(434,190)	(563,602)	(401,879)	-	(1,399,671)
Balance, end of year		40,186,106	4,628,233	32,611,411	8,086,446	12,672,071	98,184,267
Accumulated depreciation							
Balance, beginning of year		9,054,971	917,583	21,287,742	3,818,418	-	35,078,714
Depreciation		800,053	491,752	3,064,359	395,349	-	4,751,513
Disposals		-	(434,190)	(551,125)	(401,879)	-	(1,387,194)
Balance, end of year		9,855,024	975,145	23,800,976	3,811,888	-	38,443,033
Net book value, end of year	$	30,331,082	3,653,088	8,810,435	4,274,558	12,672,071	59,741,234

15. Pension Plan Asset

The Group participates in a defined benefit pension plan operated by a reputable insurance provider. The pension plan is jointly funded by payments from the Group 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 Group.

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 2018.

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 Group pays the balance of the ultimate cost of the benefits and hence the Group's contribution is unknown. The Group expects to pay $873,769 in contributions to its defined benefit plan in 2020.

Currently at retirement employees are entitled to receive a pension benefit equal to:

1. 1.75% of their pensionable salary as at April 1, 2014 reduced by 1.32% of the National Insurance Insurable Earnings as at April 1, 2003 for each year of Ranking Service prior to April 1, 2003.

Plus

2. 1.75% of their total pensionable salary from April 1, 2003 reduced by 1.32% of the National Insurance Insurable Earnings as at April 1, 2003 for each year of Ranking Service prior to April 1, 2003.

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 Group. The Trustees are required to understand the risks taken, make reasonable investment decisions, 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.

(Expressed in Barbados dollars)

15. Pension Plan Asset, continued

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 51% of the Plan's assets are invested in the Equity Fund and 49% are invested in the Bonds Fund.

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

		2019	2018
Present value of obligation to plan members	$	(12,074,739)	(10,390,567)
Pension plan assets at fair value		12,652,027	12,198,888
Asset recognised in the consolidated statement of financial position	$	577,288	1,808,321

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

		2019	2018
Asset, beginning of year	$	1,808,321	1,232,061
Contributions paid		782,916	693,929
Pension expense recognised in consolidated statement of income		(465,744)	(482,153)
Re-measurement recognised in other comprehensive income		(1,548,205)	364,484
Asset, end of year	$	577,288	1,808,321

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

		2019	2018
Obligation, beginning of year	$	10,390,567	9,407,862
Interest cost		842,320	777,197
Current service cost		560,818	536,927
Employees' contributions		197,840	147,347
Benefits paid		(454,327)	(62,059)
Actuarial losses arising from: Experience adjustments		537,521	(416,707)
Obligation, end of year	$	12,074,739	10,390,567

(Expressed in Barbados dollars)

15. Pension Plan Asset, continued

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

		2019	2018
Opening fair value of plan assets	$	12,198,888	10,639,923
Actual return		(45,932)	801,715
Employer's contributions		782,916	693,929
Employees' contributions		197,840	147,347
Benefits paid		(454,327)	(62,059)
Administrative expenses		(27,358)	(21,967)
Closing fair value of plan assets	$	12,652,027	12,198,888

(ii) Plan assets consist of the following:

		2019	2018
Equities	$	6,572,848	5,911,751
Bonds		6,079,179	6,287,137
	$	12,652,027	12,198,888

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

	2019	2018
Mortgages	11.52%	10.67%
Bonds	34.74%	37.32%
Equities	39.76%	36.43%
Property	5.23%	5.06%
Other	8.75%	10.52%

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

		2019	2018
Current service cost	$	560,818	536,927
Interest cost on obligation		842,320	777,197
Expected return on plan assets		(964,752)	(853,938)
Administrative expenses		27,358	21,967
Net pension expense included in staff costs (Note 5)	$	465,744	482,153

(Expressed in Barbados dollars)

15. Pension Plan Asset, continued

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

		2019	2018
Remeasurement loss (gain) on obligation	$	537,521	(416,707)
Remeasurement loss on plan assets		1,010,684	52,223
	$	1,548,205	(364,484)

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

	2019	2018
Discount rate at end of year	7.75%	7.75%
Expected return on plan assets at end of year	n/a	n/a
Future salary increases	6.75%	6.75%
Future pension increases	1.75%	1.75%
Future changes in NIS ceiling	4.25%	4.25%
Proportion of employees opting for early retirement	0.00%	0.00%
Termination of active members	0.00%	0.00%
Future expenses	0.00%	0.00%

At March 31, 2019, the weighed-average duration of the defined benefit obligation was 21.96 years.

g) 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)	$	(2,227,376)	2,969,535
Future salary growth (0.5% movement)	$	1,182,717	(1,074,020)

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 $242,967.

(Expressed in Barbados dollars)

16. Other Assets

Other assets are comprised of the following:

		2019	2018
Accounts receivable	$	11,672,685	10,623,998
Prepaid employee benefit (Note 20)		3,034,372	2,900,836
Prepaid expenses		1,897,177	2,529,026
Premiums receivable		878,324	781,663
Interest receivable on cash resources		3,873	1,482
Dividend receivable		60,000	55,000
Other Assets re Goodwill Group (Note 29)		39,786	39,786
	$	17,586,217	16,931,791

17. Intangible Asset

		2019	2018
Balance, beginning of year	$	2,910,000	2,910,000
Less impairment loss		(2,910,000)	-
Balance, end of year	$	-	2,910,000

Goodwill is created when one company acquires another for a price higher than the fair market value of its assets less the liabilities that were assumed. Accounting standards require that goodwill be tested for impairment annually and we do so as one of our standard processes in the preparation of our end of year financial statements during the fourth quarter.

