2021

Separate Financial Statements
Annual Report

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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Separate Financial Statements of

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

For the year ended March 31, 2021

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Barbados Public Workers' Co-operative Credit Union Limited ("the Credit Union"), which comprise the separate statement of financial position as at March 31, 2021, the separate 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 separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Credit Union as at March 31, 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT, continued

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Credit Union's Annual Report 2021 but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Credit Union's 2021 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

INDEPENDENT AUDITORS' REPORT, continued

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT, continued

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

Auditors' Responsibilities for the Audit of the 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-operative 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 auditors' report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members, for our audit work, for this report, or for the opinion we have formed.

KPMG

Chartered Accountants
Bridgetown, Barbados
October 8, 2021

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Income

For the year ended March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		2021	2020
Interest income	3	$	83,591,461	89,896,942
Interest expense	3		(23,176,617)	(23,546,849)
Net interest income	3		60,414,844	66,350,093
Other income	4		3,721,243	4,511,788
Net interest and other income			64,136,087	70,861,881
Expected credit losses	5		(9,247,176)	(6,122,757)
Net operating income			54,888,911	64,739,124
Staff costs	6		18,547,866	20,199,992
Operating expenses	7		23,907,919	22,455,070
Depreciation	12		4,413,406	4,992,113
Total expenses			46,869,191	47,647,175
Net income for the year		$	8,019,720	17,091,949

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Comprehensive Income

For the year ended March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		2021	2020
Net income for the year		$	8,019,720	17,091,949
Other comprehensive income				
Items that will never be reclassified subsequently to profit or loss:				
Re-measurements of defined benefit asset	13		(56,349)	331,573
Net unrealised (loss) gain on FVOCI equity investments	20		(518,939)	351,356
Other comprehensive (loss) income			(575,288)	682,929
Total comprehensive income for the year		$	7,444,432	17,774,878

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Financial Position

As at March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		2021	2020
Assets				
Cash resources	9	$	387,713,465	294,902,050
Financial investments				
- Amortized cost	10		23,643,897	18,236,072
- FVOCI	10		2,471,253	2,965,242
Loans and advances	11		1,054,665,219	1,046,080,071
Property and equipment	12		52,507,345	53,772,132
Pension plan asset	13		1,176,257	1,032,311
Investment in subsidiary	14		10,192,600	10,192,600
Due from related companies	21		28,443,289	28,746,549
Other assets	15		16,364,651	16,785,285
Total Assets		$	1,577,177,976	1,472,712,312
Liabilities and Equity				
Liabilities				
Deposits	16	$	1,374,306,216	1,279,597,696
Reimbursable shares			14,702,164	13,229,324
Other liabilities	17		15,003,210	10,921,705
Total Liabilities			1,404,011,590	1,303,748,725
Equity				
Share capital	18		12,357,000	12,008,400
Statutory reserves	19		149,395,379	141,452,705
Other reserves	20		7,040,642	7,498,815
Retained earnings			4,373,365	8,003,667
Total Equity			173,166,386	168,963,587
Total Liabilities and Equity		$	1,577,177,976	1,472,712,312

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

Approved by the Board of Directors on September 23, 2021 and signed on its behalf by:

