

2019

NON-CONSOLIDATED Annual Report



People Helping People



**BARBADOS PUBLIC WORKERS'
CO-OPERATIVE CREDIT UNION LIMITED**

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

2019

NON-CONSOLIDATED Annual Report



People Helping People

CONTENTS

Mission Statement	2
Vision Statement	2
Our Common Bond	2
Training and Development	3
Our Leaders	
Board of Directors	4
Management Team	5
Corporate Information	6
Financial Highlights	8
Management Discussion and Analysis	10
Board of Directors' Report	13
Independent Auditors' Report	16
Financial Statements	20

Mission Statement

Our mission is to render excellence in service to our members while providing the means for enhancing their financial, economic and social well being, in consonance with co-operative principles.

Vision Statement

Our vision is to be the premier indigenous co-operative financial services provider in the region, hand in hand with our membership.

Our Common Bond

We commit to these values to guide our decisions and behaviour.

Values

Respect for Individuals

We treat each other and our members with respect and dignity, valuing individual differences. We communicate frequently and with candor, listening to each other regardless of level or position.

Dedicated to Helping Members

We truly care for each member. We build enduring relationships by understanding and anticipating our members' needs and by serving them better each time than the time before.

Highest Standards of Integrity

We are honest and ethical in all our business dealings, starting with how we treat each other. We keep our promises and admit our mistakes. Our personal conduct ensures that the Barbados Public Workers' Co-

operative Credit Union Limited's (BPWCCUL) name is always worthy of trust.

Service Quality, Diversity and Innovation

We believe service quality, innovation and diversity are the engines that will keep us vital and growing. Our culture embraces quality and creativity, seeks different perspectives and risks pursuing new opportunities.

Team Work

We encourage and reward both individual and team achievements. We freely join with our vendors and business partners across organisational boundaries to advance the interest of our members.

By living these values, BPWCCUL aspires to achieve a standard of excellence that will reward our members, and all BPWCCUL people.

Training and Development

As part of our commitment to continuous organizational development, members of staff completed the following training programmes during the year.

Course Title

- 23rd Annual International AML & Financial Crime Conference (ACAMS)
- 61st Annual International Convention & 47th AGM - Caribbean Confederation of Credit Unions (CCCU)
- A Practical Guide to Commercial Arbitration and Court-Annexed Mediation
- ACAMS 23rd Annual International AML & Financial Crime Conference
- Alternative Dispute Resolution (ADR)
- AML Basics
- AML Boarder Security for CU Managers: Strategies for Protecting the 'State of the Union'
- AML Training A Cut Above the Rest
- AML Training for Senior Managers and Elected Officials
- ATM Custodian Training
- BAOP 22nd Annual Conference & Seminar 2019
- Barbados Law Conference Programme 2019
- BCCI PwC Post Budget Seminar
- BCCI RUBIS Business Seminar
- BCCI: Surviving the IMF Programme: The Jamaican Private Sector Experience
- BIMTECH Seminar
- Business Writing Course
- CAACM 12th AGM & Conference
- Caribbean Catalyst Seminar
- ComplianceAid: Anti-Money Laundering & Financial Crime Conference
- Corporate Governance & ERM
- CRCA Conference
- CUES CEO Institute II: Organizational Effectiveness
- CUES CEO/Chairman Exchange
- CUNA Management School
- Customer Experience for Financial Services (CXFS)
- Dealing with Difficult People (ADR)
- Eckler Pension Seminar
- Ethics & Governance in Business
- Excel Training
- Executive Leadership Programme 2018
- Fraud Detection & Anti-Money Laundering Conference - Verafin
- IBEFForum: Advanced Financial Modelling & Dashboards with Excel
- Interop ITX 2018
- Jack Henry Annual Conference (JAC) & TechConnect
- Service Quality Institute - Customer Service Certification
- SHRM18 Annual Conference & Exposition
- SMA Solutions OpCon Training
- World Council of Credit Unions (WOCCU) 2018

OUR LEADERS

BOARD OF DIRECTORS



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

MANAGEMENT TEAM



Group Chief Executive Officer
Bro. Glyne Harrison



Group Financial Controller
Bro. LeVere Catlyn



Chief Operations Officer
Bro. Jared Wright



Chief Human Resource Officer
Sis. Nicola Harris



General Counsel
Sis. Natalie Holder



Manager, Management Information Systems
Bro. Irwin Gibson



Internal Auditor
Bro. Eric Small



Compliance Manager
Sis. Wanda Massiah



Risk Manager
Sis. LaVerne Derrick-Watson



Member Relations Manager - Loans
Bro. Philip Babb

CORPORATE INFORMATION

BOARD OF DIRECTORS - BPWCCUL

Mr. Glendon Belle, Dip. Credit Union Management, CCUV, CCD – **President**
Mr. Cedric Murrell OBE, Cert. Public Administration Dip. ANS Management, CCUV, CCD – **Vice President**
Ms. Kerry-Ann King, B.Sc. Accounting (Hons), CPA, CGA, CCUV, CCD, CUERME – **Treasurer**
Ms. Julie Corbin, M.Sc. Management, **BA (Hons) Psychology, CCD, CCUV – Secretary**
Mr. Trevor Colucci, Diploma Co-operative Studies (Development & Management), CCD, CCUV – **Director**
Mr. Clint Hurley, B.Sc.(Hons), MBA, CCUV – **Director**
Ms. Tanya Chase, B.Sc., MPH, RPh, CCUV, CCD – **Director**
Miss Lydia Lewis, B.Sc. (Hons), Dip. Management, CCUV – **Director**
Mr. Troy White, B.Sc. Econ. & Accounting (Hons), FCCA – **Director**

AUDITORS

KPMG – **Chartered Accountants**

PRINCIPAL BANKER

Barbados Public Workers' Co-operative Credit Union Limited – **Republic Bank (Barbados) Limited**

EXECUTIVE MANAGEMENT

Mr. Glyne Harrison, BSc, MSc, MSc, CPA, CMA, – **Group Chief Executive Officer**
Mr. LeVere Catlyn, CPA-CGA, CA, CCUE – **Group Financial Controller**
Mr. Jared Wright B.Sc., MBA, – **Chief Operations Officer**
Ms. Nicola Harris B.Sc., M.Sc., PHR – **Chief Human Resources Officer**
Ms. Natalie Holder, LLB, LEC – **General Counsel**
Mr. Eric Small, B.Sc., CIA, CFE – **Internal Auditor**
Mr. Irwin Gibson, BEng, M.Sc., MBA – **Manager, Management Information Systems**
Mr. Philip Babb – **Member Relations Manager-Loans**
Ms. Wanda Massiah, B.Sc., M.Sc., CAMS – **Compliance Manager**
Mrs. LaVerne Derrick-Watson, LLB, B.Sc., M.Sc. – **Risk Manager**

SUPERVISORY & MIDDLE MANAGEMENT

Mr. Allan Clarke, Dip. Credit Union Management – **Senior Audit Assistant**
Mrs. Andrea Marshall, Dip. Credit Union Management – **Senior Financial Services Representative**
Mr. Courtney Gibson, FCCA, MBA, MCIBS, Chartered Banker – **Financial Accountant**
Ms. Dawn Blades – **Contact Centre Team Leader**
Mrs. Dawn Corbin, APOM, CCST, B.Sc., EMBA – **Service Quality Leader**
Miss Dale Edwards, B.Sc., MBA – **Assistant Senior Financial Services Representative**
Mrs. Elizabeth King, Dip. Credit Union Management, CCUE – **Branch Operations Officer**
Mr. Elridge Bend, AICB, Dip. Credit Union Management – **Branch Operations Officer**
Mrs. Gleneth Clarke, AICB – **Senior Financial Services Representative**
Mrs. Harriet Franklin, B.Sc. – **Branch Operations Officer**
Ms. Jameela Hollingsworth, B.Sc., MBA – **Human Resources Business Partner**
Miss Janet Goring – Assoc. Deg, AAS, CCUM, MCP – **Dbase Admin/Bus Sys. Analyst**
Mr. Jefferson Murray, Dip. Banking & Finance, CPAML – **Compliance Officer**
Mrs. Kim Bradshaw, Cert. IT, MCP, Assoc. Degree Bus. Studies – **Systems Administrator, MIS**
Mrs. Margaret Everatt, BSc. Mgmt., CCUE – **Payroll Coordinator**
Miss Marian Niles – **Senior Financial Services Representative**
Mr. Mark Bailey – **Network Engineer**
Mr. Valence Henry – **Network Administrator**
Mrs. Michelle Ashby, Dip. Credit Union Management, AICB, BSc. – **Branch Operations Officer**
Mrs. Nadia Richards, Cert. HR – **Senior Financial Services Representative**
Miss Natasha Holder, B.A., Cert. Supervisory Management – **Assistant Senior Financial Services Representative**
Mr. Neil Lucas, B.Sc., M.Sc. – **Network Administrator**
Ms. Rene Rudder, Dip. Service Excellence, Assoc. Deg., B.Sc., IAP, ICC – **Senior Audit Assistant**
Mr. Rommel Aimey, B.Sc. – **Senior Financial Services Representative**
Mrs. Sadie Austin – **Card & E-Services Supervisor**
Ms. Shirley George – **Senior Financial Services Representative**
Mrs. Susan Byer, B.Sc. (Hons), LLB, CCUE – **Securities Officer**
Ms. Susan Coppin, APS, ACS, Dip. Mgmt. – **Executive Secretary**
Miss Suzette Grimes – **Assistant Accountant**
Ms. Patricia Archer, Post Grad Diploma Learning and Development – **Human Resources Development Officer**
Mrs. Petula Wiggins, AICB – **Senior Financial Services Representative**
Ms. Tracia Pounder, B.Sc., MSc Marketing. – **Marketing Officer**
Miss Tracia Sargeant, Dip. Banking & Finance – **Senior Financial Services Representative**
Miss Vette Forde – **Senior Financial Services Representative**
Miss Wilma Massiah, Dip. Credit Union Management, AICB – **Senior Financial Services Representative**
Mr. Jamar McCaskie, B.Sc., M.Sc. – **Risk Officer**
Mr. Jason Springer, CFSA, CRMA, BA. In Business & Enterprise – **Risk Officer**
Mrs. Tricia Archer, B.Sc. (Hons) Economics & Accounting – **Financial Analyst**
Ms. Shantelle Linton, Cert. Supervisory Management – **Senior Financial Services Representative**
Mr. Charles Walton, CISA, CISM – **Information Technology Business Analyst**
Mrs. Mariette Simmons-Browne, B.Sc. (Hons), CISA, CRISC, IAP – **Information Technology Audit Leader**
Mrs. Keisha Payne, B.Sc. – **Assistant Accountant**
Mrs. Kerryanne Gilkes, Assoc. Deg., B.Sc., ICA – **Compliance Officer**
Mr. Glen Belgrave – **Senior Financial Services Representative**

GCEO's Office

Mrs. Kerry Ann Kirton, Cert. ICSA, CPS, ACS, Dip. Management – **Executive Secretary to CEO (ag.)**
Ms. Rosario Maynard, Associate Deg., ACS, APS – **Secretary**
Mrs. Juann Lovell – **Secretary**
Mr. Peter Broomes – **Driver/Messenger**

ACCOUNTS & FINANCE DEPARTMENT

Mr. Andrew Gibson, Assoc. Deg. – **Accounts Assistant**
Mrs. Angela Headley – **Accounts Assistant**
Mrs. Chandra Price – **Accounts Assistant**
Mrs. Sandra Waterman, APS, ACS, Dip. Management, BSc. Labour & Employment Relations – **Secretary**
Ms. Tilia King – **Accounts Assistant**
Ms. Shanielle Nurse – **Accounts Assistant**
Mr. Andre Patrick – **Accounts Assistant**
Mr. Alexander Barrow, BSc Accounting – **Accounts Assistant**
Ms. Leisl Reid, B.Sc. Human Resources – **Accounts Assistant**