Events or circumstances that might impact the impairment of goodwill include, but are not limited to, unexpected adverse business conditions, entity level specific economic factors such as interest rate fluctuations, new regulations, loss of key resources, unanticipated competitive activities, and political events. If on assessment the value of goodwill is found to be impaired, a write down in the carrying value of the asset is triggered.

In August 2010, goodwill of $2,910,000 was recorded upon the acquisition of CLICO Mortgage and Finance Corporation (CMFC), subsequently rebranded as CAPITA Financial Services Inc. upon its integration into the Group.

After completing our annual impairment reviews, we concluded that goodwill in relation to the acquisition of CAPITA Financial Services Inc. was impaired in its entirety during the year ended March 31, 2019. The goodwill was impaired as a result of under-performance against its previous years' plans combined with various economic and industry factors over the years that significantly and adversely affected the discount rates used in CAPITA Financial Services Inc.'s valuation.

The cash flow projections within CAPITA's business plans that were used for impairment testing were substantially and materially changed from that of previous year and the pre-tax risk adjusted discount rate used in the previous value in use (present value of the future cash flows) calculation at March 31, 2019 was 19.70% compared to 19.00% the previous year.

The impairment loss is recognised in the consolidated statement of income, as a separate line item.

(Expressed in Barbados dollars)

18. Deposits

(i) This amount comprises:

		2019	2018
Saving deposits	$	515,756,546	472,412,743
Deposits payable on fixed date		832,380,932	736,961,939
Registered retirement savings plan deposits (a)		45,114,095	44,764,805
		1,393,251,573	1,254,139,487
Interest payable		6,822,808	5,782,758
	$	1,400,074,381	1,259,922,245

(a) The Group operates a registered retirement savings plan for the benefit of its members and guarantees a minimum return on plan deposits of the higher of 5.00% and 1.00% above the minimum deposit rate. At March 31, 2019, the minimum deposit rate was 1.25% (2018 – 1.25%).

(ii) Concentration of deposits

Deposits (excluding interest payable) comprised the following:

		2019	2018
Personal	$	1,142,018,623	1,023,487,304
Commercial		251,232,950	230,652,183
	$	1,393,251,573	1,254,139,487

At March 31, 2019, deposits pledged as security for loans to members and not available for withdrawal totalled $340,815,873 (2018 - $321,699,755). The average yield of deposits during the year was 2.40% (2018 – 2.50%).

(Expressed in Barbados dollars)

19. Loans Payable

Loans payable is comprised of the following:

		2019	2018
National Insurance Board (i)	$	-	553,707
Housing Credit Fund (ii)		11,967,302	13,071,499
ECHMB (iii)		1,552,874	1,604,592
	$	13,520,176	15,229,798

(i) The National Insurance Board loans with a total balance of $553,707 at the end of March 31, 2018 were repaid in full during the financial year ended March 31, 2019.

(ii) A subsidiary has loans with the Housing Credit Fund which are repayable over twenty-five years and are secured by an equivalent value of first legal mortgages over residential properties. The interest rate on all loans at year end was 3.00% (2018 – 3.00%).

(iii) A subsidiary has taken a loan with Eastern Caribbean Home Mortgage Bank which is comprised of cash proceeds from the collateralized borrowing as discussed in note 13.

The Group has not had any defaults of principal and interest repayment or any other breaches with respect to its loans payable during the years ended March 31, 2019 and 2018.

20. Other Liabilities

Other liabilities is comprised of the following:

		2019	2018
Retention payable (i)	$	476,555	513,609
Accounts payable and accrued expenses		6,044,618	5,868,139
Amounts payable re Goodwill Group (Note 29)		89,236	89,144
Fair value adjustment - staff loans (ii)		2,910,793	2,910,176
Premiums payable		1,264,121	974,672
Deferred loan commitment loan fees		399,824	410,090
Unallocated receipts to members		3,188,332	2,092,161
Interest rebate payable		203,026	203,026
Withholding tax payable		44,547	8,221
	$	14,621,052	13,069,238

(Expressed in Barbados dollars)

20. Other Liabilities, continued

(i) At March 31, 2019, a retention payable amounting to $ 476,555 (2018 - $513,609) remained due under the terms of the sale and purchase agreement originating from the acquisition of a subsidiary.

(ii) 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 partially offset by the prepaid employee benefit recorded and included in other assets (Note 16). The deferred interest income will be recognised over the term of the staff loans.

21. 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 Group.

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 Group is authorised to issue.

At March 31, 2019 the total number of membership qualifying shares was 2,280,120 (2018 - 2,141,160).

22. Statutory Reserves

		2019	2018
Statutory reserve	$	134, 694,284	121,093,797

The movement in this reserve during the year is as follows:

		2019	2018
Balance, beginning of year	$	121,093,797	107,687,256
Transfers to reserve – statutory *		6,761,585	6,118,216
Transfer to reserve – statutory **		71,127	84,253
Transfers to reserve – voluntary		6,734,415	7,173,652
		13,567,127	13,376,121
		134,660,924	121,063,377
Entrance fees		33,360	30,420
Balance, end of year	$	134,694,284	121,093,797

(Expressed in Barbados dollars)

22. Statutory Reserves, continued

* Section 197(2) of the Co-operative Societies (Amendment) Act 2007-39 requires for the Group 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.

** Under the provisions of the Financial Institutions Act, a subsidiary is required to transfer a minimum of 15% of its after tax profits to a reserve fund until such fund equals the share capital. A transfer of $71,127 was required during 2019 (2018 - $84,253).