Glendon Belle
President

Courtney Gibson
Treasurer

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Changes in Equity

For the year ended March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		Share capital	Statutory reserves	Other reserves	Retained earnings	Total
At April 1, 2019			11,400,600	134,058,639	4,573,128	4,092,910	154,125,277
Net income for the year			-	-	-	17,091,949	17,091,949
Other comprehensive income			-	-	682,929	-	682,929
Issue of shares	18		732,120	-	-	-	732,120
Redemption of shares	18		(124,320)	-	-	-	(124,320)
Transfer to statutory reserves	19		-	7,363,561	-	(7,363,561)	-
Entrance fees	19		-	30,505	-	-	30,505
Transfer to special reserves	20		-	-	1,127,129	(1,127,129)	-
Special reserves released to retained earnings	20		-	-	(860,300)	860,300	-
Net reserve for interest on non-performing loans	20		-	-	1,975,929	(1,975,929)	-
Distributions to members	8		-	-	-	(3,574,873)	(3,574,873)
At March 31, 2020		$	12,008,400	141,452,705	7,498,815	8,003,667	168,963,587
Net income for the year			-	-	-	8,019,720	8,019,720
Other comprehensive loss			-	-	(575,288)	-	(575,288)
Issue of shares	18		430,560	-	-	-	430,560
Redemption of shares	18		(81,960)	-	-	-	(81,960)
Transfer to statutory reserves	19		-	7,924,734	-	(7,924,734)	-
Entrance fees	19		-	17,940	-	-	17,940
Transfer to special reserves	20		-	-	1,235,578	(1,235,578)	-
Special reserves released to retained earnings	20		-	-	(784,301)	784,301	-
Net reserve for interest on non-performing loans	20		-	-	(334,162)	334,162	-
Distributions to members	8		-	-	-	(3,608,173)	(3,608,173)
At March 31, 2021		$	12,357,000	149,395,379	7,040,642	4,373,365	173,166,386

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

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Cash Flows

For the year ended March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		2021	2020
Cash Flows from Operating Activities				
Net income for the year		$	8,019,720	17,091,949
Adjustments for:				
Depreciation	12		4,413,406	4,992,113
Expected credit losses	5		9,247,176	6,122,757
Loss on disposal of property and equipment			-	27,641
Interest income	3		(83,591,461)	(89,896,942)
Interest expense	3		23,176,617	23,546,849
Pension expense	13		627,711	707,218
Dividend income			4,403	(89,414)
			(38,102,428)	(37,497,829)
Changes in operating assets and liabilities				
Increase in loans and advances			(17,934,141)	(52,476,834)
Decrease (increase) in other assets			420,634	(2,618,412)
Increase in deposits			94,709,827	104,983,112
Increase in reimbursable shares			1,472,840	939,920
Decrease (increase) in due from related companies			303,260	(9,433,344)
Increase (decrease) in other liabilities			4,772,203	(2,876,328)
Net cash from operations			45,642,195	1,020,285
Interest received			83,693,279	88,019,649
Interest paid			(23,177,924)	(23,782,617)
Pension contributions paid	13		(828,007)	(830,668)
Net cash from operating activities			105,329,543	64,426,649
Cash Flows from Investing Activities				
Purchase of investments			(15,284,186)	(2,462,206)
Investments redeemed			6,939,974	5,708,367
Purchase of property and equipment	12		(3,148,619)	(852,891)
Proceeds from sale of property and equipment			-	24,584
Dividends (paid) received			(4,403)	89,414
Net cash (used in) from investing activities		$	(11,497,234)	2,507,268

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Separate Statement of Cash Flows (continued)

For the year ended March 31, 2021
With comparative figures for 2020

(Expressed in Barbados dollars)

	Notes		2021	2020
Cash Flows from Financing Activities				
Principal portion of lease liability	17	$	(690,698)	(732,358)
Issue of shares	18		430,560	732,120
Entrance fees received	19		17,940	30,505
Redemption of shares	18		(81,960)	(124,320)
Distributions to members	8		(3,608,173)	(3,574,873)
Net cash used in financing activities			(3,932,331)	(3,668,926)
Net increase in cash and cash equivalents			89,899,978	63,264,991
Cash and cash equivalents, beginning of year			261,088,798	197,823,807
Cash and cash equivalents, end of year	9	$	350,988,776	261,088,798

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

1. Corporate Information

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

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

2. Accounting Policies

(a) *Basis of preparation*
These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

(b) *New standards, amendments and interpretations mandatory for the first time for the financial year*
A number of new standards, amendments to standards and interpretations became effective during the current period but these did not have a material effect on the Credit Union's separate financial statements.