OPERATIONS

Miss Dasley Clarke – **Claims & Recoveries Assistant**
Mrs. Kelly Jones – **Accounts Assistant**
Mr. Maxwell Benn, Associate Deg. – **Claims & Recoveries Coordinator**
Miss Rosie Bishop, Dip. IT, ACSC – **Accounts Assistant**
Mrs. Shontelle Brooks, CAT – **Accounts Assistant**
Mr. Jeshua Ferdinand – **Accounts Assistant**
Ms. Georgia Boxill, B.Sc. Accounts – **Accounts Assistant**

CARD & E-SERVICES

Mrs. Shelly Ann Morris-Brathwaite, CAT – **Accounts Assistant**
Miss Lavern Durante – **Accounts Assistant**
Ms. Jalisa Small – **Accounts Assistant**
Mr. Rahim Ward – **Accounts Assistant**

MORTGAGES & CONSUMER LOANS

Mrs. Arlene Seale, Cert. Supervisory Management – **Financial Services Representative**
Mrs. Cecile O'Neale-Dorne, FICB, CCUM, CCUFC – **Financial Services Representative**
Mr. Evans Kirton – **Financial Services Representative**
Ms. Gena Lamontagne – **Financial Services Representative**
Mrs. Jalisa Jordan, BABM, Cert. Facilities Management – **Financial Services Representative**
Miss Katrina Worrell, Assoc. Deg., B.Sc. – **Senior Operations Supervisor**
Miss Karen Giles, APS, ACS – **Branch Secretary**
Mrs. Lana Antrobus – **Financial Services Representative**
Mrs. Lisa Goodridge, B.Sc. Labour & Employment Relations – **Financial Services Representative**
Miss Natalie Nicholls – **Financial Services Representative**
Mr. Nicholas Alleyne, Cert. Project Management – **Financial Services Representative**
Mrs. Sheena Bowen, B.Sc. – **Financial Services Representative**
Miss Tricia Morris, B.Sc., Cert. Mktg. Advt. & PR – **Financial Services Representative**
Ms. Cherie-Ann Forde, B.Sc. – **Financial Services Representative**
Mr. Kent Alleyne – **Financial Services Representative**
Miss Renee Gibbons, Cert. Supervisory Management – **Financial Services Representative**
Mrs. Nicole Gibson, Cert. General & Supervisory Management, Dipl. Financial Mgmt. – **Financial Services Representative**
Mr. Christopher Bostic – **Financial Services Representative**
Ms. Crystal Storey, B.Sc. – **Financial Services Representative**
Ms. Leigh-Ann Norville, B.Sc., Cert. Supervisory Management – **Financial Services Representative**
Mr. Che Kippins-Niles – **Financial Services Representative**
Ms. Michelle Freeman, Assoc. Deg. – **Administrative Assistant**

HUMAN RESOURCES/ADMINISTRATION DEPARTMENT

Mrs. Nikisha Francis, B.Sc., M.Sc. – **Human Resources Associate**
Miss Kaylone Browne, Cert. HRM – **Human Resources Assistant**
Ms. Erin Alleyne, B.Sc. – **Receptionist**

REGISTRY

Mrs. Phylis Gill – **Registry Clerk**
Mr. Ryan Inniss – **Registry Clerk**
Mr. Wayne Scott – **Registry Clerk**
Ms. Hajayah Nash – **Registry Clerk**

ESTATE DEPARTMENT

Mr. Andrew Estwick – **Driver/Handyman**
Ms. Karen Browne – **Administrative Assistant**
Mr. Rodney Edwards – **Driver/ Handyman**

INTERNAL AUDIT DEPARTMENT

Mrs. Stacy Gulstone, B.Sc. – **Audit Assistant**
Mr. Dario Babb, B.Sc. – **Audit Assistant**
Mr. Nicholas King B.Sc., ACCA, CA, CIA – **Audit Assistant**

SERVICE QUALITY DEPARTMENT

Mrs. Carol Toppin, B.Sc., Cert. PM – **Service Quality Coordinator**
Mr. Rene Forde, LLB – **Service Quality Coordinator**

LEGAL DEPARTMENT

Mrs Alicia Constantine – **Legal Clerk**
Miss Chaitali Soudatt, ASC, PALS – **Legal Secretary – Securities Maintenance**
Mrs Cynthia Gittens, APOM, Cert. Paralegal Studies – **Legal Secretary**
Miss Donna Scantlebury, CCUM, ACS, Cert. Paralegal & Supervisory Management – **Legal Assistant II**
Miss Heather Lynch, Cert. Paralegal Studies & Supervisory Management – **Legal Assistant II**
Mrs Joy-Ann Lewis, APOM, PSC, SSC – **Legal Secretary**
Mrs. Shedell Odle-Gill, Cert. Paralegal Studies – **Legal Assistant I**
Ms. Latoya Miller – **Legal Secretary**
Mrs. Annabelle Wilson – **Legal Secretary**
Ms. Niquita Holder, B.Sc. – **Legal Assistant II**

MANAGEMENT INFORMATION SYSTEMS DEPARTMENT

Miss Kerrie Young, B.Sc. Computer Studies, CompTIA A+ Certificate – **Supervisory Management – Systems Operator**
Miss Makeba King, Assoc. Degree, Applied Science & Information Technology – **Systems Operator**
Mr. Jeremy Estwick, Associate Deg., B.Sc. - Computer Science – **Systems Operator**

MEMBER SERVICES/DISBURSEMENTS

Mr. Denny Brathwaite – **Financial Services Representative**
Mrs. Donalin Hazell – **Financial Services Representative**
Ms. Janell Branch, Cert. Supervisory, Personnel Management & Accounts and Finance – **Financial Services Representative**
Mr. Johnathan Brewster – **Financial Services Representative**
Ms. Kelly-Ann Scott – **Financial Services Representative**
Miss Kharla Greaves – **Financial Services Representative**
Miss Larissa Latchman – **Receptionist/Hostess**
Ms. Kasha Grimes – **Administrative Receptionist**
Miss Lisa Monchery – **Receptionist/Hostess**
Mrs. Nicole Jean-Paul – **Financial Services Representative**
Miss Pat Martindale – **Financial Services Representative**
Mrs. Shonelle Harewood, B.Sc. – **Financial Services Representative**
Miss Susan Lovell – **Financial Services Representative**
Miss Tiyan Gomes – **Financial Services Representative**
Miss Tricia Green – **Financial Services Representative**
Ms. Tamara Forde – **Financial Services Representative**
Ms. Shakira McCollin, Assoc. Deg. – **Financial Services Representative**
Mr. Philip Norville – **Financial Services Representative**
Ms. Shanice Clarke, B.Sc. – **Financial Services Representative**
Ms. Sandra Linton – **Financial Services Representative**
Miss Janell Reece – **Administrative Receptionist**

COMPLIANCE

Ms. Lezanne Waithe, B.Sc., Cert. FRM, Cert. Audit – **Compliance Assistant**
Ms. Shakeita Browne, B.Sc. – **Compliance Assistant**
Mr. Rosson Howard, B.Sc., Cert. in Supervisory Management – **Compliance Assistant**

CONTACT CENTRE

Miss Andrea Prince, BA – **Contact Centre Representative**
Miss Denise Johnson, ACSP – **Contact Centre Representative**
Miss Donna Fitzpatrick, Associate Degree – **Contact Centre Representative**
Mrs. Paula Morris – **Contact Centre Representative**
Ms. Khadija Millar – **Contact Centre Representative**
Ms. Denise Callender, Associate Degree – **Contact Centre Representative**
Ms. Kela Knight, Associate Degree – **Contact Centre Representative**

MARKETING

Ms. Nicole Hall, B.Sc. (Hons) Marketing & Management – **Marketing Assistant**
Ms. Kimberley Grimes, B.Sc. (Hons), MA Strategic Marketing – **Marketing Assistant**
Mrs. Stacy Mottley, B.Sc. Labour & Employment Relations, Dip. HR Management, CIPR UK Prof. PR Diploma – **Marketing Assistant**
Mrs. Cheryl Straker, B.Sc. (Hons), MSc Human Resources – **Administrative Assistant**

LOANS RECOVERY

Miss Amanda Lynch, B.Sc., Dip. Banking & Finance – **Financial Services Representative**
Mr. André Daniel, Cert. Supervisory Management, B.Sc., MBA – **Financial Services Representative**
Mr. Hugh Victor-Browne, Cert. Supervisory Management – **Financial Services Representative**
Ms. Kerisa Clarke, B.Sc. – **Financial Services Representative**
Mr. Neil Bradshaw – **Financial Services Representative**
Miss Tanesha Straughn, PSD – **Financial Services Representative**
Mrs. Wendy Dodson – **Financial Services Representative**

RISK

Miss Saadia Griffith, B.Sc., Dip. CMA – **Risk Assistant**
Miss Latrisha Thorington, B.Sc. – **Risk Assistant**

SAVINGS MOBILISATION

Mrs. Barbara Haynes – **Financial Services Representative**
Mrs. Chantelle Brewster, B.Sc. – **Financial Services Representative**
Mr. Damion Husbands-Johnson, Assoc. Deg. – **Financial Services Representative**

Mr. Darien Birkett – **Financial Services Representative**
Mr. Dario Bowen – **Financial Services Representative**
Mr. Dario Nicholls, B.Sc. Finance – **Financial Services Representative**
Ms. Denissia Thorpe – **Financial Services Representative**
Ms. Kiendra Leonce, B.Sc. – **Financial Services Representative**
Ms. Kimberley Vaughan – **Financial Services Representative**
Mr. Kumar Hinds – **Financial Services Representative**
Mr. Mario Small – **Financial Services Representative**
Ms. Nadley McFarlane, Assoc. Deg. – **Financial Services Representative**
Ms. Nicole Jones – **Financial Services Representative**
Ms. Nikki Clarke, B.A., Cert. in Supervisory Management – **Financial Services Associate**
Mr. Rafael Hinds – **Financial Services Representative**
Ms. Sade Mayers – **Financial Services Representative**
Mr. Shane Jones – **Financial Services Representative**
Mr. Shane Reece – **Financial Services Representative**
Mr. Stefan Watson, B.Sc. – **Financial Services Representative**
Ms. Tila Jones – **Financial Services Representative**
Ms. Zhane Taylor – **Financial Services Representative**
Mr. Kadeine James – **Financial Services Representative**
Mr. Kurt Cummins – **Financial Services Representative**
Mr. Fabian Callender – **Financial Services Representative**
Ms. Claire Callender – **Financial Services Representative**
Ms. Shakira Bryan – **Financial Services Representative**
Ms. Makiya Brathwaite – **Financial Services Representative**
Ms. Ancilla Brathwaite – **Financial Services Representative**
Ms. Jheri Blackman – **Financial Services Representative**
Mr. Nicholai Nowell – **Financial Services Representative**
Ms. Imani Alkins – **Financial Services Representative**
Mr. Alan Ashby – **Financial Services Representative**
Ms. Shakeem Belle, B.Sc. – **Financial Services Representative**
Ms. Cedrina Bishop – **Financial Services Representative**
Ms. Vanessa Bobb – **Financial Services Representative**
Mr. Kareem Bowen – **Financial Services Representative**
Ms. Makeida Bowen – **Financial Services Representative**
Ms. Leann Brewster – **Financial Services Representative**
Ms. Shevanne Burrowes – **Financial Services Representative**
Ms. Jeleisa Chatterpaul – **Financial Services Representative**
Ms. Alisa Collymore – **Financial Service Representative**
Ms. Tiara Desce – **Financial Services Representative**
Mr. Rommell Downes – **Financial Services Representative**
Mr. Randall Gibson – **Financial Services Representative**
Ms. Patricia Holder – **Financial Services Representative**
Ms. Josee Joseph – **Financial Services Representative**
Mrs. Tanisha King – **Financial Services Representative**
Mr. Richard Lynch – **Financial Services Representative**
Ms. Rosheena Redman – **Financial Services Representative**
Ms. Esther Sealy – **Financial Services Representative**
Ms. Michaela Straughn, B.Sc. Sociology with Criminology – **Financial Services Representative**
Ms. Tricia Walcott – **Financial Services Representative**
Ms. Shanika Wickham – **Financial Services Representative**
Ms. Kendra Wilkinson – **Financial Services Representative**
Mr. Shakiel Williams – **Financial Services Representative**
Mr. Attlee Yearwood, B.Sc. – **Financial Services Representative**
Ms. Kiana Clarke – **Financial Services Representative**
Mr. Kevin Carter – **Financial Services Representative**
Mr. Courtney Gibson – **Financial Services Representative**
Ms. Brittany Taylor – **Receptionist**
Ms. Kerry Rouse – **Secretary**
Mr. Ariko Small – **Financial Services Representative**
Ms. Tamika Miller – **Financial Services Representative**
Ms. Keisha Linton – **Financial Services Representative**
Mr. Naeem Johnson – **Financial Services Representative**
Ms. Kanesha Kellman – **Financial Services Representative**
Mr. Charles Harewood – **Financial Services Representative**
Ms. Tajah Ifil- Scott – **Financial Services Representative**
Ms. Cemerah Ifill – **Financial Services Representative**
Ms. Dana Hinds – **Financial Services Representative**
Ms. Leah Harper – **Clerk**
Mr. Shane Gittens – **Clerk**
Ms. Jazmine Grosvenor – **Financial Services Representative**
Mr. Rishon Gaskin – **Financial Services Representative**
Ms. Donisha Francis – **Financial Services Representative**
Ms. Kazia Clarke – **Financial Services Representative**
Ms. Gail Daniel – **Financial Services Representative**
Ms. Gerianne Bullard – **Financial Services Representative**
Mr. Kashka Boyce, B.Sc. – **Financial Services Representative**
Ms. Iman Alkins – **Financial Services Representative**
Ms. Shakira Barrow – **Financial Services Representative**
Ms. Shari Bovell – **Financial Services Representative**
Ms. Charlene Reid, Assoc. Deg. – **Financial Services Representative**