23. Other Reserves

		2019	2018
Fair value reserve (i)	$	1,384,868	1,154,631
Special funds (ii)		803,309	697,258
Donated equity (iii)		26,909	26,909
Defined benefit plan (iv)		(546,240)	1,001,965
Reserve for interest on non-performing loans (v)		3,234,150	2,972,743
	$	4,902,996	5,853,506

Fair value reserve

The fair value reserve represents the net effect of fair value gains or losses on FVOCI (2018 – available for sale) investment securities held.

The movement on the fair value reserve for the year is as follows:

		2019	2018
Balance, beginning of year	$	1,154,631	1,449,287
Unrealised fair value gain (loss)		230,237	(294,656)
Balance, end of year	$	1,384,868	1,154,631

23. Other Reserves, continued

Special funds

The special reserve funds comprise the following:

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

(ii) **Education Fund**
The Education Fund was established to provide grants and scholarships to members pursuing educational programmes.

(iii) **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.

(iv) **BCCUL Training/Education Fund**
The BCCUL Training/Education Fund was instituted in June 2002 to finance the education of Group members and the general public in Group philosophy and operations.

(v) **BPWCCUL Foundation**

This fund was established in June 2009 to fund major philanthropic initiatives undertaken by the Group.

(vi) **National Development Fund**
This fund was established in June 2009 to assist the Barbados Co-operative Group League Limited in funding developmental initiatives for the Group movement in Barbados.

(vii) **Group Liability Insurance Fund**
This fund was established in June 2010 to facilitate the establishment of deposit liability insurance for Groups.

(Expressed in Barbados dollars)

23. Other Reserves, continued

Special funds, continued

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

March 31, 2019

		Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	$	-	178,430	(178,430)	-
Education Fund		134,701	422,893	(385,943)	171,651
Development Fund		152,557	197,443	(128,342)	221,658
BCCUL Training/Education Fund		-	50,000	(50,000)	-
BPWCCUL Foundation		-	200,000	(200,000)	-
Small and Micro Business Fund		150,000	-	-	150,000
National Development Fund		-	60,000	(60,000)	-
Group Liability Insurance Fund		260,000	-	-	260,000
	$	697,258	1,108,766	(1,002,715)	803,309

March 31, 2018

		Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	$	36,288	113,712	(150,000)	-
Education Fund		206,508	318,686	(390,493)	134,701
Development Fund		241,166	-	(88,609)	152,557
BCCUL Training/Education Fund		50,000	-	(50,000)	-
BPWCCUL Foundation		-	200,000	(200,000)	-
Small and Micro Business Fund		150,000	-	-	150,000
National Development Fund		-	60,000	(60,000)	-
Group Liability Insurance Fund		260,000	-	-	260,000
	$	943,962	692,398	(939,102)	697,258

Donated equity

This amount totalling $26,909 (2018 - $26,909) represents the value of donations bestowed upon the Group on incorporation.

Defined benefit plan

This amount totalling ($546,240) (2018 - $1,001,965) represents the net amount of actuarial gains and losses and other items recognised directly in other comprehensive income on the Group's defined benefit plan. (Note 15)

(Expressed in Barbados dollars)

23. Other Reserves, continued

Reserve for interest on non-performing loans

This amount totalling $3,234,150 (2018 - $2,972,743) is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9 (2018 – IAS 39). 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.

24. Related Party Disclosures

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

The consolidated financial statements include the consolidated financial statements of the Group and the subsidiaries listed below:

Name of Entity	Country of Incorporation	Equity Interest %
BPW Financial Holdings Inc.	Barbados	100
Capita Financial Services Inc.	Barbados	100

Terms and conditions of transactions with related companies

The transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. For the years ended March 31, 2019 and March 31, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related companies.

(i) Compensation of key management personnel of the Group

		2019	2018
Short term employee benefits	$	2,422,213	2,204,300
Post-employment benefits		142,378	119,839
Total compensation paid to key management personnel	$	2,564,591	2,324,139

(ii) Transactions with key management personnel of the Group

The Group 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.

(Expressed in Barbados dollars)

24. Related Party Disclosures, continued

The following table provides the total amount of balances, which have been entered into with key management personnel for the relevant financial year:

		2019	2018
Loans and advances	$	3,307,373	3,352,605
Deposits		1,791,545	1,245,142

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

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their related concerns at the period end.

25. Commitments and Contingencies

(i) Loan commitments

		2019	2018
Consumer loans approved and pending disbursement	$	16,591,531	19,245,734
Mortgage loans approved and pending disbursement		42,737,687	32,641,085
Available balances on line of credit accounts		15,461,119	15,095,054
Gross commitments	$	74,790,337	66,981,873

(Expressed in Barbados dollars)

25. Commitments and Contingencies, continued

(i) Loan commitments, continued

The total expected credit loss (ECL) allowance on undrawn loan commitments at March 31, 2019 is as follows:

		Gross Carrying Value	ECL
Consumer	$	16,591,531	98,173
Mortgages		42,737,687	40,083
Total undrawn loan commitments		59,329,218	138,256
Line of credits available		15,461,119	93,331
	$	74,790,337	231,587

The movement in the expected credit loss allowance

	Note		2019	2018
Balance at beginning of year		$	-	-
Impact of IFRS 9	2(b)		273,777	-
Balance at beginning of year **(adjusted)**			273,777	-
Expected credit losses			(42,190)	-
Balance at end of year		$	231,587	-

The expected credit allowance for the undrawn loan commitments is included in loans and advances expected credit loss allowance in note 13.