(c) *Standards issued but not yet effective*
New standards and amendments to standards that are not yet effective and have not been early adopted by the Credit Union are as follows:

- Amendment to IFRS 16 – COVID 19: Related Rent Concessions – effective June 1, 2020
- COVID-19-Related Rent Concessions: Amendment to IFRS 16 – effective January 1, 2021
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfiling a Contract – effective January 1, 2022
- Annual Improvements to IFRS Standards 2018 – 2020 – effective January 1, 2022
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use – effective January 1, 2022
- Amendments to IFRS 3 - Reference to the Conceptual Framework – effective January 1, 2022
- Amendments to IAS 1 – Classification of liabilities as current or non-current – effective January 1, 2023
- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2) – effective January 1, 2023
- Definition of Accounting Estimate (Amendments to IAS 8) – effective January 1, 2023

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

2. Accounting Policies, continued

(d) Financial instruments

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

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

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

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss on derecognition of such securities but transferred to retained earnings.

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

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

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

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

2. Accounting Policies, continued

(d) Financial instruments, continued

Non-derivative financial assets – Classification and subsequent measurement

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

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

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

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

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

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

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;

2. Accounting Policies, continued

(d) Financial instruments, continued

***Non-derivative financial assets – Classification and subsequent measurement**, continued*

Business model assessment, continued

- 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).

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

- Amortized cost
- Fair value through other comprehensive income (FVOCI)

Financial assets measured at amortized cost
The Credit Union's non-derivative financial assets measured at amortized cost comprise cash and cash equivalents, other term deposits, sovereign debt securities, loans 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 these financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. These assets are subsequently measured at 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.

2. Accounting Policies, continued

(d) Financial instruments, continued

Non-derivative financial assets – Classification and subsequent measurement*, continued*

Applicability to the Credit Union, continued

Financial assets measured at 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 profit or loss.

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

Non-derivative financial liabilities – Classification and subsequent measurement
Financial liabilities other than loan commitments are classified and measured at 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 comprise deposits, reimbursable shares and other liabilities.

Expected credit losses and impairment

The Credit Union utilises a forward looking expected credit loss model to recognise loss allowances on its financial assets measured at 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). Stage 1 financial assets also include facilities where the credit risk has improved, and the financial asset has been reclassified from Stage 2.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

No impairment loss is recognized on equity investments.

2. Accounting Policies, continued

(d) Financial instruments, continued

***Expected credit losses and impairment**, continued*

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

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

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

The Credit Union uses three criteria for determining whether there has been a significant increase in credit risk:
- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

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

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

2. Accounting Policies, continued

(d) Financial instruments, continued

Expected credit losses and impairment*, continued*

Credit impaired financial assets

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

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

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

Credit impaired financial assets

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

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

Measurement of ECL

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

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

2. Accounting Policies, continued

(d) Financial instruments, continued

***Expected credit losses and impairment**, continued*

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

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.

- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

- Forward looking information – The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

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

Presentation of ECL

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

For loan commitments, generally a provision is 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.

2. Accounting Policies, continued

(d) Financial instruments, continued

Expected credit losses and impairment*, continued*

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

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

Recoveries of amounts previously written off are included in impairment losses on financial instruments in profit or loss. Financial assets that are written off are still subject to enforcement activities in order to comply with the Credit Union’s procedures for recovery of amounts due.

2. Accounting Policies, continued

(d) Financial instruments, continued

Expected credit losses and impairment*, continued*

Offsetting

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

Modifications of financial assets and liabilities

Financial assets

If the terms of a financial asset are modified, then the Credit Union evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original asset are deemed to have expired. In this case, the original financial asset is 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 profit or loss.

Financial liabilities

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

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

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions

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

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

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

COVID-19: Impact on Use of Estimates and Judgments

COVID-19, a global pandemic, has materially impacted and continues to materially impact the market in which the Credit Union operates. Governments around the world, including Barbados, imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, quarantines and cancellations of gatherings and events. These measures have caused increased volatility and uncertainty in financial markets. This has given rise to heightened uncertainty as it relates to the key areas of estimation uncertainty. The Credit Union has utilized estimates, assumptions and judgments that reflect this uncertainty. While management makes its best estimates and assumptions, given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impacts of such a pandemic, the actual outcomes for the Credit Union in the future may differ from assumptions that have been applied in the measurement of the Credit Union’s assets and liabilities.