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - FIVE YEAR REVIEW

In Bds \$'000

	2019	2018	2017	2016	2015
Statement of financial position:					
Assets					
Cash and equivalents	197,824	95,296	51,156	49,512	44,940
Investments	57,982	68,578	73,942	84,004	76,559
Loans to Members (net)	997,535	958,067	900,440	817,839	746,497
Property and Equipment	54,725	55,837	41,784	29,547	27,405
Other	44,251	45,865	44,256	39,348	34,819
Total Assets	1,352,317	1,223,643	1,111,578	1,020,250	930,220
Liabilities and Owner's Equity					
Liabilities					
Deposits	1,175,004	1,055,847	956,135	862,900	775,116
External Debt	-	-	5,317	22,283	33,445
Other	23,077	19,847	16,257	16,226	15,026
	1,198,081	1,075,694	977,709	901,409	823,587
Equity					
Share Capital	11,401	10,706	10,084	9,407	8,764
General & Other Reserves	138,632	126,048	112,691	101,670	92,278
Retained earnings	4,203	11,195	11,094	7,764	5,591
	154,236	147,949	133,869	118,841	106,633
	1,352,317	1,223,643	1,111,578	1,020,250	930,220
Statement of income:					
Interest Income	89,383	86,589	81,363	76,368	69,151
Interest Expense	26,140	25,151	26,172	25,917	24,712
Net Interest Income	63,243	61,438	55,191	50,451	44,439
Other income	3,772	4,317	3,965	3,549	2,566
Net income and other income	67,015	65,755	59,156	54,000	47,005
Impairment expense	5,078	6,535	4,645	3,789	3,712
Net operating income	61,937	59,220	54,511	50,211	43,293
Total operating expenses	46,340	42,623	38,494	34,720	32,336
Net income before extra-ordinary items	15,597	16,597	16,017	15,491	10,957
Derecognition of Government Securities	3,635	-	-	-	-
Tax of Assets	-	-	1,949	1,351	-
Net income after extra-ordinary items	11,962	16,597	16,017	13,542	9,606

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS - FIVE YEAR REVIEW

In Bds \$'000

	2019	2018	2017	2016	2015
Financial statistics in percent:					
Asset Growth	10.52	10.08	8.95	9.68	6.12
Loan Growth	4.12	6.40	10.10	9.56	9.08
Deposit Growth	11.29	10.43	10.80	11.33	7.39
Net Surplus Growth	-27.93	3.62	18.28	40.97	-7.87
Return on Assets	0.93	1.42	1.50	1.39	1.06
Return on Equity	7.92	11.78	12.68	12.01	9.40
Operating Efficiency	74.82	71.97	70.62	69.15	74.69
Net Interest Margin	4.91	5.26	5.18	5.17	4.92

	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	5	4	4	4
Net income per member	\$125.92	\$186.07	\$190.60	\$172.75	\$131.53

	2019	2018	2017	2016	2015
Members (000'S)	95.0	89.2	84.0	78.4	73.0

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the Annual Report provides a discussion and analysis of the financial position and performance of the Barbados Public Workers' Co-operative Credit Union Limited (BPWCCUL) for the financial year ended March 31, 2019 as compared to the financial year ended March 31, 2018.

ECONOMIC REVIEW

Due to Barbados' prolonged period of increased fiscal and external imbalances and stagnated growth since the global financial crisis between 2008 and 2018; large fiscal deficits and limited fiscal consolidation led to a near doubling of the government's debt burden, which surpassed 100% of GDP in 2017.

Barbados was downgraded to Caa3 from Caa1 in April 2017 by the Global Credit Rating Agency, Moody's Investors Service. The Barbados' government in 2018 completed a formal debt exchange for its local-currency denominated instruments, which represented about 75% of total outstanding debt. A significant principal haircut and comparatively low rates, from 0.5% on Treasury bills and 1% on Series B Bonds, under the exchange, have materially reduced the government's debt and interest burdens.

Upon the conclusion of the domestic debt restructuring programme, Barbados received a Moody's Credit Rating of Caa3 (stable) or (B-) using S&P in November 2018. Albeit, the financial system remains stable, notwithstanding the impairment to commercial banks' capital buffers, resulting from Government's debt restructuring and the adoption of the IFRS 9 accounting standard in 2018. Other deposit-taking institutions, including the Credit Union sector are expected to have an even more significant impact on their capital since capital to asset ratios are lower than that of the commercial banks.

The outlook for the Barbadian economy has become more favorable as macroeconomic indicators continue to improve in line with expectations under the Barbados Economic Recovery and Transformation (BERT) programme. However, there remains significant downside risks that need to be monitored and managed, such as; the delays to the commencement of large commercial projects, negative spill-overs resulting from international economic developments and the on-going global trade tensions, as indicated in the Central Bank of Barbados' Press Release March, 2019.

The report further outlined that new projects including the Kooymans retail store and the Sagicor Retirement Village, are expected to boost growth in the second half of the year. The Central Bank of Barbados now estimates that overall growth will range from 0% to 0.25% for 2019.

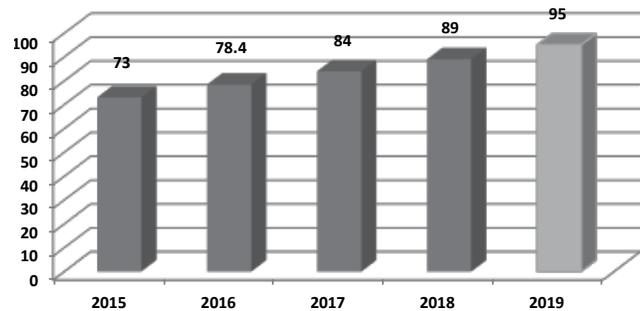
OVERVIEW

The Barbados Public Worker's Co-operative Credit Union Limited continues to be deeply rooted in the cooperative and credit union principles, by maintaining its member-centric approach to doing business. In fact, our first core value is improving the lives of our members and the communities which we serve.

In 2019, the Credit Union membership grew by 5,790 members to reach 95,005, this represented an average increase of 482

members per month or 6.7 percent growth over the prior year. The increase in membership base has positively impacted assets, loans and deposit growth.

Members in 000



The management of key risk areas within the Credit Union's operations through its "Enterprise Risk Management" framework, has been the main focus during the period under review. This framework provides for a comprehensive review of organizational risk, and creates a structure which considers how risks interrelate and encourages enhanced decision making.

The organization recognizes that while other sources of credit risk exist throughout its activities and the market space it operates, loans continue to be the largest and most obvious source of credit risk.

The Credit Union mitigates such risk through the establishment of an appropriate credit risk management environment; operating under a sound credit-lending process by effectively maintaining an appropriate credit administration, measurement and monitoring system.

Notwithstanding our efforts, non-performing loans during the year ended March 31, 2019 increased by \$15.3 million or 21.3 percent. We remain committed to engaging with our members who are experiencing financial challenges by offering solutions geared at returning their accounts to a state of normalcy.

Deposit interest rates in the market continue to trend downward with some financial institutions offering rates as low as 0.1 percent. However, we at the Credit Union are proud to maintain some of the most competitive rates on deposits. This has resulted in the Credit Union achieving its highest deposit growth of \$119.2 million at the end of the financial year 2019, with an average rate of return of 2.35 percent. This extraordinary growth in deposits increased cash resources to \$233.6 million as compared to \$135.6 million.

REVIEW OF FINANCIAL PERFORMANCE

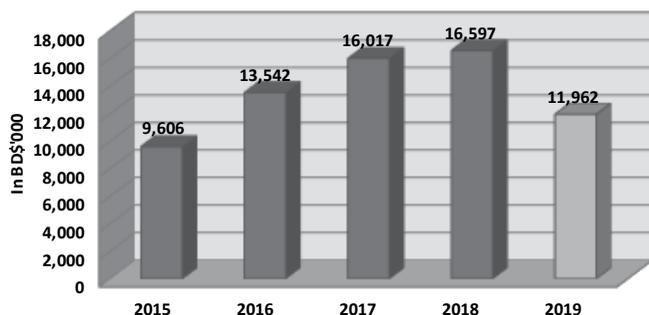
TOTAL INCOME AND NET INCOME

Net income for the year was reported at \$12.0 million, down from \$16.6 million in the prior year. Net income was heavily impacted by the BERT program and resulted in a loss on de-recognition of \$3.6 million related to sovereign debt securities. Therefore, net income before the loss on de-recognition of investments was reported at \$15.6 million. This represents a

MANAGEMENT DISCUSSION AND ANALYSIS

decrease of \$1 million or 6.0 percent. Total revenue increased from \$90.9 million in 2018 to \$93.2 million in 2019 reflecting an increase of \$2.3 million or 2.5 percent in revenue.

Net Income



The net loans to total assets ratio decreased to 73.8 percent in 2019 from 78.3 percent in 2018. As at March 2019, net loans grew by \$39.5 million or 4.1 percent compared to \$57.6 million or 6.4 percent for the year ended March 2018.

NET INTEREST INCOME

Net interest income grew by \$1.8 million or 2.9 percent in 2019. Total interest income grew by \$2.8 million or 3.2 percent while total interest expense increased by 989 thousand or 3.9 percent. Interest income from loans and advances increased by \$3.4 million or 4.1 percent while interest from cash resources and financial investments decreased by \$636.3 thousand or 20.2 percent during the financial year.

OTHER INCOME

Other income decreased by \$544.4 thousand or 12.6 percent during the financial year. This decrease was mainly due to a reduction in charged-off recoveries income by \$692.4 thousand or 39.4 percent.

EFFICIENCY AND EXPENSE MANAGEMENT

The Credit Union's strategy during the financial year was one which focused heavily on value added member services and member satisfaction. The ability to deliver excellent service to our members is measured by an annual satisfaction survey. During the year, the Credit Union attained a score of 98%, signaling our members' satisfaction with the services offered.

STAFF COST

The financial year 2019 saw a full year's operation for our newest branches, Mile and a Quarter and our Mobile Financial Center. This provided for a full year of salaries and other staff related expenses associated with these branches.

In addition to the above, the Credit Union expanded its staff compliment by a further 35 persons moving from 229 to 264 to better serve its members. This growth in our staff compliment together with Union negotiated salary increases contributed to an increase of approximately \$3.7 million or 22.3 percent over that of the prior year.