(ii) Loan facilities

Loan facilities committed but not recognised in the consolidated financial statements as at March 31, 2019 are as follows:

(a) an approved line of credit facility of $7,800,000 (2018 - $7,800,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2019 this facility was undisbursed.

(b) an approved line of credit facility of $350,000 (2018 - $125,000) with a bank for the purpose of securing the corporate credits used by the Group during the normal course of business. This facility is secured by an equivalent value of debt securities measured at amortized cost (2018 - held-to-maturity investments). The commitment due on this facility at year end was $30,492 (2018 - $29,487).

(Expressed in Barbados dollars)

25. Commitments and Contingencies, continued

(iii) Legal proceedings

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

(iv) Lease commitments

The Group leases branch facilities under operating leases. Payments made under these leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

The future minimum rental payments related to these commitments are as follows:

		2019	2018
Less than one year	$	1,567,517	1,500,872
Between one and five years		2,916,396	2,929,980
	$	4,483,913	4,430,852

During the year, $1,689,647 (2018 - $1,711,721) was recorded as an expense in the consolidated statement of income in respect of operating leases.

26. Financial Risk Management

26.1 Introduction

Risk is inherent in the Group'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 Group's continuing profitability and each individual is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, market risk and operational risk.

The Group'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 Group's policy is to monitor those business risks through its strategic planning process.

26. Financial Risk Management, continued

26.1 Introduction, continued

Risk management structure
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Supervisory and Audit Committees have the responsibility to monitor the overall risk process within the Group.

The Group'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 Group's compliance with the processes. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory and Finance Committees.

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

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

26.2 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group 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 Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as commitments.

Loans and advances
The Group 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 Group 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 Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims. The Group does not occupy repossessed properties for business use.

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments

The Group 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 Group has invested in FVOCI and FVTPL 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 Group has documented investment policies in place, which guide the management of credit risk on investments.

Assessment of corporate investments (Term Deposits)

The Group has implemented IFRS 9 effective April 1, 2018 with comparative implications being adjusted through its consolidated statement of change in equity. IFRS 9 requires that all financial investments be assessed for impairment based on both past and potential future events. Where the financial asset is deemed impaired, the carrying value of the asset should be written down to reflect the fair market value of the asset.

The Group currently has $30,892,467 in corporate term deposits. These investments are assessed on an entity level. Currently, these investments are held in the entities which are either regulated or by the Central Bank of Barbados or the Financial Services Commission as per section 34 A of the Co-operative Society Act.

These investments are categorized as follows:

Stage 1: Time to maturity is less than 24 months and the entity shows no decline in its ability to repay either based on past performance or future events.

Stage 2: Time to maturity is greater than 36 months and less than 60 months and the entity shows no decline in its ability to repay either based on past performance or future events.

Stage 3: Time to maturity is greater than 5 years or there has been a significant past or likely future event which has caused or is highly or likely probable to significantly impact the investee's ability to repay.

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 term deposits. Any application based on the insufficiency of this data would therefore, result in a wide range of possible fair value measurements and cost therefore represents the best estimate of fair value within the relevant range.

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments, continued

Assessment of corporate investments (term deposits), continued

Notwithstanding this, the Group has identified the following indicators as those where cost might not be representative of fair value as the following;

(a) Significant change in the performance of the investee compared with that of the market

(b) Changes in expectations that investee's technical product milestones will be achieved;

(c) A significant change in the market for the investee's products, global economy, economic environment in which the entity operates;

(d) Performance of competitors, matters such as fraud, commercial disputes, litigation, changes in management or strategy; or

(e) Evidence of external transactions in the investee's equity (take overs)

Each investment was assessed based on the entities' ability to meet its short term obligations together with its historical relationship with the Group 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 the Barbados Light and 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 a penalty of forgone interest.

Assessment of Sovereign debt securities

In 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 Group's acceptance of this offer resulted in the restructuring of principal and interest payments of $22,197,526 on its debt securities measured at amortised costs. The new securities are designated as series B and D bonds in the amount of $16,331,378. The effective average yield on these securities for income year 2019 were 4.58% (2018 - 6.78%).

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities, continued

In keeping with the requirements of the IFRS 9 standard, the previous investments which were carried at amortized cost were derecognized and replaced by that of the new securities at their fair market value. This resulted in a derecognition expense of $4,037,931 below their 2018 year end stated value.

However, IFRS 9 requires that a further assessment of these securities be performed at each financial yearend until, time of maturity or sale of the investment. This analysis considered the fact that Standards and Poor's raised its long term local currency sovereign credit rating on Barbados to "B-/B" from "SD" (Selective Default) on November 16, 2018. This taken together with the government's decision to default on its foreign exchange commitments was considered by the Group as significant increase in credit risk.

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.

An ECL assessment was performed at March 31, 2019 as required by IFRS 9. This assessment on the Group's debt securities measured at amortized 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 8, 2019 on Sovereign default and recovery rates, 1983 to 2018 were used to provide the cumulative default rates (CDR) for categories of bonds similar to Barbados'. This gave the cumulative probability of defaults over a 10 year period.

- A recovery rate of 55% for the treasury notes issued by the Government of Barbados and Barbados Agricultural Management Co. Ltd. was utilized. This represents the recovery rate for the defaulted foreign currency bonds. Therefore 45% was the loss given default (LGD).

- A recovery rate of 80% for the Barbados Port Inc. bonds was 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 20%.

- The discount rate applied was the yield curve supplied by the Institute of Chartered Accountants of Barbados (ICAB).

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities, continued

The above assumptions were the best case scenario for the Group'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 Accountants of Barbados (ICAB).