The Credit Union has taken into account the impact of COVID-19 and related market volatility in preparing these financial statements. While the methodologies and assumptions applied in the measurement of various items within the financial statements remain unchanged from those applied in the 2020 financial statements, the impact of COVID-19 has resulted in the application of further judgment and the incorporation of estimates and assumptions specific to the impact of COVID-19. Principally this has resulted in updates to the Credit Union’s economic assumptions used in determining expected credit losses (ECL).

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions, continued

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

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

This includes the services of a professional valuation team that has overall responsibility for overseeing all significant fair value measurements, including investment fair values. This team reports directly to the 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 24.

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

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

Given market volatility during the year, the Credit Union reviewed the appropriateness of the inputs to its fair values. As a result and as part of the process to determine fair values of financial instruments since the onset of the pandemic, the Credit Union has applied a heightened level of judgment than would otherwise generally be required with the objective of determining the fair value that is most representative of those financial instruments.

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions, continued

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

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

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

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

When determining whether the risk of default has increased significantly since initial recognition, both quantitative and qualitative information is considered, including expert credit assessment, forward looking information and analysis based on the Credit Union's historical loss experience. Consistent with industry guidance, member support payment deferrals as part of COVID-19 support packages in isolation will not necessarily result in a significant increase in credit risk, and therefore will not trigger an automatic migration from stage 1 (12-month ECL) to stage 2 (Lifetime ECL) in the credit impairment provision for such loans.

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions, continued

Impairment of non-derivative financial assets, continued

Incorporation of forward looking information

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

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

2021
March 31

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

Macro-economic variables used in these scenarios include (but are not limited to), unemployment rates, GDP growth rates, inflation rates and price indices. Forward looking macro-economic information and assumptions relating to COVID-19 have been considered in these scenarios, including potential impacts of COVID-19, recognising that uncertainty still exists in relation to the duration of COVID-19 related restrictions and the anticipated impact of government stimulus and regulatory actions.

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

2. Accounting Policies, continued

(e) Significant accounting judgments, estimates and assumptions, continued

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

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

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

(f) Foreign currency
Functional and presentation currency
The financial statements are presented in Barbados dollars which is the functional currency of the Credit Union. All financial information has been rounded to the nearest dollar.

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

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

2. Accounting Policies, continued

(g) Cash resources

(i) Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost, which is equivalent to fair value. Cash and cash equivalents also comprise cash balances which are payable on demand and deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are disclosed as current liabilities.

(ii) Other term deposits are liquid investments which have original maturity dates in excess of 90 days, but which are available on demand with or without penalty.

(h) Investment in subsidiary

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

(i) Property and equipment

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

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

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

The following annual rates apply:

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

2. Accounting Policies, continued

(j) Leases

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

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

Credit Union acting as a lessee

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

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

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

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

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

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

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

2. Accounting Policies, continued

(j) Leases, continued

Credit Union acting as a lessee, continued

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

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

Short-term leases and leases of low-value assets

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

(k) Reimbursable shares

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

(l) Deposits

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

(m) Other liabilities

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

(n) Share capital

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

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

2. Accounting Policies, continued

(o) *Recognition of income and expenses*

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

Interest income and expense

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

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

2. Accounting Policies, continued

(o) Recognition of income and expenses, continued

Interest income and expense, continued
For information on when financial assets are credit-impaired, see Note 2(d).

Presentation
Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

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

Interest expense presented in the statement of profit or loss and OCI includes:

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

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.

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

(q) Impairment of non-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 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.