TOTAL OPERATING EXPENSES

Total operating expenses for the year was reported at \$46.3 million, representing an increase of \$3.5 million or 9.2 percent above the prior year. This increase was directly correlated to the aforementioned rise in staff costs. However, on average the other expense items were relatively in line with last year's, due to the prudent management of operating expenditure.

During the year an impairment loss on our subsidiary of \$1.3 million dollars was recognized reducing our investment in subsidiary to \$10.2 million from \$11.5 million in the prior year. This impairment loss was recorded this year due to accounting policy requirements stipulating that the investment in our subsidiary is subsequently measured at cost less impairment.

NET OPERATING INCOME

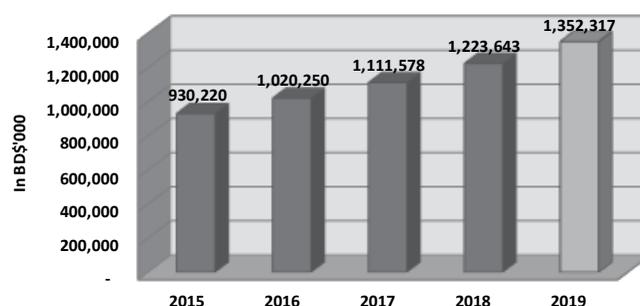
Net operating income increased by \$2.7 million or 4.6 percent to end the year at \$61.9 million. Expected credit losses (2018 - impairment expense) were \$3.8 million, decreasing by \$2.8 million or 42.3 percent below last year. This positive result was due to the implementation of the new IFRS 9, Financial Instruments which became effective for financial years beginning on or after January 1, 2018. 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 the Credit Union ECL assessments were carried out for our Loans and advances, Government Securities and Investments (Term deposits) in other corporate entities. Overall, our ECL totaled \$3.8 million for the financial year 2019. An adjustment was made through our Statement of Changes in Equity for April 1 2018 under IFRS 9, in the amount of \$1.7 million. This adjustment and reconciliations were further disclosed in the notes to the Financial Statements.

ASSETS

At the end of the 2019 financial year, the Credit Union recorded total assets in excess of \$1.4 billion, having increased by \$128.7 million or 10.5 percent. Cash resources increased by \$98.0 million or 72.3 percent. In addition, the carrying value of financial investments decreased by \$6.1 million due to a write down in the face value of investments in Barbados Government securities.

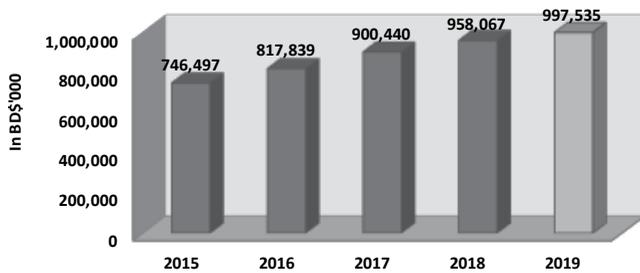
Total assets



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Net loans and advances to members were \$997.5 million, inclusive of an expected credit loss allowance of \$24.7 million, as compared to \$958.1 million inclusive of an impairment allowance of \$24.3 million at the end of the 2018 financial year. As it was in prior years, consumer loans were the main driver of loan growth.

Loans and advances



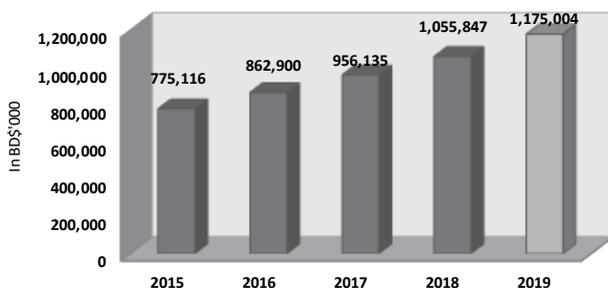
ASSET QUALITY

The Credit Union's delinquency ratio moved from 7.4 percent at March 31, 2018 to 8.6 percent at March 31, 2019. Non-performing loans increased by \$15.9 million or 22.1 percent during the 2019 financial year as compared to an increase of \$13.7 million in the prior year. The Financial Relief Center was established during the year with specially dedicated staff to offer assistance to members experiencing financial difficulty as a result of the Government's Restructuring Programme. This center also provides refinancing payment solutions and financial advice to any member requiring these personalized services.

LIABILITIES

Deposits at March 2019 totaled approximately \$1.2 billion which was \$119.2million or 11.3 percent higher than the previous yearend.

Deposits



The Credit Union's operations continued to be funded solely by member deposits. The average deposit cost moved from 2.5 percent in 2018 to 2.4 percent in 2019. The organization continues to pay higher than market deposit rates to ensure that our members are rewarded for their continued loyalty. Other liabilities increased by \$702.8 thousand or 7.0 percent over that of the prior year.

EQUITY

Total equity comprising of share capital, retained earnings, statutory and other reserves is the backbone of financial stability and allows for future growth and development.

As at March 31, 2019, equity totaled \$154.2 million, up from \$147.9 million as at March 2018. The increase of \$6.3 million is primarily attributed to net income for the year of was \$12.0 million and the growth in share capital of \$694.8 thousand. The distribution to members was approximately \$3.4 million.

THE WAY FORWARD

Barbados' economic circumstances are expected to continue along a similar path of the past fiscal period. As a result, we expect to see little improvement in interest margins on a full year basis. The adoption of IFRS9 brings a unique set of challenges as it relates to treatment of potential credit losses and this too will require increased attention.

These combined with enhanced regulatory oversight and changes, and increased level of competition from traditional and non-traditional sources will require greater attention to be paid to both our loans and deposits portfolios. Disciplined expense management, productivity improvements and investment in our employees, products, channels and infrastructure to keep pace with evolving expectations will engage our attention going forward.

Our key priorities for the upcoming year include continued member and customer acquisition, deepening of existing relationships, enhancing member and employee experience at all points of contact, prudent management of risk, compliance with regulatory requirements and creation of greater market awareness of our subsidiaries CAPITA Financial Services Inc., CAPITA Insurance Brokers Inc. and our philanthropic arm, Legacy Foundation.

Next year marks our 50th year and Golden Jubilee as an organization and we reflect with pride on where we have come from while looking forward with great anticipation for the journey ahead into this significant milestone. While the uncertainty of various environmental factors will no doubt continue to impact our performance, we are assured that our strong, diversified and member/customer-focused business model will continue to deliver solid results that will allow us to continue to help our members and the communities we serve.

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:

BOARD OF DIRECTORS REPORT

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

Hastings

Christ Church, BB 15154

Barbados West Indies

Telephone (246) 434-3900

Fax (246) 427-7123

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 Non-Consolidated Financial Statements

Opinion

We have audited the non-consolidated financial statements of Barbados Public Workers' Co-operative Credit Union Limited (the "Credit Union") which comprise the non-consolidated statement of financial position as at March 31, 2019, the non-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 non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Credit Union as at March 31, 2019, and its non-consolidated financial performance and its non-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 Non-Consolidated Financial Statements* section of our report. We are independent of the Credit Union in accordance with the ethical requirements that are relevant to our audit of the non-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, a Barbados and Eastern Caribbean partnership, registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



INDEPENDENT AUDITORS' REPORT, continued

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

Report on the Audit of the Non-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 non-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 non-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 non-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 non-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 Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



INDEPENDENT AUDITORS' REPORT, continued

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

Report on the Audit of the Non-Consolidated Financial Statements, continued

Auditors' Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the non-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 Credit Union's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT continued

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

Report on the Audit of the Non-Consolidated Financial Statements, continued

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

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

Other Matter

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

A handwritten signature of the KPMG firm, written in black ink.

Chartered Accountants
Bridgetown, Barbados
May 30, 2019

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Income

For the year ended March 31, 2019

With comparative figures for 2018

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Interest income	3	\$ 89,383,131	86,589,366
Interest expense	3	<u>(26,140,047)</u>	<u>(25,150,936)</u>
Net interest income	3	63,243,084	61,438,430
Other income	4	<u>3,771,928</u>	<u>4,316,371</u>
Net interest and other income		67,015,012	65,754,801
Expected credit losses (2018 – impairment loss)	5	(3,770,600)	(6,535,134)
Impairment loss on subsidiary	14	<u>(1,307,400)</u>	<u>-</u>
Net operating income		<u>61,937,012</u>	<u>59,219,667</u>
Staff costs	6	20,046,950	16,387,660
Operating expenses	7	21,491,996	21,641,432
Depreciation	12	<u>4,801,208</u>	<u>4,593,878</u>
Total expenses		<u>46,340,154</u>	<u>42,622,970</u>
Net income before loss on derecognition of investments		15,596,858	16,596,697
Loss on derecognition of investments	10 (ii)	<u>(3,634,651)</u>	<u>-</u>
		\$ <u>11,962,207</u>	<u>16,596,697</u>
Net income for the year			

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Comprehensive Income

For the year ended March 31, 2019

With comparative figures for 2018

(Expressed in Barbados dollars)

	Note	<u>2019</u>	<u>2018</u>
Net income for the year		\$ 11,962,207	16,596,697
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Remeasurements of defined benefit asset	13	(1,548,205)	364,484
<i>Items that are or may be reclassified to profit or loss</i>			
Net unrealised gain (loss) on FVOCI (2018 - AFS) investments		<u>235,000</u>	<u>(305,000)</u>
Other comprehensive (loss) income, net of tax		<u>(1,313,205)</u>	<u>59,484</u>
Total comprehensive income for the year		\$ <u>10,649,002</u>	<u>16,656,181</u>

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Financial Position

As at March 31, 2019

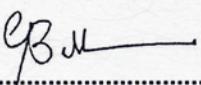
With comparative figures as at March 31, 2018

(Expressed in Barbados dollars)

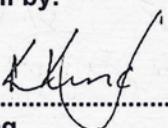
	Notes	2019	2018
Assets			
Cash resources	9	\$ 233,649,384	135,632,287
Financial investments			
- Amortized cost (2018: Held to maturity)	10	19,568,155	25,993,354
- FVOCI (2018: Available for sale)	10	1,705,000	1,470,000
- FVTPL	10	884,496	778,079
Loans and advances	11	997,535,262	958,067,067
Property and equipment	12	54,724,694	55,837,375
Pension plan asset	13	577,288	1,808,321
Investment in subsidiary	14	10,192,600	11,500,000
Due from related companies	22	19,313,205	18,632,116
Other assets	15	<u>14,166,873</u>	<u>13,924,639</u>
Total Assets		\$ <u>1,352,316,957</u>	<u>1,223,643,238</u>
Liabilities and Equity			
Liabilities			
Deposits	16	\$ 1,175,003,744	1,055,847,259
Reimbursable shares		12,289,404	9,761,121
Other liabilities	18	<u>10,788,270</u>	<u>10,085,442</u>
Total liabilities		<u>1,198,081,418</u>	<u>1,075,693,822</u>
Equity			
Share capital	19	11,400,600	10,705,800
Statutory reserves	20	134,058,639	120,529,279
Other reserves	21	4,573,128	5,518,875
Retained earnings		<u>4,203,172</u>	<u>11,195,462</u>
Total equity		<u>154,235,539</u>	<u>147,949,416</u>
Total Liabilities and Equity		\$ <u>1,352,316,957</u>	<u>1,223,643,238</u>

The accompanying notes form an integral part of these non-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