The expected credit losses computed were $697,784 as at March 31, 2019.

Cash and balances with Central Bank

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

Exposure to credit risk before collateral held or other credit enhancements

The Group 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 Group has invested in FVOCI and FVTPL 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 Group has documented investment policies in place, which guide the management of credit risk on investments.

Maximum exposure

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

		2019	2018
Loans and advances to customers:			
Consumer	$	723,519,055	682,800,383
Mortgages		470,001,201	457,870,265
Business		33,728,599	26,188,431
Financial investments:			
Amortized costs (2018 – Held to maturity)		22,529,971	25,993,354
Loans and receivables		-	3,958,401
Cash resources		252,492,100	156,888,167
Credit risk exposures relating to off-balance sheet items are as follows:			
Loan commitments		74,558,750	66,981,873
Total maximum exposure	$	1,576,829,676	1,420,680,874

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

The table represents the maximum credit risk exposure of the Group as of March 31, 2019 and March 31, 2018, 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 consolidated statement of financial position.

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 Group.

Financial investments
The Group has principally invested in government bonds issued by the Government of Barbados which in the 2019 financial year was downgraded to SD (Selective Default) rating by Standard & Poor's. During the year ended March 31, 2019, this rating was B -.

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

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

	2019			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	$ 252,514,651	-	-	252,514,651
Financial investments:				
Amortized cost	23,227,755	-	-	23,227,755
Loans and advances:				
Consumer	565,629,572	131,040,076	47,934,852	744,604,500
Mortgages	338,357,236	109,054,907	28,774,354	476,186,497
Business	23,701,240	9,742,220	1,168,161	34,611,621
Total	$ 1,203,430,454	249,837,203	77,877,367	1,531,145,024

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Credit quality by class of financial assets, continued

	2018			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	$ 156,888,167	-	-	156,888,167
Financial investments:				
Held to maturity	25,993,354	-	-	25,993,354
Loans and receivables	3,958,401	-	-	3,958,401
Loans and advances:				
Consumer	538,616,695	127,044,785	38,265,140	703,926,620
Mortgages	351,340,875	94,369,385	17,591,413	463,301,673
Business	18,407,460	6,883,915	1,058,416	26,349,791
Total	$ 1,095,204,952	228,298,085	56,914,969	1,380,418,006

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

	2019				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Loans and advances:					
Consumer	$ 80,747,162	27,950,468	8,987,385	13,355,061	131,040,076
Mortgages	46,086,832	39,210,443	6,196,774	17,560,858	109,054,907
Business	1,671,499	4,010,573	79,368	3,980,780	9,742,220
Total	$ 128,505,493	71,171,484	15,263,527	34,896,699	249,837,203

	2018				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	$ 83,293,282	22,869,201	7,192,457	13,689,845	127,044,785
Mortgages	54,222,088	18,318,294	5,286,071	16,542,932	94,369,385
Business	1,967,284	2,312,013	65,836	2,538,782	6,883,915
Total	$ 139,482,654	43,499,508	12,544,364	32,771,559	228,298,085

26. Financial Risk Management, continued

26.2 Credit risk, continued

Expected Credit Loss Allowance Model
Refer to accounting policies 2 (p) (i).

Loans with renegotiated terms and the Group's forbearance policy
Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group has provided initially. The Group implements forbearance policy in order to maximise collection opportunities and minimise the risk of default. Under the Group'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 Group's Credit Committee regularly reviews reports on forbearance activities.

Write-off policy
The Group 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 customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Credit Quality Analysis

		IFRS 9 – 2019				IAS 39 - 2018
		Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances at amortized cost						
Current	$	927,688,052	-	-	972,688,052	907,352,314
Overdue <30 days		128,505,491	-	-	128,505,491	139,798,180
Overdue 31 days to 89 days		-	86,188,134	-	86,188,134	56,741,062
Overdue over 90 days		-	-	113,020,941	113,020,941	89,686,528
Total gross loans		1,056,193,543	86,188,134	113,020,941	1,255,402,618	1,193,578,084
Expected credit loss allowance						
(2018 – Provision for impaired loans)						
Balance at April 1		(1,856,184)	(1,565,070)	(23,297,751)	(26,719,005)	(24,694,339)
Impact of IFRS 9 implementation		(614,337)	(422,404)	571,877	(464,864)	-
Balance at April 1 **(adjusted)**		(2,470,521)	(1,987,474)	(22,725,874)	(27,183,869)	(24,694,339)
Transfer to stage 1		(227,556)	-	-	(227,556)	-
Transfer to stage 2		-	(630,392)	-	(630,392)	-
Transfer to stage 3		-	-	(492,862)	(492,862)	-
Net remeasurement of loss allowance		339,073	622,653	(3,864,676)	(2,902,950)	(6,942,341)
Amounts charged-off/write-off		-	-	3,283,866	3,283,866	4,917,675
Balance at March 31		(2,359,004)	(1,995,213)	(23,799,546)	(28,153,763)	(26,719,005)
Interest receivable		-	-	-	8,511,040	7,717,386
Net loans and advances	$	1,053,834,539	84,192,921	89,221,395	1,235,759,895	1,174,576,465

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Credit Quality Analysis, continued

		IFRS 9 – 2019				IAS 39- 2018
		Stage 1	Stage 2	Stage 3	Total	Total
Sovereign debt securities measured at amortized cost						
Standards & Poor's rating:						
B-						
Government of Barbados – series B & D bonds ***	$	-	-	16,597,660	16,597,660	-
CCC						
Government of Barbados – series B & D bonds		-	-	-	-	21,891,830
Not rated						
Barbados Port Inc.		-	-	5,858,261	5,858,261	6,920,949
Government of Saint Lucia		560,890	-	-	560,890	672,913
Gross sovereign debt securities		560,890	-	22,455,921	23,016,811	29,485,692
Expected credit losses allowance		(35,642)	-	(662,142)	(697,784)	-
Interest receivable		-	-	-	210,944	466,063
Net sovereign debt securities	$	525,248	-	21,793,779	22,529,971	29,951,755

*** During the financial year ended March 31, 2019, the credit rating of the Government of Barbados series B & D bonds as per Standards and Poor's moved from CCC to as low as SD (selective default). On November 16, 2018, the credit rating improved to B- .