2. Accounting Policies, continued

(r) Loan commitments

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

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

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

(s) Provisions, contingent assets and contingent liabilities

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

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

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

(Expressed in Barbados dollars)

3. Net Interest Income

		2021	2020
Interest income calculated using the effective interest method			
Loans and advances	$	81,494,810	87,871,266
Financial investments		1,457,555	1,363,526
Cash resources		639,096	662,150
	$	83,591,461	89,896,942
Interest expense			
Deposits	$	23,057,675	23,393,457
Lease liability		118,942	153,392
		23,176,617	23,546,849
Net interest income	$	60,414,844	66,350,093

4. Other Income

		2021	2020
Fee income	$	1,618,777	1,786,015
Legal income		1,326,721	1,443,202
Rental income		19,494	48,292
Bad debt recoveries		760,654	1,172,506
Dividend income		(4,403)	89,414
Loss on disposal of property and equipment		-	(27,641)
	$	3,721,243	4,511,788

5. Expected Credit Losses

	Notes		2021	2020
Loans and advances	11	$	9,301,376	6,297,676
Undrawn loan commitments	22		173,022	19,722
Financial investments	10		(305,002)	(239,722)
Term deposits	9		77,780	45,081
		$	9,247,176	6,122,757

(Expressed in Barbados dollars)

6. Staff Costs

	Note		2021	2020
Salaries		$	14,715,816	15,908,933
National Insurance Scheme contributions			1,469,779	1,511,517
Pension plan – defined benefit plan	13		627,711	707,218
Other costs			1,734,560	2,072,324
		$	18,547,866	20,199,992

7. Operating Expenses

		2021	2020
Anniversary expenses	$	442,329	117,015
Advertising		533,074	602,811
Affiliation		100,000	100,000
Audit fees		325,000	286,460
Bank charges		212,478	204,658
Committee travelling allowances		186,000	185,480
Development expenses		41,167	53,500
Direct cost of services		1,075,245	526,900
Educational grant and scholarship expenses		207,319	344,068
Elected Officials and Committee Training		2,518	387,381
Entertaining		37,581	46,425
Insurance		535,080	572,612
Janitorial services		748,370	506,578
Legacy Foundation – Donations		300,000	200,000
Legal and professional fees		2,146,930	1,023,025
Meetings and conferences		843,646	476,062
Membership security		4,621,957	4,137,915
Sundry expenses		32,926	1,897
National development expenses		60,000	60,000
Office stationery and supplies		1,065,800	1,246,671
Postage		54,213	122,036
Property taxes		382,486	426,330
Publicity and promotion		1,954,936	3,021,913
Regulatory fees		500,000	506,007
Rent		-	8,828
Repairs and maintenance		4,016,902	3,771,240
Security services		1,378,363	1,374,254
Social outreach expenses		175,815	202,732
Staff and members' training		656,897	382,699
Utilities		1,270,887	1,559,573
	$	23,907,919	22,455,070

(Expressed in Barbados dollars)

8. Distributions to Members

Distributions to members include a dividend of $0.250 (2020: $0.253) per share amounting to $585,225 (2020: $543,534) and interest rebate amounting to $3,022,948 (2020: $3,031,339).

9. Cash Resources

		2021	2020
Cash on hand	$	11,759,890	15,383,526
Other cash and cash equivalents		339,228,886	245,705,272
Total cash and cash equivalents		350,988,776	261,088,798
Other term deposits		36,863,088	33,873,871
Total gross cash resources		387,851,864	294,962,669
Less: expected credit loss allowance		(138,399)	(60,619)
	$	387,713,465	294,902,050

The average effective yield on cash resources during the year was 0.19% (2020: 0.25%).

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

	Note		2021	2020
Balance at beginning of year		$	60,619	15,538
Expected credit loss on other term deposits	5		77,780	45,081
Balance at end of year		$	138,399	60,619

At March 31, 2021, $138,399 (2020: $11,347) of the expected credit losses allowance relating to term deposits related to those classified as stage 1, while $Nil (2020: $49,272) related to those classified as stage 2.

(Expressed in Barbados dollars)

10. Financial Investments

		2021	2020
Debt securities			
Amortized cost			
Sovereign bonds	$	23,345,210	18,509,103
Interest receivable		318,226	51,510
		23,663,436	18,560,613
Less: expected credit loss allowance		(19,539)	(324,541)
		23,643,897	18,236,072
Equities securities			
FVOCI			
Corporate equity – quoted (i)		890,000	1,550,000
Corporate equity – unquoted		1,581,253	1,415,242
		2,471,253	2,965,242
Balance at end of year	$	26,115,150	21,201,314

The average effective yield during the year on amortized cost investments was 6.96% (2020: 6.29%).