Non-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 April 1, 2017						
Net income		\$ 10,083,720	107,206,991	5,483,974	11,094,156	133,868,841
Other comprehensive income		-	-	-	16,596,697	16,596,697
Issue of shares		730,080	-	59,484	-	59,484
Redemption of shares		(108,000)	-	-	-	730,080
Transfer to statutory reserves	20	-	13,291,868	-	(13,291,868)	(108,000)
Entrance fees	20	-	30,420	-	-	30,420
Transfer to special reserves	21	-	-	692,398	(692,398)	-
Special reserves released to retained earnings	21	-	-	(939,102)	939,102	-
Net reserve for interest on non-performing loans	21	-	-	222,121	(222,121)	-
Distributions to members	8	-	-	-	(3,228,106)	(3,228,106)
At March 31, 2018		10,705,800	120,529,279	5,518,875	11,195,462	147,949,416
Impact of IFRS 9 implementation	2(b)	-	-	-	(1,729,824)	(1,729,824)
Adjusted Balance as at 1 April 2019		10,705,800	120,529,279	5,518,875	9,465,638	146,219,592
Net income		-	-	-	11,962,207	11,962,207
Other comprehensive loss		-	-	(1,313,205)	-	(1,313,205)
Issue of shares		800,640	-	-	-	800,640
Redemption of shares		(105,840)	-	-	-	(105,840)
Transfer to statutory reserves	20	-	13,496,000	-	(13,496,000)	-
Entrance fees	20	-	33,360	-	-	33,360
Transfer to special reserves	21	-	-	1,108,766	(1,108,766)	-
Special reserves released to retained earnings	21	-	-	(1,002,715)	1,002,715	-
Net reserve for interest on non-performing loans	21	-	-	261,407	(261,407)	-
Distributions to members	8	-	-	-	(3,361,215)	(3,361,215)
At March 31, 2019		\$ 11,400,600	134,058,639	4,573,128	4,203,172	154,235,539

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Cash Flows

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

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities			
Net income for the year	\$	11,962,207	16,596,697
Adjustments for:			
Depreciation		4,801,208	4,593,878
Expected credit loss (2018 - impairment loss)		3,770,600	6,535,134
Loss on derecognition of investments	10 (ii)	3,634,651	-
Gain on disposal of property and equipment		-	(40,300)
Interest income		(89,383,131)	(86,589,366)
Interest expense		26,140,047	25,150,936
Dividend income		(138,376)	(101,022)
Impairment loss on subsidiary		<u>1,307,400</u>	<u>-</u>
		(37,905,394)	(33,854,043)
Changes in operating assets and liabilities			
Increase in loans and advances		(42,167,360)	(63,738,123)
Increase in pension plan asset		(317,172)	(211,776)
Increase in other assets		(239,843)	(2,837,775)
Increase in deposits		119,242,657	100,033,747
Increase in reimbursable shares		2,528,283	1,885,646
(Increase) decrease in due from related companies		(681,089)	1,806,207
Increase in other liabilities		<u>702,828</u>	<u>1,703,912</u>
Net cash from operations		41,162,910	4,787,795
Interest received		88,869,648	86,164,828
Interest paid		<u>(26,226,219)</u>	<u>(25,472,621)</u>
Net cash from operating activities		<u>103,806,339</u>	<u>65,480,002</u>
Cash Flows from Investing Activities			
Net decrease in financial investments		4,904,963	5,059,191
Purchase of property and equipment		(3,688,527)	(18,647,606)
Proceeds from sale of property and equipment		-	40,300
Dividends received		<u>138,376</u>	<u>101,022</u>
Net cash from (used in) investing activities	\$	<u>1,354,812</u>	<u>(13,447,093)</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Non-consolidated Statement of Cash Flows

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

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Financing Activities			
Net decrease in loans payable	17	\$ -	(5,317,376)
Issue of shares		800,640	730,080
Entrance fees received		33,360	30,420
Redemption of shares		(105,840)	(108,000)
Distributions to members		<u>(3,361,215)</u>	<u>(3,228,106)</u>
Net cash used in financing activities		<u>(2,633,055)</u>	<u>(7,892,982)</u>
Net increase in cash and cash equivalents		102,528,096	44,139,927
Cash and cash equivalents, beginning of year		<u>95,295,711</u>	<u>51,155,784</u>
Cash and cash equivalents, end of year	9	<u>\$ 197,823,807</u>	<u>95,295,711</u>

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

1. Corporate Information

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

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

2. Accounting Policies

(a) Basis of preparation

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

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

(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 January 1, 2018 and have been applied in preparing these non-consolidated financial statements. None of these have a significant effect on the non-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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

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

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

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

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

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

	Classification under IAS 39	Classification under IFRS 9	Carrying Amount under IAS 39	Carrying Amount under IFRS 9
Financial Assets				
Cash and cash equivalents	Amortized cost	Amortized cost	95,295,711	95,295,711
Term deposits	Amortized cost	Amortized cost	40,336,576	40,328,726
Sovereign debt securities	Amortized cost	Amortized cost	25,993,354	23,699,503
Equities securities	Available for sale	FVOCI	1,470,000	1,470,000
Equities securities	FVTPL	FVTPL	778,079	778,079
Loans and advances	Amortized cost	Amortized cost	958,067,067	958,638,944
Due from related companies	Amortized cost	Amortized cost	18,632,116	18,632,116
Total financial assets			1,140,572,903	1,138,843,079
Financial Liabilities				
Deposits	Amortized cost	Amortized cost	1,055,847,259	1,055,847,259
Reimbursable share	Amortized cost	Amortized cost	9,761,121	9,761,121
Other liabilities	Amortized cost	Amortized cost	10,085,442	10,085,442
Total financial liabilities			1,075,693,822	1,075,693,822

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(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				
Amortized cost:				
<i>Cash and cash equivalents</i>	\$ 95,295,711	-	-	95,295,711
<i>Term deposits</i>				
Opening balance	40,336,576	-	-	-
Remeasurement	-	-	(7,850)	-
Closing balance	-	-	-	40,328,726
<i>Sovereign debt securities</i>				
Opening balance	25,993,354	-	-	-
Remeasurement	-	-	(2,293,851)	-
Closing balance	-	-	-	23,699,503
<i>Loans and advances</i>				
Opening balance	958,067,067	-	-	-
Remeasurement	-	-	571,877	-
Closing balance	-	-	-	958,638,944
<i>Due from related companies</i>	<u>18,632,116</u>	<u>-</u>	<u>-</u>	<u>18,632,116</u>
Total amortized cost	\$ <u>1,138,324,824</u>	<u>-</u>	<u>(1,729,824)</u>	<u>1,136,595,000</u>
Available for sale:				
<i>Equity securities – quoted</i>				
Opening balance	\$ 1,470,000	-	-	-
To FVOCI - equity	<u>-</u>	<u>(1,470,000)</u>	<u>-</u>	<u>-</u>
Total available for sale	\$ <u>1,470,000</u>	<u>(1,470,000)</u>	<u>-</u>	<u>-</u>
FVOCI – equity:				
From available for sale	<u>-</u>	<u>1,470,000</u>	<u>-</u>	<u>-</u>
Total FVOCI - equity	\$ <u>-</u>	<u>1,470,000</u>	<u>-</u>	<u>1,470,000</u>
FVTPL - equity	\$ <u>778,079</u>	<u>-</u>	<u>-</u>	<u>778,079</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(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 <u>March 31, 2018</u>	<u>Re- classification</u>	<u>Re- measurement</u>	IFRS 9 carrying amount <u>April 1, 2018</u>
Financial liabilities				
Amortized cost:				
<i>Deposits</i>	\$ 1,055,847,259	-	-	1,055,847,259
<i>Reimbursable shares</i>	9,761,121	-	-	9,761,121
<i>Other liabilities</i>	<u>10,085,442</u>	-	-	<u>10,085,442</u>
Total amortized cost	\$ <u>1,075,693,822</u>	-	-	<u>1,075,693,822</u>

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	11,195,462
Recognition of expected credit losses under IFRS 9 <i>(including loans and advances, undrawn loan commitments term deposits and sovereign debt securities)</i>	<u>(1,729,824)</u>
Closing balance under IFRS 9 at April 1, 2018	<u>9,465,638</u>

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 <u>March 31, 2018</u>	<u>Re- classification</u>	<u>Re- measurement</u>	IFRS 9 carrying amount <u>April 1, 2018</u>
<i>Loans and advances</i>	\$ (24,315,158)	-	571,877	(23,743,281)
<i>Sovereign debt securities</i>	-	-	(2,293,851)	(2,293,851)
<i>Term deposits</i>	<u>-</u>	<u>-</u>	<u>(7,850)</u>	<u>(7,850)</u>
	\$ <u>(24,315,158)</u>	-	<u>(1,729,824)</u>	<u>(26,044,982)</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(c) *New standards and interpretations in issue but not yet effective, continued*

None of these are expected to have a significant effect on the non-consolidated financial statements of the Credit Union in the period of adoption, except IFRS 16, Leases which tentatively becomes mandatory for the Credit Union's 2020 non-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.

(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 Credit Union becomes a party to the contractual provisions of the instrument.

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

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(d) Financial instruments, continued

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

Financial assets measured at amortized cost

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

Financial assets measured at FVOCI

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

Financial assets measured at FVTPL

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

Reclassifications

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

Non-derivative financial liabilities – Classification and subsequent measurement - 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(d) Financial instruments, continued

Business model assessment

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

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are SPPI, the Credit Union considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Credit Union considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Credit Union's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

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

Financial assets measured at held to maturity

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

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

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

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

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 non-consolidated statement of income.

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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 Credit Union assesses at each statement of financial position date whether there is objective evidence that an investment is impaired.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the non-consolidated statement of income – is removed from other comprehensive income and recognised in the non-consolidated statement of income. Impairment losses on equity investments are not reversed through the non-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 amortised cost using the effective interest rate method (EIR), less impairment.

Derecognition

Financial assets

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

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

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

The Credit Union enters into transactions whereby it transfers assets recognised in its non-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 Credit Union retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(d) Financial instruments, continued

Derecognition

Financial liabilities

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

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

Modifications of financial assets and liabilities

Financial assets

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

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

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

Offsetting

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions

The preparation of the non-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 non-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 Credit Union's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

This includes the services of a professional valuation team that has overall responsibility for overseeing all significant fair value measurements, including 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 Credit Union's investment policy. This Committee meets monthly to review any challenges as it relates to the carrying value of the Credit Union's assets and liabilities.

When measuring the fair value of an asset or a liability, the Credit Union uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as disclosed in Note 25.

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

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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

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 non-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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(h) *Investment in subsidiary*

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

(i) *Property and equipment*

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably. All other repairs and maintenance are included in the non-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 non-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 non-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%

(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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(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 amortised 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 Credit Union 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 Credit Union and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense are recognised:

Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recognized in the non-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.

(o) *Taxation*

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(p) Expected credit losses and impairment

(i) Non derivative financial assets

As at January 1, 2018 and thereafter, the Credit Union 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 Credit Union measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition (Stage 2) or if there is objective evidence of impairment (Stage 3). If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Credit Union measures the loss allowance for the financial asset an amount equal to twelve month expected credit losses (Stage 1).

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Credit Union 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 non-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 Credit Union cannot identify the ECL on the loan commitment separately from the drawn component, the Credit Union presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

No impairment loss is recognized on equity investments.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event
- The restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not otherwise consider
- The disappearance of an active market for a security because of financial difficulties

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

- (p) *Expected credit losses and impairment, continued*
(i) **Non derivative financial assets, continued**

Credit impaired financial assets

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

- The market's assessment of credit worthiness as reflected in the bond yields
- The rating agencies' assessment of creditworthiness
- The country's ability to access the capital markets for new debt issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness

Write-off

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

Recoveries of amounts previously written off are included in impairment losses on financial instruments in the non-consolidated statement of income and non-consolidated statement of comprehensive income. Financial assets that are written off are still subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

Prior to January 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 Credit Union 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(p) *Expected credit losses and impairment, continued*

(i) **Non derivative financial assets, continued**

Impairment losses were recorded in the non-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 non-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.