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Credit Quality Analysis, continued

		IFRS 9 – 2019				IAS 39- 2018
		Stage 1	Stage 2	Stage 3	Total	Total
Term deposits measured at amortized cost Standards & Poor's rating:						
Not rated	$	30,054,285	-	-	30,054,285	38,238,283
Gross term deposits		30,054,285	-	-	30,054,285	38,238,283
Expected credit losses allowance		(22,551)	-	-	(22,551)	-
Net term deposits	$	30,031,734	-	-	30,031,734	38,238,283

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.2 Credit risk, continued

	2019				2018		
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Individual**	**Collective**	**Total**
Loans and advances at amortized cost							
Balance at April 1	1,856,184	1,565,070	23,297,751	26,719,005	19,346,702	5,347,637	24,694,339
Impact of IFRS 9 implementation	614,337	422,404	(571,877)	464,864	-	-	-
Balance at April 1 **(adjusted)**	**2,470,521**	**1,987,474**	**22,725,874**	**27,183,869**	**19,346,702**	**5,347,637**	**24,694,339**
Transfer to Stage 1	227,556	-	-	227,556	-	-	-
Transfer to Stage 2	-	630,392	-	630,392	-	-	-
Transfer to Stage 3	-	-	492,862	492,862	-	-	-
Net remeasurement of loss allowance	(339,073)	(622,653)	3,864,676	2,902,950	8,912,356	(1,970,015)	6,942,341
Amounts Charged-off	-	-	(3,283,866)	(3,283,866)	(4,917,675)	-	(4,917,675)
Balance at March 31	**2,359,004**	**1,995,213**	**23,799,546**	**28,153,763**	**23,341,383**	**3,377,622**	**26,719,005**

26. Financial Risk Management, continued

26.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group 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 Group 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 Group 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 Group 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 Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains a statutory deposit with the Central Bank of Barbados.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial liabilities as of March 31, 2019 and March 31, 2018 on the basis of their earliest possible contractual maturity.

(Expressed in Barbados dollars)

26.3 Liquidity risk and funding management, continued

Liquidity Risk – Financial Liabilities

		2019				
		Within 3 months	Within 3 -12 months	Within 1-5 years	Over 5 years	Total
Deposits	$	647,503,463	229,545,394	560,490,652	68,980,542	1,506,520,051
Loans payable		2,504	-	1,096,417	17,464,592	18,563,513
Reimbursable shares		-	-	12,289,404	-	12,289,404
Other liabilities		3,832,782	7,877,477	-	2,910,793	14,621,052
	$	651,338,749	237,422,871	573,876,473	89,355,927	1,551,994,020

		2018				
		Within 3 months	Within 3 -12 months	Within 1-5 years	Over 5 years	Total
Deposits	$	595,715,614	188,073,230	493,947,336	67,878,798	1,345,614,978
Loans payable		-	727,963	816,167	20,280,211	21,824,341
Reimbursable shares		-	-	9,761,121	-	9,761,121
Other liabilities		2,983,796	7,175,266	-	2,910,176	13,069,238
	$	598,699,410	195,976,459	504,524,624	91,069,185	1,390,269,678

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.4 Market risk, continued

Interest rate risk

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

		2019					
		Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash resources	$	220,566,324	16,720,558	8,851,517	-	6,353,701	252,492,100
Financial investments		409,781	560,761	6,092,165	15,467,264	3,061,754	25,591,725
Loans and advances		39,663,805	67,212,132	255,482,683	848,698,287	24,702,988	1,235,759,895
Other assets		-	-	-	-	12,654,668	12,654,668
Total assets		260,639,910	84,493,451	270,426,365	864,165,551	46,773,111	1,526,498,388
Liabilities							
Deposits		647,027,407	219,190,173	512,933,135	36,167,627	83,476	1,415,401,818
Loans payable		222,045	-	850,577	12,447,554	-	13,520,176
Reimbursable shares		-	-	-	-	12,289,404	12,289,404
Other liabilities		-	-	-	-	14,621,052	14,621,052
Total liabilities		647,249,452	219,190,173	513,783,712	48,615,181	26,993,932	1,455,832,450
Interest rate gap	$	(386,609,542)	(134,696,722)	(243,357,347)	815,550,370	19,779,179	70,665,938

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.4 Market risk, continued

Interest rate risk, continued

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

		2018					
		Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash resources	$	116,907,979	30,999,081	3,180,279	-	5,800,828	156,888,167
Financial investments		91,173	2,110,772	14,845,336	12,904,474	2,719,674	32,671,429
Loans and advances		28,514,593	41,655,896	263,244,079	841,161,897	-	1,174,576,465
Other assets		-	-	-	-	11,501,929	11,501,929
Total assets		145,513,745	74,765,749	281,269,694	854,066,371	20,022,431	1,375,637,990
Liabilities							
Deposits		596,122,710	179,793,075	449,681,876	34,299,668	24,916	1,259,922,245
Loans payable		-	553,707	614,986	14,061,105	-	15,229,798
Reimbursable shares		-	-	-	-	9,761,121	9,761,121
Other liabilities		-	-	-	-	13,069,238	13,069,238
Total liabilities		596,122,710	180,346,782	450,296,862	48,360,773	22,855,275	1,297,982,402
Interest rate gap	$	(450,608,965)	(105,581,033)	(169,027,168)	805,705,598	(2,832,844)	77,655,588

(Expressed in Barbados dollars)

26. Financial Risk Management, continued

26.4 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 Group is mainly exposed to interest rate risk. The Group's exposure to currency risk is minimal as a result of the fixed rate of exchange between the Barbados and Eastern Caribbean dollar.