(ii) **Non derivative financial assets**

The Credit Union 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 Credit Union 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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

3. Net Interest Income

	<u>2019</u>	<u>2018</u>
Interest income		
Loans and advances	\$ 86,864,370	83,434,300
Financial investments	1,616,861	2,064,817
Cash resources	<u>901,900</u>	<u>1,090,249</u>
	<u>\$ 89,383,131</u>	<u>86,589,366</u>
Interest expense		
Deposits	\$ 26,140,047	25,089,206
Cash resources	<u>-</u>	<u>61,730</u>
	<u>26,140,047</u>	<u>25,150,936</u>
Net interest income	<u>\$ 63,243,084</u>	<u>61,438,430</u>

4. Other Income

	<u>2019</u>	<u>2018</u>
Fee income	\$ 1,531,194	1,428,734
Legal income	988,423	942,256
Rental income	50,804	48,572
Bad debt recoveries	1,063,131	1,755,487
Dividend income	138,376	101,022
Gain on disposal of property and equipment	<u>-</u>	<u>40,300</u>
	<u>\$ 3,771,928</u>	<u>4,316,371</u>

5. Expected Credit Losses

	<u>2019</u>	<u>2018</u>
Loans and advances and undrawn loan commitments (note 11 (iii))	\$ 3,946,208	6,535,134
Financial investments	(183,296)	-
Term deposits	<u>7,688</u>	<u>-</u>
	<u>\$ 3,770,600</u>	<u>6,535,134</u>

6. Staff Costs

	<u>2019</u>	<u>2018</u>
Salaries	\$ 15,825,823	13,019,605
National Insurance Scheme contributions	1,348,319	1,080,679
Pension plan – defined benefit plan (Note 13)	465,744	482,153
Other costs	<u>2,407,064</u>	<u>1,805,223</u>
	<u>\$ 20,046,950</u>	<u>16,387,660</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

7. Operating Expenses

	<u>2019</u>	<u>2018</u>
Anniversary expenses	\$ 163,756	248,118
Advertising	606,929	596,568
Affiliation	100,000	100,000
Audit fees	227,576	144,000
Bank charges	212,430	133,184
Committee travelling allowances	172,400	120,761
Development expenses	178,342	138,609
Direct cost of services	553,001	535,473
Educational grant and scholarship expenses	385,943	390,493
Elected Officials and Committee Training	498,115	357,938
Entertaining	32,640	63,687
Insurance	509,368	480,693
Janitorial services	487,479	407,044
Legacy Foundation – Donations	200,000	200,000
Legal and professional fees	770,386	617,982
Meetings and conferences	547,940	544,835
Membership security	3,054,140	2,853,476
Sundry expenses	34,831	18,186
National development expenses	60,000	60,000
Office stationery and supplies	1,140,964	1,046,090
Postage	92,590	168,835
Property taxes	291,757	234,049
Publicity and promotion	2,676,497	3,416,187
Rent	760,567	785,777
Repairs and maintenance	3,702,609	3,755,460
Security services	1,505,129	1,269,574
Social outreach expenses	178,430	150,000
Staff and members' training	838,094	1,457,057
Utilities	<u>1,510,083</u>	<u>1,347,356</u>
	\$ <u>21,491,996</u>	<u>21,641,432</u>

8. 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).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

9. Cash Resources

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 14,193,021	12,629,314
Cash and cash equivalents	<u>183,630,786</u>	<u>82,666,397</u>
Total cash and cash equivalents	197,823,807	95,295,711
Other term deposits	<u>35,841,115</u>	<u>40,336,576</u>
Total gross cash resources	233,664,922	135,632,287
Less: expected credit loss allowance	<u>(15,538)</u>	<u>-</u>
	<u>\$ 233,649,384</u>	<u>135,632,287</u>

The average effective yield on cash resources during the year was 0.01% (2018 - 0.04%).

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		\$ -	-
Adjustment on initial impact of IFRS 9	2(b)	<u>7,850</u>	<u>-</u>
Balance at beginning of year (adjusted)		7,850	-
Expected credit loss on other term deposits		<u>7,688</u>	<u>-</u>
Balance at end of year		<u>\$ 15,538</u>	<u>-</u>

\$15,538 of the expected credit losses allowance at March 31, 2019 relate to term deposits classified as stage 1.

10. Financial Investments

	<u>2019</u>	<u>2018</u>
<i>Debt securities</i>		
Amortized cost (2018 – Held to maturity)		
Sovereign bonds	\$ 19,921,603	25,618,465
Interest receivable	<u>210,815</u>	<u>374,889</u>
	20,132,418	25,993,354
Less: expected credit loss allowance	<u>(564,263)</u>	<u>-</u>
	19,568,155	25,993,354
<i>Equities securities</i>		
FVOCI (2018: Available for sale)		
Corporate equity – quoted (i)	1,705,000	1,470,000
FVTPL		
Corporate equity	<u>884,496</u>	<u>778,079</u>
Balance at end of year	<u>\$ 22,157,651</u>	<u>28,241,433</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

10. Financial Investments, continued

The average effective yield during the year on amortized cost (2018 – held to maturity) investments was 6.78% (2018 - 6.28%).

(i) This represents the Credit Union's investment in 500,000 (2018 - 500,000) common shares. As at March 31, 2019, the quoted bid price of these common shares was \$3.41 (2018 - \$2.94) per share.

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

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		\$ -	-
Impact of IFRS 9	2(b)	<u>2,293,851</u>	<u>-</u>
Balance at beginning of year (adjusted)		2,293,851	-
Derecognition of expected credit loss allowance	(ii)	(1,546,292)	-
Expected credit loss on investments		<u>(183,296)</u>	<u>-</u>
Balance at end of year		\$ <u>564,263</u>	<u>-</u>

(ii) On October 1, 2018, the Government of Barbados restructured all of its treasury notes and debentures and some state owned debt resulting in the derecognition of the existing debt securities given the contractual cash flows of the new debt securities were significantly different. The carrying value of those debt securities was \$17,456,920 (i.e. gross carrying value of \$19,003,212 net of expected credit allowance of \$1,546,292). The new series B and D bonds issued by the Government of Barbados effective October 1, 2018 was \$13,822,269, resulting in a derecognition loss on investments of \$3,634,651 which was recognized in the non-consolidated statement of income.

\$564,263 of the expected credit loss allowance at March 31, 2019 relate to debt securities classified as stage 3.

11. Loans and advances

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

	<u>2019</u>			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Gross loans	689,715,884	5,190,461	321,108,930	1,016,015,275
Less: ECL allowance ***	<u>(20,354,171)</u>	<u>(534,792)</u>	<u>(3,782,546)</u>	<u>(24,671,509)</u>
	\$ <u>669,361,713</u>	<u>4,655,669</u>	<u>317,326,384</u>	991,343,766
Add: interest receivable				<u>6,191,496</u>
				\$ <u>997,535,262</u>

*** Included in expected credit loss allowance as at March 31, 2019, is a provision for the undrawn loan commitments of \$219,860.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

11. Loans and advances, continued

	2018			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Performing loans	\$ 609,905,580	3,623,377	291,469,449	904,998,406
Non-performing loans	<u>49,263,313</u>	<u>1,144,218</u>	<u>21,459,958</u>	<u>71,867,489</u>
Gross loans	659,168,893	4,767,595	312,929,407	976,865,895
Less: provision for impairment	<u>(21,126,243)</u>	<u>(161,359)</u>	<u>(3,027,556)</u>	<u>(24,315,158)</u>
	<u>\$ 638,042,650</u>	<u>4,606,236</u>	<u>309,901,851</u>	952,550,737
Add: interest receivable				<u>5,516,330</u>
				<u>\$ 958,067,067</u>

Non-performing loans comprise of loans and advances in arrears over 90 days, which are either past due but not impaired or individually impaired. Refer to Note 24.

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

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

	2019			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Consumer	\$ 600,301,367	32,507,579	56,906,938	689,715,884
Business	2,733,605	745,878	1,710,978	5,190,461
Mortgages	<u>268,967,148</u>	<u>23,040,427</u>	<u>29,101,355</u>	<u>321,108,930</u>
Gross loans	872,002,120	56,293,884	87,719,271	1,016,015,275
Less: ECL allowance ***	<u>(822,065)</u>	<u>(1,468,067)</u>	<u>(22,381,377)</u>	<u>(24,671,509)</u>
	<u>\$ 871,180,055</u>	<u>54,825,817</u>	<u>65,337,894</u>	991,343,766
Add: interest receivable				<u>6,191,496</u>
				<u>\$ 997,535,262</u>

*** Included in expected credit loss allowance as at March 31, 2019, is a provision for the undrawn loan commitments of \$219,860.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

11. Loans and Advances, continued

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

	2019			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Balance, beginning of year	\$ 21,126,243	161,359	3,027,556	24,315,158
Impact of IFRS 9	<u>(482,751)</u>	<u>22,260</u>	<u>(111,386)</u>	<u>(571,877)</u>
Balance, beginning of year	\$ 20,643,492	183,619	2,916,170	23,743,281
Amounts charged/write off	(2,999,497)	(18,483)	-	(3,017,980)
Expected credit loss	<u>2,710,176</u>	<u>369,656</u>	<u>866,376</u>	<u>3,946,208</u>
Balance, end of year	\$ <u>20,354,171</u>	<u>534,792</u>	<u>3,782,546</u>	<u>24,671,509</u>
	2018			
	<u>Consumer</u>	<u>Business</u>	<u>Mortgages</u>	<u>Total</u>
Balance, beginning of year	\$ 19,908,638	104,189	2,559,735	22,572,562
Amounts charged/write off	(4,783,696)	(8,842)	-	(4,792,538)
Loan impairment expense	<u>6,001,301</u>	<u>66,012</u>	<u>467,821</u>	<u>6,535,134</u>
Balance, end of year	\$ <u>21,126,243</u>	<u>161,359</u>	<u>3,027,556</u>	<u>24,315,158</u>
Individual impairment	\$ 18,374,477	136,769	2,549,233	21,060,479
Collective impairment	<u>2,751,766</u>	<u>24,590</u>	<u>478,323</u>	<u>3,254,679</u>
	\$ <u>21,126,243</u>	<u>161,359</u>	<u>3,027,556</u>	<u>24,315,158</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

12. 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	2,039,377	30,846,366	5,575,146	12,672,071	91,319,066
Additions/transfer	171,295	868,613	994,728	-	1,653,891	3,688,527
Disposals	-	-	-	-	-	-
Balance, end of year	<u>40,357,401</u>	<u>2,907,990</u>	<u>31,841,094</u>	<u>5,575,146</u>	<u>14,325,962</u>	<u>95,007,593</u>
Accumulated depreciation						
Balance, beginning of year	9,855,024	366,750	22,538,354	2,721,563	-	35,481,691
Depreciation	867,642	338,463	2,712,638	882,465	-	4,801,208
Disposals	-	-	-	-	-	-
Balance, end of year	<u>10,722,666</u>	<u>705,213</u>	<u>25,250,992</u>	<u>3,604,028</u>	<u>-</u>	<u>40,282,899</u>
Net book value, end of year	<u>\$ 29,634,735</u>	<u>2,202,777</u>	<u>6,590,102</u>	<u>1,971,118</u>	<u>14,325,962</u>	<u>54,724,694</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

12. 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	604,427	27,170,869	3,502,247	3,426,429	72,930,784
Additions/transfer	1,959,294	1,694,274	3,675,497	2,072,899	9,245,642	18,647,606
Disposals	-	(259,324)	-	-	-	(259,324)
Balance, end of year	<u>40,186,106</u>	<u>2,039,377</u>	<u>30,846,366</u>	<u>5,575,146</u>	<u>12,672,071</u>	<u>91,319,066</u>
Accumulated depreciation						
Balance, beginning of year	9,054,971	489,170	19,626,430	1,976,566	-	31,147,137
Depreciation	800,053	136,904	2,911,924	744,997	-	4,593,878
Disposals	-	(259,324)	-	-	-	(259,324)
Balance, end of year	<u>9,855,024</u>	<u>366,750</u>	<u>22,538,354</u>	<u>2,721,563</u>	<u>-</u>	<u>35,481,691</u>
Net book value, end of year	<u>\$ 30,331,082</u>	<u>1,672,627</u>	<u>8,308,012</u>	<u>2,853,583</u>	<u>12,672,071</u>	<u>55,837,375</u>

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

13. Pension Plan Asset

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

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

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 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 Credit Union pays the balance of the ultimate cost of the benefits and hence the Credit Union's contribution is unknown. The Credit Union was expected 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 Credit Union. The trustees are required to understand the risks taken, make reasonable investment decisions, and provide members with information and act in the best interests of the plan participants.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