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.

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, 2019, with all other variables held constant.

The impact is illustrated and shown in the table below:

		2019	2018
Increase / decrease of 100 bps			
Impact on profit + 100 bps	$	(3,954,928)	6,368,569
Impact on profit – 100 bps		3,916,945	1,047,858

26.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group'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 Group, 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 the Board of Directors.

(Expressed in Barbados dollars)

27. 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.

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, other assets and other liabilities. 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 Group'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 consolidated statement of financial position are shown in the table below:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash resources	$ 252,492,100	252,492,100	156,888,167	156,888,167
Financial investments				
– Amortized cost	22,529,971	22,529,971	-	-
– Held to maturity	-	-	25,993,354	25,993,354
– Loans and receivable	-	-	3,958,401	3,958,401
– FVOCI	2,177,258	2,177,258	1,941,595	1,941,595
– FVTPL	884,496	884,496	778,079	778,079
Loans and advances	1,235,759,895	1,238,893,573	1,174,576,465	1,177,486,641
Other assets	12,654,668	12,654,668	11,501,929	11,501,929
	$ 1,526,498,388	1,529,632,066	1,375,637,990	1,378,548,166
Liabilities				
Deposits	$ 1,400,074,381	1,502,142,145	1,259,922,245	1,353,859,388
Loan payable	13,520,176	13,520,176	15,229,798	15,229,798
Reimbursable shares	12,289,404	12,289,404	9,761,121	9,761,121
Other liabilities	14,621,052	14,621,052	13,069,238	13,069,238
	$ 1,440,505,013	1,542,572,777	1,279,982,402	1,391,919,545

(Expressed in Barbados dollars)

27. Fair Value, continued

Determination of fair value and fair value hierarchy

The Group 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 Group 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 fair value 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 Group's financial instruments that are measured at fair value.

March 31, 2019

		Level 1	Level 2	Level 3	Total Balance
Investment securities					
Equity securities					
- FVOCI	$	1,858,693	-	318,565	2,177,258
- FVTPL		-	-	884,496	884,496
	$	1,858,693	-	1,203,061	3,061,754

(Expressed in Barbados dollars)

27. Fair Value, continued

		2018			
		Level 1	Level 2	Level 3	Total balance
Investment securities					
Equity securities					
- FVOCI	$	1,623,030	-	318,565	1,941,595
- FVTPL		-	-	778,079	778,079
	$	1,623,030	-	1,096,644	2,719,674

The following table below 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.

		2019	2018
Balance - beginning of year	$	1,096,644	1,085,704
Purchases		106,417	10,940
Balance – end of year	$	1,203,061	1,096,644

There were no transfers in or out of Level 3 during the year ended March 31, 2019 (2018: NIL).

The financial investments classified as Level 3 securities are carried at cost as fair value cannot be reliably estimated. Therefore no significant unobservable inputs have been considered in determining its value. The application of sensitivity analysis is therefore not relevant.

28. Capital Management

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

- To comply with the capital requirements set by the regulators of financial institutions where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits for 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 Group's management, employing techniques based on policies and guidelines regulated by both the Co-operative Societies Act and the Financial Institutions Act.

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

28. Capital Management, continued

Regulatory capital requirement

Under governing legislation which became effective March 31, 2008, the Group 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 22)

For Capita Financial Services Inc., the Central Bank of Barbados requires that the entity (a) hold the minimum level of the regulatory capital and (b) maintain a certain ratio of total regulatory capital to the risk-weighted asset at or above the internationally agreed minimum of 8%.

The Group has complied with all externally imposed capital requirements.

29. 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 Group, in accordance with section 132 of the Co-operative Societies Act. The Group 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 19) and are disclosed within the respective notes.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

Details of Consolidated Statement of Income
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

			2019				
			BPWCCUL	**BPWFHI**	**CAPITA FSI**	**Eliminations**	**Total**
Interest on loans	3	$	86,864,370	-	15,054,657	-	101,919,027
Interest on investment	3		2,518,761	-	663,869	(444,274)	2,738,356
Total Interest Income			89,383,131	-	15,718,526	(444,274)	104,657,383
Interest on deposits	3		26,140,047	-	7,397,798	(444,274)	33,093,571
Interest on loans payable	3		-	-	397,688	-	397,688
Total Interest Expenses			26,140,047	-	7,795,486	(444,274)	33,491,259
Net Interest Income			63,243,084	-	7,923,040	-	71,166,124
Impairment loss on goodwill			-	-	-	2,910,000	2,910,000
Impairment loss on subsidiary			1,307,400	-	-	(1,307,400)	-
Expected credit losses			3,770,600	-	380,848	-	4,151,448
		$	58,165,084	-	7,542,192	(1,602,600)	64,104,676

(Expressed in Barbados dollars)

Details of Consolidated Statement of Income
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