Bonds Fund:

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

Equity Fund:

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

The current instruction is to invest all new cash flows 50% in the Bonds Fund and 50% in the Equity Fund. At present, approximately 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 non-consolidated statement of financial position are determined as follows:

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

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

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

		<u>2019</u>	<u>2018</u>
Obligation, beginning of the 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		<u>537,521</u>	<u>(416,707)</u>
Obligation, end of year	\$	<u>12,074,739</u>	<u>10,390,567</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

	<u>2019</u>	<u>2018</u>
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	<u>(27,358)</u>	<u>(21,967)</u>
Closing fair value of plan assets	\$ <u>12,652,027</u>	<u>12,198,888</u>

(ii) Plan assets consist of the following:

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

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

	<u>2019</u>	<u>2018</u>
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%

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

	<u>2019</u>	<u>2018</u>
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	<u>27,358</u>	<u>21,967</u>
Net pension expense included in staff costs (Note 6)	\$ <u>465,744</u>	<u>482,153</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

f) The amounts recognised in the non-consolidated statement of comprehensive income are as follows:

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

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

	<u>2019</u>	<u>2018</u>
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 weighted-average duration of the defined benefit obligation was 21.96 years.

h) Sensitivity analysis on projected benefit obligation:

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

	<u>Increase</u>	<u>Decrease</u>
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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

14. Investment in Subsidiary

	<u>2019</u>	<u>2018</u>
BPW Financial Holdings Inc. – 100%	\$ 11,500,000	11,500,000
Less: Impairment	<u>(1,307,400)</u>	<u>-</u>
	\$ <u>10,192,600</u>	<u>11,500,000</u>

15. Other Assets

Other assets are comprised of the following:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 9,176,104	8,698,540
Prepaid employee benefit (Note 18)	3,034,372	2,900,836
Prepaid expenses	1,852,738	2,228,995
Interest receivable on cash resources	3,873	1,482
Dividend receivable	60,000	55,000
Other Assets re Goodwill Credit Union (Note 27)	<u>39,786</u>	<u>39,786</u>
	\$ <u>14,166,873</u>	<u>13,924,639</u>

16. Deposits

This amount comprises:

	<u>2019</u>	<u>2018</u>
Saving deposits	\$ 515,756,546	472,412,743
Deposits payable on fixed date	611,525,515	535,975,951
Registered retirement savings plan deposits (i)	<u>45,114,095</u>	<u>44,764,805</u>
	1,172,396,156	1,053,153,499
Interest payable	<u>2,607,588</u>	<u>2,693,760</u>
	\$ <u>1,175,003,744</u>	<u>1,055,847,259</u>

- (i) The Credit Union operates a registered retirement savings plan for the benefit of its members and guarantees a minimum return on plan deposits of the higher of 5.0% or 1.0% above the minimum deposit rate. At March 31, 2019, the minimum deposit rate was 1.25% (2018 -1.25%).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

16. Deposits, continued

Concentration of deposits

Deposits (excluding interest payable) comprised the following:

	<u>2019</u>	<u>2018</u>
Personal	\$ 1,142,018,623	1,023,487,305
Commercial	<u>30,377,533</u>	<u>29,666,194</u>
	<u>\$ 1,172,396,156</u>	<u>1,053,153,499</u>

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 2.4% (2018 - 2.5%).

17. Loans Payable

The Housing Credit Fund loans were repayable over twenty-five years and were secured by an equivalent value of first legal mortgages over residential properties. In 2018, the Credit Union fully repaid the remainder of its Housing Credit Fund loans. The interest rate on all loans then was 3.00%.

18. Other Liabilities

Other liabilities is comprised of the following:

	<u>2019</u>	<u>2018</u>
Accounts payable and accrued expenses	\$ 4,396,883	4,790,935
Amounts payable re Goodwill Credit Union (Note 27)	89,236	89,144
Fair value adjustment - staff loans (i)	2,910,793	2,910,176
Interest rebate payable	203,026	203,026
Unallocated receipts to members	<u>3,188,332</u>	<u>2,092,161</u>
	<u>\$ 10,788,270</u>	<u>10,085,442</u>

(i) Fair value adjustment staff loans

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

19. Share Capital

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

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

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

20. Statutory Reserves

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

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

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 120,529,279	107,206,991
Transfers to reserve - statutory	6,761,585	6,118,216
Transfers to reserve - voluntary	<u>6,734,415</u>	<u>7,173,652</u>
	<u>13,496,000</u>	<u>13,291,868</u>
Entrance fees	134,025,279	120,498,859
	<u>33,360</u>	<u>30,420</u>
Balance, end of year	\$ <u>134,058,639</u>	<u>120,529,279</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

21. Other Reserves

Other reserves is comprised of the following:

	<u>2019</u>	<u>2018</u>
Fair value reserve (i)	\$ 1,055,000	820,000
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)	<u>3,234,150</u>	<u>2,972,743</u>
	<u>\$ 4,573,128</u>	<u>5,518,875</u>

(i) 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:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 820,000	1,125,000
Unrealised fair value (loss) gain	<u>235,000</u>	<u>(305,000)</u>
Balance, end of year	<u>\$ 1,055,000</u>	<u>820,000</u>

(ii) Special funds

The special reserve funds comprise the following:

a) Social Outreach Fund

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

b) Education Fund

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

c) Development Fund

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

d) BCCUL Training/Education Fund

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

e) BPWCCUL Foundation

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

21. Other Reserves, continued

(ii) Special funds, continued

f) National Development Fund

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

g) Credit Union Liability Insurance Fund

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

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

	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)	-
Credit Union Liability Insurance Fund	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
	<u>\$ 697,258</u>	<u>1,108,766</u>	<u>(1,002,715)</u>	<u>803,309</u>
	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)	-
Credit Union Liability Insurance Fund	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
	<u>\$ 943,962</u>	<u>692,398</u>	<u>(939,102)</u>	<u>697,258</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

21. Other Reserves, continued

(iii) Donated equity

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

(iv) 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 Credit Union's defined benefit plan. (Note 13)

(v) 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.

22. Related Party Disclosures

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

Terms and conditions of transactions with related parties

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 Credit Union has not recorded any impairment of receivables relating to amounts owed by related parties.

Compensation of key management personnel

	<u>2019</u>	<u>2018</u>
Short term employee benefits	\$ 1,691,284	1,672,274
Post-employment benefits	<u>118,040</u>	<u>102,924</u>
Total compensation paid to key management personnel	\$ <u>1,809,324</u>	<u>1,775,198</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

22. Related Party Disclosures, continued

Transactions with key management personnel

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

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

	<u>2019</u>	<u>2018</u>
Key management personnel:		
Loans and advances	\$ 1,897,241	1,924,680
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 expected credit loss allowance has 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 yearend.

Due from related companies

	<u>2019</u>	<u>2018</u>
Due from BPW Financial Holdings Inc.	\$ 19,496,207	18,760,472
Due from Capita Insurance Brokers Inc.	2,765	2,017
Due to Capita Financial Services Inc.	<u>(185,767)</u>	<u>(130,373)</u>
	\$ <u>19,313,205</u>	<u>18,632,116</u>

Amounts due from related companies are unsecured, non-interest bearing and have no fixed terms of repayment.

Included in other liabilities are amounts due to Legacy Foundation of \$200,000.

Other transactions

Cash resources include deposits held with Capita Financial Services Inc. amounting to \$15,038,890 (2018 - \$14,578,343) which resulted in interest income of \$444,274 (2018 - \$491,889).

In November 2015, the Credit Union entered into a Deed of Sale and Administration agreement with Capita Financial Services Limited for the sale of a portfolio of Real Estate loans amounting to \$20 million over a two year period at a rate of \$10 million per year starting the fiscal year 2016-2017. The Credit Union has determined that substantially all the risks and rewards of the said loan portfolio have been transferred to Capita Financial Services Limited and consequently, the loans were eliminated from the Credit Union's non-consolidated statement of financial position. The balance as at March 31, 2019 was \$9,480,589 (2018 - \$8,016,877).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

23. Commitments and Contingencies

(i) Loan commitments

		<u>2019</u>	<u>2018</u>
Consumer loans approved and pending disbursement	\$	16,591,531	19,245,734
Mortgage loans approved and pending disbursement		21,683,496	16,820,966
Available balances on line of credit accounts		<u>15,461,119</u>	<u>15,095,054</u>
Gross commitments	\$	<u>53,736,146</u>	<u>51,161,754</u>

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

		<u>Gross Carrying Value</u>	<u>ECL</u>
Consumer	\$	16,591,531	98,173
Mortgages		<u>21,683,496</u>	<u>28,356</u>
Total undrawn loan commitments	\$	38,275,027	126,529
Line of credits available		<u>15,461,119</u>	<u>93,331</u>
	\$	<u>53,736,146</u>	<u>219,860</u>

The movement in the expected credit loss allowance

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		\$ -	-
Impact of IFRS 9	2(b)	<u>262,050</u>	<u>-</u>
Balance at beginning of year (adjusted)		262,050	-
Expected credit loss		<u>(42,190)</u>	<u>-</u>
Balance at end of year		\$ <u>219,860</u>	<u>-</u>

The expected credit allowance for the undrawn loan commitments is included in loans and advances expected credit loss allowance in note 11.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

23. Commitments and Contingencies, continued

(ii) Loan facilities

Loan facilities committed but not recognised in the non-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 Credit Union during the normal course of business. This facility is secured by an equivalent value of FVOCI (2018: held to maturity) investments. The commitment due on this facility at year end was \$62,616 (2018 - \$30,492).

(iii) Legal proceedings

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

(iv) Lease commitments

The Credit Union leases branch facilities under operating leases. Payments made under these leases are recognised in the non-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:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 668,341	733,471
Between one and five years	<u>2,916,396</u>	<u>2,929,980</u>
	<u>\$ 3,584,737</u>	<u>3,663,451</u>

During the year, \$760,567 (2018 - \$785,777) was recorded as an expense in the non-consolidated statement of income in respect of operating leases.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Introduction

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

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

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

Risk management structure

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

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

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

Risk mitigation

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Introduction, continued

Credit risk

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

Loans and advances

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

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

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

Financial investments

Assessment of corporate investments (term deposits)

The Credit Union has implemented IFRS 9 effective April 1, 2018 with comparative implications being adjusted through its non-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 Credit Union currently has \$35,825,577 in corporate term deposits. These investments are assessed on an entity level. Currently, these investments are held in the entities which are either regulated by the Central Bank of Barbados or the Financial Services Commission as per section 34 A of the Co-operative Society Act.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Corporate Investments (Term deposits)

Time to maturity

- Investee's ability to make payment once it becomes due (this is based on past relations with the entity together with an evaluation of whether the entity has experienced a decline in its financial ability to make payments).

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.

Notwithstanding this, the Credit Union 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)

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Corporate Investments (Term deposits), continued

Each investment was assessed based on the entities' ability to meet its short term obligations together with its historical relationship with the Credit Union relative to meeting these same obligations. This back testing approach is allowed under IFRS 9 in relation to the ranking of investments based on the purpose for which the investment is held.

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

Assessment of Sovereign debt securities

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

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

The Credit Union's acceptance of this offer resulted in the restructuring of principal and interest payments of \$19,002,841 on its debt securities measured at amortised costs. The new securities are designated as Series B bonds in the amount of \$17,994,321 together with Series D bonds in the amount of \$1,008,847. The effective average yield on these securities for income year 2019 were 4.58% (2018 - 6.78%).

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 \$3,634,651 below their 2018 year end stated value.

However, IFRS 9 requires that a further assessment of these securities be performed at each financial year-end 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 Credit Union as significant increase in credit risk.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities, continued

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 Credit Union'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).

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities, continued

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

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

The expected credit losses computed were \$564,263 as at March 31, 2019.