	2019				
	BPWCCUL	**BPWFHI**	**CAPITA FSI**	**Eliminations**	**Total**
Non Interest Income					
Fees and commissions	$ 3,771,928	897,305	2,288,212	(1,067,692)	5,889,753
	61,937,012	897,305	9,830,404	(2,670,292)	69,994,429
Compensation and benefits	20,046,950	64,781	2,600,338	-	22,712,069
Occupancy and operations	18,957,677	1,081,823	3,982,819	(967,692)	23,054,627
Professional fees	997,962	-	498,543	-	1,496,505
Members' security and social benefits	3,054,140	-	87,861	-	3,142,001
Promotions and other	3,283,424	-	751,964	-	4,035,388
Total other operating expenses	46,340,153	1,146,604	7,921,525	(967,692)	54,440,590
Net income before taxes and levies	15,596,859	(249,299)	1,908,879	(1,702,600)	15,553,839
Loss on derecognition of investments	3,634,651	-	403,280	-	4,037,931
Taxes and levies	-	-	771,754	-	771,754
Net income after taxes and levies	$ 11,962,208	(249,299)	733,845	(1,702,600)	10,744,154

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

Details of Consolidated Statement of Financial Position
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

			2019				
			BPWCCUL	BPWFHI	CAPITA FSI	Eliminations	Total
Assets:							
Cash resources	11	$	233,649,384	2,945,121	31,205,032	(15,307,437)	252,492,100
Financial investments:							
Amortized cost	12		19,568,155	-	2,961,816	-	22,529,971
FVOCI	12		1,705,000	-	472,258	-	2,177,258
FVTPL	12		884,496	-	-	-	884,496
Loans and advances	13		997,535,262	-	238,224,633	-	1,235,759,895
Property and equipment	14		54,724,694	1,097,289	3,950,050	-	59,772,033
Pension plan assets	15		577,288	-	-	-	577,288
Corporation tax recoverable			-	-	313,104	-	313,104
Other assets			43,672,678	22,563,950	3,854,777	(52,505,188)	17,586,217
Total Assets		$	1,352,316,957	26,606,360	280,981,670	(67,812,625)	1,592,092,362

BARBADOS PUBLIC WORKERS’ CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

Details of Consolidated Statement of Financial Position
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

			2019				
			BPWCCUL	BPWFHI	CAPITA FSI	Eliminations	Total
Liabilities and Equity:							
Liabilities							
Deposits	18	$	1,175,003,744	-	240,378,074	(15,307,437)	1,400,074,381
Loans payable	19		-	-	13,520,176	-	13,520,176
Reimbursable shares			12,289,404	-	-	-	12,289,404
Asset tax payable	8		-	-	391,611	-	391,611
Deferred taxation	9		-	-	60,327	-	60,327
Other liabilities	20		10,788,270	20,378,892	3,266,478	(19,812,588)	14,621,052
Total liabilities		$	1,198,081,418	20,378,892	257,616,666	(35,120,025)	1,440,956,951
Equity							
Share capital	21	$	11,400,600	11,500,000	10,297,059	(21,797,059)	11,400,600
Statutory reserves	22		134,058,639	-	-	635,645	134,694,284
Other reserves	23		4,573,128	-	4,227,691	(3,897,823)	4,902,996
Retained earnings			4,203,172	(5,272,532)	8,840,254	(7,633,363)	137,531
Total equity			154,235,539	6,227,468	23,365,004	(32,692,600)	151,135,411
Total Liabilities and Equity		$	1,352,316,957	26,606,360	280,981,670	(67,812,625)	1,592,092,362

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

Details of Consolidated Statement of Income
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

			2018				
			BPWCCUL	BPWFHI	CAPITA FSI	Eliminations	Total
Interest on loans	3	$	83,434,300	-	14,142,556	-	97,576,856
Interest on investment	3		3,155,066	157	815,886	(491,882)	3,479,227
Total Interest Income			86,589,366	157	14,958,442	(491,882)	101,056,083
Interest on deposits	3		25,089,206	-	7,050,124	(491,882)	31,647,448
Interest on loans payable	3		61,730	-	456,469	-	518,199
Total Interest Expenses			25,150,936	-	7,506,593	(491,882)	32,165,647
Net Interest Income			61,438,430	157	7,451,849	-	68,890,436
Provision for loan loss			6,535,134	-	407,207	-	6,942,341
		$	54,903,296	157	7,044,642	-	61,948,095

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

Details of Consolidated Statement of Income
Barbados Public Workers Co-operative Credit Union Limited and Its Subsidiaries

		2018				
		BPWCCUL	**BPWFHI**	**CAPITA FSI**	**Eliminations**	**Total**
Non Interest Income						
Fees and commissions	$	4,316,371	902,304	2,018,905	(1,108,476)	6,129,104
		59,219,667	902,461	9,063,547	(1,108,476)	68,077,199
Compensation and benefits		17,844,717	41,803	2,493,002	-	20,379,522
Occupancy and operations		14,992,648	506,788	3,667,083	(973,573)	18,192,946
Professional fees		1,096,681	-	569,524	-	1,666,205
Members security and social benefits		4,676,169	-	-	-	4,676,169
Promotions and other		4,012,755	-	851,237	-	4,863,992
Net income before taxes and levies		16,596,697	353,870	1,482,701	-	18,298,365
Taxes and levies		-	-	931,361	-	931,361
Net income after taxes and levies	$	16,596,697	353,870	551,340	(134,903)	17,367,004

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BARBADOS PUBLIC WORKERS'
CO-OPERATIVE CREDIT UNION LIMITED

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