Exposure to credit risk before collateral held or other credit enhancements

The Credit Union limits its exposure to credit risk by investing only in entities that have high credit ratings and Government of Barbados securities. Government securities are invested over a longer period than term deposits with other financial institutions which typically mature within one year. The Credit Union has invested in FVOCI 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 Credit Union has documented investment policies in place, which guide the management of credit risk on investments.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Exposure to credit risk before collateral held or other credit enhancements, continued

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

	<u>Maximum exposure</u>	
	<u>2019</u>	<u>2018</u>
Loans and advances to members:		
Consumer	\$ 669,361,713	638,042,655
Mortgages	317,326,384	309,901,851
Business	4,655,669	4,606,231
Financial investments:		
Debt securities-amortised cost	19,568,155	25,993,354
Cash resources	233,649,384	135,632,287
Credit risk exposures relating to off-balance sheet items are as follows:		
Loan commitments	<u>53,516,286</u>	<u>51,161,754</u>
Total maximum exposure	<u>\$ 1,298,077,591</u>	<u>1,165,338,132</u>

The above table represents the maximum credit risk exposure of the Credit Union 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 non-consolidated statement of financial position.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Exposure to credit risk before collateral held or other credit enhancements, continued

Credit quality by class of financial assets

Loans and advances

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

Financial investments

The Credit Union has principally invested in government bonds issued by the Government of Barbados which in the 2019 financial year was downgraded to a 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 Credit Union's cash resources is assessed according to the level of their credit worthiness and by comparison to other financial institutions. The Credit Union places its cash resources with reputable financial institutions.

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

	2019			
	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Individually impaired</u>	<u>Total</u>
Cash resources	\$ 233,664,922	-	-	233,664,922
Financial investments:				
Amortised cost	5,858,261	-	14,274,157	20,132,418
Loans and advances:				
Consumer	519,596,094	125,514,291	44,605,499	689,715,884
Mortgages	224,106,035	79,585,765	17,417,130	321,108,930
Business	<u>2,433,870</u>	<u>1,588,430</u>	<u>1,168,161</u>	<u>5,190,461</u>
Total	\$ <u>985,659,182</u>	<u>206,688,486</u>	<u>77,464,947</u>	<u>1,269,812,615</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

	2018			
	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	\$ 135,632,287	-	-	135,632,287
Financial investments:				
Held-to-maturity	25,993,354	-	-	25,993,354
Loans and advances:				
Consumer	499,635,830	123,747,852	35,785,211	659,168,893
Mortgages	229,774,916	71,013,370	12,141,121	312,929,407
Business	<u>2,230,390</u>	<u>2,218,519</u>	<u>318,686</u>	<u>4,767,595</u>
Total	\$ <u>893,266,777</u>	<u>196,979,741</u>	<u>48,245,018</u>	<u>1,138,491,536</u>

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:					
Consumer	\$ 80,530,072	23,440,605	8,987,385	12,556,229	125,514,291
Mortgages	44,861,114	17,179,233	6,187,660	11,357,758	79,585,765
Business	<u>299,734</u>	<u>666,510</u>	<u>79,368</u>	<u>542,818</u>	<u>1,588,430</u>
Total	\$ <u>125,690,920</u>	<u>41,286,348</u>	<u>15,254,413</u>	<u>24,456,805</u>	<u>206,688,486</u>

	2018				
	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:					
Consumer	\$ 81,254,946	21,969,890	7,044,915	13,478,101	123,747,852
Mortgages	42,867,650	15,056,991	3,769,891	9,318,838	71,013,370
Business	<u>613,327</u>	<u>713,823</u>	<u>65,836</u>	<u>825,533</u>	<u>2,218,519</u>
Total	\$ <u>124,735,923</u>	<u>37,740,704</u>	<u>10,880,642</u>	<u>23,622,472</u>	<u>196,979,741</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

Expected Credit Loss Allowance Model

Refer to Accounting policies 2 (p) (i).

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

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

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

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

Write-off policy

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

Commitments and guarantees

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Credit risk, continued

	2019				2018		
	Stage 1	Stage 2	Stage 3	Total	Individual	Collective	Total
Loans and advances at amortised cost							
Balance at April 1	933,583	1,460,328	21,921,247	24,315,158	17,413,065	5,159,262	22,572,327
Impact of IFRS 9	-	-	(571,877)	(571,877)	-	-	-
Balance at April 1 (Adjusted)	933,583	1,460,328	21,349,370	23,743,281	17,413,065	5,159,262	22,572,327
Transfer to Stage 1	227,555	-	-	227,555			
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)	3,557,125	2,595,399	8,439,952	(1,904,583)	6,535,369
Amounts Charged-off	-	-	(3,017,980)	(3,017,980)	(4,792,538)		(4,792,538)
Balance at March 31	822,605	1,468,067	22,381,377	24,671,509	21,060,479	3,254,679	24,315,158

Liquidity risk and funding management

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Liquidity risk and funding management, continued

Analysis of financial liabilities by remaining contractual maturities

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

Liquidity risk – Financial liabilities

	2019					Total
	Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years		
Deposits	\$ 587,674,976	112,935,223	487,761,170	67,988,922		1,256,360,291
Reimbursable share	-	-	12,289,404	-		12,289,404
Other liabilities	-	7,877,477	-	2,910,793		10,788,270
	<u>\$ 587,674,976</u>	<u>120,812,700</u>	<u>500,050,574</u>	<u>70,899,715</u>		<u>1,279,437,965</u>
	2018					Total
	Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years		
Deposits	\$ 541,992,353	103,685,661	421,635,099	67,608,207		1,134,921,320
Reimbursable share	-	-	9,761,121	-		9,761,121
Other liabilities	-	7,175,266	-	2,910,176		10,085,442
	<u>\$ 541,992,353</u>	<u>110,860,927</u>	<u>431,396,220</u>	<u>70,518,383</u>		<u>1,154,767,883</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Market risk

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

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.

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Market risk, continued

Interest rate risk, continued

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

	2019					Total
	Up to 3 months	Within 3 - 12 months	Within 1 - 5 years	Over 5 years	Non-interest bearing	
Cash resources	\$ 203,573,879	22,711,627	7,363,878	-	-	233,649,384
Financial investments						
Debt securities - amortized cost	-	-	5,858,261	13,709,894	-	19,568,155
Loans and advances	38,681,345	66,316,547	227,490,094	665,047,276	-	997,535,262
Due from related companies	-	-	-	-	19,313,205	19,313,205
Other assets	-	-	-	-	9,279,763	9,279,763
Total assets	\$ 242,255,224	89,028,174	240,712,233	678,757,170	28,592,968	1,279,345,769
Deposits	\$ 586,492,955	108,747,721	444,527,700	35,235,368	-	1,175,003,744
Reimbursable shares	-	-	-	-	12,289,404	12,289,404
Other liabilities	-	-	-	-	10,788,270	10,788,270
Total liabilities	586,492,955	108,747,721	444,527,700	35,235,368	23,077,674	1,198,081,418
Interest rate gap	\$ (344,237,731)	(19,719,547)	(203,815,467)	643,521,802	5,151,294	81,264,351

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Market risk, continued

Interest rate risk, continued

	2018						Total
	Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing		
Cash resources	\$ 99,283,930	32,283,224	4,065,133	-	-	-	135,632,287
Financial investments – Held-to-maturity	-	2,066,457	13,172,423	10,754,474	-	-	25,993,354
Loans and advances	24,896,177	39,787,626	236,898,257	656,485,007	-	-	958,067,067
Due from related companies	-	-	-	-	18,632,116	-	18,632,116
Other assets	-	-	-	-	8,794,808	-	8,794,808
Total assets	\$ 124,180,107	74,137,307	254,135,813	667,239,481	27,426,924	1,147,119,632	
Deposits	\$ 540,770,883	99,677,622	381,354,944	34,043,810	-	-	1,055,847,259
Reimbursable shares	-	-	-	-	9,761,121	-	9,761,121
Other liabilities	-	-	-	-	10,085,442	-	10,085,442
Total liabilities	540,770,883	99,677,622	381,354,944	34,043,810	19,846,563	1,075,693,822	
Interest rate gap	\$ (416,590,776)	(25,540,315)	(127,219,131)	633,195,671	7,580,361	71,425,810	

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

24. Financial Risk Management, continued

Market risk, continued

Interest rate risk, continued

An interest rate sensitivity analysis was performed to determine the impact on profit of reasonable possible changes in the interest rates prevailing as at March 31, 2019, with all other variables held constant.

The impact is illustrated and shown in the table below:

	<u>2019</u>	<u>2018</u>
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

Operational risk

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

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

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

25. 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, due from related companies, other assets, other liabilities and reimbursable shares. The fair value of debt securities is based on quoted prices were available, or otherwise based on an appropriate yield curve with the same remaining term to maturity. The fair value of loans and advances largely approximates carrying value as the Credit Union's portfolio comprises mainly variable rate loans. The fair value of deposits takes account of certain fixed rate deposits which have been discounted at current interest rates.

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

		<u>2019</u>		<u>2018</u>	
		<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Assets					
Cash resources	\$	233,649,384	233,649,384	135,632,287	135,632,287
Financial investments					
– Amortized cost		19,568,155	19,568,155	25,993,354	25,993,354
– FVOCI		1,705,000	1,705,000	1,470,000	1,470,000
– FVTPL		884,496	884,496	778,079	778,079
Loans and advances		997,535,262	1,001,017,931	958,067,067	960,977,243
Due from related companies		19,313,205	19,313,205	18,632,116	18,632,116
Other assets		<u>9,279,763</u>	<u>9,279,763</u>	<u>8,794,808</u>	<u>8,794,808</u>
	\$	<u>1,281,935,265</u>	<u>1,285,417,934</u>	<u>1,149,367,711</u>	<u>1,152,277,887</u>
Liabilities					
Deposits	\$	1,175,003,744	1,267,764,071	1,055,847,259	1,134,921,320
Reimbursable shares		12,289,404	12,289,404	9,761,121	9,761,121
Other liabilities		<u>10,788,270</u>	<u>10,788,270</u>	<u>10,085,442</u>	<u>10,085,442</u>
	\$	<u>1,198,081,418</u>	<u>1,290,841,745</u>	<u>1,075,693,822</u>	<u>1,154,767,883</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

25. Fair Value, continued

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

	2019			Total balance
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investment securities				
Equity securities				
- FVOCI	\$ 1,705,000	-	-	1,705,000
- FVTPL	-	-	884,496	884,496
	<u>1,705,000</u>	<u>-</u>	<u>884,496</u>	<u>2,589,496</u>

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

25. Fair Value, continued

	2018			Total balance
	Level 1	Level 2	Level 3	
Investment securities				
Equity securities				
- Available for sale	\$ 1,470,000	-	-	1,470,000
- FVTPL	-	-	778,079	778,079
	<u>1,470,000</u>	<u>-</u>	<u>778,079</u>	<u>2,248,079</u>

The following table shows a reconciliation of all movements in the fair value of financial investments categorised within Level 1 between the beginning and end of the reporting period.

	2019	2018
Balance - beginning of year	\$ 1,470,000	1,775,000
Unrealised gain (loss)	<u>235,000</u>	<u>(305,000)</u>
Balance - end of year	\$ <u>1,705,000</u>	<u>1,470,000</u>

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

	2019	2018
Balance - beginning of year	\$ 778,079	767,159
Purchases	<u>106,417</u>	<u>10,920</u>
Balance - end of year	\$ <u>884,496</u>	<u>778,079</u>

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.

26. Capital Management

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

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

26. Capital Management, continued

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

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

Regulatory capital requirement

Under governing legislation which became effective March 31, 2008, the Credit Union is required to transfer from net surplus for the year an amount equivalent to the greater of 25% of net surplus or 0.5% of total assets until the capital to total assets ratio equals 10%. (Note 20)

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

27. Goodwill Co-operative Credit Union Limited

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

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

The total assets and liabilities of Goodwill are recorded within Other Assets (Note 15) and Other Liabilities (Note 18) and are disclosed within the respective notes.



**BARBADOS PUBLIC WORKERS'
CO-OPERATIVE CREDIT UNION LIMITED**

**Contact Centre Tel: (246) 622-9000
www.publicworkers.bb**