(i) This represents the Credit Union's investment in 500,000 (2020: 500,000) common shares. As at March 31, 2021, the quoted bid price of these common shares was $1.78 (2020: $3.10) per share.

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

	Note		2021	2020
Balance at beginning of year		$	324,541	564,263
Expected credit loss on investments	5		(305,002)	(239,722)
Balance at end of year		$	19,539	324,541

There was $Nil (2020: $288,440) expected credit loss allowance at March 31, 2021 related to debt securities classified as stage 3 and $19,539 (2020: $36,101) related to debt securities classified as stage 1.

(Expressed in Barbados dollars)

11. Loans and advances

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

	2021			
	Consumer	Business	Mortgages	Total
Gross loans	$ 691,546,736	5,323,375	382,688,121	1,079,558,232
Less: ECL allowance	(26,414,883)	(633,291)	(6,080,309)	(33,128,483)
	$ 665,131,853	4,690,084	376,607,812	1,046,429,749
Add: interest receivable				8,235,470
				$ 1,054,665,219

	2020			
	Consumer	Business	Mortgages	Total
Gross loans	$ 713,261,410	5,354,814	342,953,667	1,061,569,891
Less: ECL allowance	(20,237,160)	(305,528)	(3,284,419)	(23,827,107)
	$ 693,024,250	5,049,286	339,669,248	1,037,742,784
Add: interest receivable				8,337,287
				$ 1,046,080,071

The average yield on loans for the year was 7.76% (2020: 8.41%).

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

	2021			
	Stage 1	Stage 2	Stage 3	Total
Consumer	$ 563,275,513	36,297,985	91,973,238	691,546,736
Business	1,977,171	817,992	2,528,212	5,323,375
Mortgages	308,929,247	21,234,128	52,524,746	382,688,121
Gross loans	874,181,931	58,350,105	147,026,196	1,079,558,232
Less: ECL allowance	(2,054,158)	(1,460,060)	(29,614,265)	(33,128,483)
	$ 872,127,773	56,890,045	117,411,931	1,046,429,749
Add: interest receivable				8,235,470
				$ 1,054,665,219

(Expressed in Barbados dollars)

11. Loans and Advances, continued

		2020			
		Stage 1	Stage 2	Stage 3	Total
Consumer	$	612,965,741	32,281,799	68,013,870	713,261,410
Business		2,975,927	676,689	1,702,198	5,354,814
Mortgages		286,517,116	21,577,448	34,859,103	342,953,667
Gross loans		902,458,784	54,535,936	104,575,171	1,061,569,891
Less: ECL allowance		(516,940)	(1,442,785)	(21,867,382)	(23,827,107)
	$	901,941,844	53,093,151	82,707,789	1,037,742,784
Add: interest receivable					8,337,287
				$	1,046,080,071

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

		2021			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	$	20,237,160	305,528	3,284,419	23,827,107
Expected credit loss		6,177,723	327,763	2,795,890	9,301,376
Balance, end of year	$	26,414,883	633,291	6,080,309	33,128,483

		2020			
		Consumer	Business	Mortgages	Total
Balance, beginning of year	$	20,354,171	534,792	3,782,546	24,671,509
Reclasification of ECL - Undrawn commitments		(219,860)	-	-	(219,860)
Amounts charged/written off		(6,704,109)	(218,109)	-	(6,922,218)
Expected credit loss		6,806,958	(11,155)	(498,127)	6,297,676
Balance, end of year	$	20,237,160	305,528	3,284,419	23,827,107

(Expressed in Barbados dollars)

12. Property and Equipment

Property and equipment is comprised of the following:

		2021					
		Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost							
Balance, beginning of year	$	44,957,811	2,907,990	32,018,892	5,575,146	14,066,971	99,526,810
Additions/transfer		(91,109)	-	978,761	-	2,260,967	3,148,619
Disposal		-	-	-	-	-	-
Balance, end of year		44,866,702	2,907,990	32,997,653	5,575,146	16,327,938	102,675,429
Accumulated depreciation							
Balance, beginning of year		12,851,133	1,072,999	27,345,746	4,484,800	-	45,754,678
Depreciation		1,500,504	353,493	2,028,281	531,128	-	4,413,406
Balance, end of year		14,351,637	1,426,492	29,374,027	5,015,928	-	50,168,084
Net book value, end of year	$	30,515,065	1,481,498	3,623,626	559,218	16,327,938	52,507,345

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

(Expressed in Barbados dollars)

12. Property and Equipment, continued

	2020					
	Land and Buildings	Motor Vehicles	Furniture and Equipment	Leasehold Improvements	Assets being Acquired	Total
Cost						
Balance, beginning of year	$ 40,357,401	2,907,990	31,841,094	5,575,146	14,325,962	95,007,593
Impact of implementation of IFRS 16	3,856,808	-	-	-	-	3,856,808
Adjusted balance April 1, 2020	44,214,209	2,907,990	31,841,094	5,575,146	14,325,962	98,864,401
Additions/transfer	743,602	-	368,280	-	(258,991)	852,891
Disposals	-	-	(190,482)	-	-	(190,482)
Balance, end of year	44,957,811	2,907,990	32,018,892	5,575,146	14,066,971	99,526,810
Accumulated depreciation						
Balance, beginning of year	10,722,666	705,213	25,250,992	3,604,028	-	40,282,899
Impact of implementation of IFRS 16	617,923	-	-	-	-	617,923
Adjusted balance April 1, 2020	11,340,589	705,213	25,250,992	3,604,028	-	40,900,822
Depreciation	1,510,544	367,786	2,233,011	880,772	-	4,992,113
Disposals	-	-	(138,257)	-	-	(138,257)
Balance, end of year	12,851,133	1,072,999	27,345,746	4,484,800	-	45,754,678
Net book value, end of year	$ 32,106,678	1,834,991	4,673,146	1,090,346	14,066,971	53,772,132

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

(Expressed in Barbados dollars)

12. Property and Equipment, continued

As at March 31, 2021, land and buildings includes right-of-use assets of $1,914,016 (2020: $2,620,961) related to the Credit Union's leased branches and office premises.

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

	Right of Use Property $	Lease Liability $
Balance at April 1, 2020	2,620,961	2,770,181
Depreciation expense	(600,763)	-
Interest expense	-	118,942
Amounts written off	(106,182)	-
Lease payments (principal and interest)	-	(809,640)
As at March 31, 2021	1,914,016	2,079,483

Additions to the right-of-use asset during the period were $nil.

Maturities of Leases
Maturities of our lease liabilities on an undiscounted basis as of March 31, 2021 are presented below along with the current and non-current lease liabilities on a discounted basis.

	Year ending March 31, 2021
Up to 3 months	177,869
Within 3-12 months	533,606
Within 1-5 years	1,495,858
Thereafter	75,969
Total future payments on an undiscounted basis	2,283,302
Less: Present value discount	(203,819)
Present value of lease liabilities	2,079,483
Current portion	622,538
Non-current portion	1,456,945
Weighted-average remaining lease term (in years)	2.9 years
Weighted-average discount rate	4.95%

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

13. Pension Plan Asset

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

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

The last full actuarial valuation of the pension plan for eligible employees was carried out on March 31, 2018. The next full review will be performed in 2021.

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

The contribution rate paid by the employee is fixed and the Credit Union pays the balance of the ultimate cost of the benefits and hence the Credit Union's contribution is unknown. The Credit Union is expected to pay $885,408 in contributions to its defined benefit plan in 2022 (2020: $814,237 in 2021).

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

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

Plus

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

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

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

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 50% of the Plan's assets are invested in the Equity Fund and 50% are invested in the Bonds Fund.

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

		2021	2020
Present value of obligation to plan members	$	(14,435,966)	(12,329,701)
Pension plan assets at fair value		15,612,223	13,362,012
Asset recognised in the statement of financial position	$	1,176,257	1,032,311

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

		2021	2020
Asset, beginning of year	$	1,032,311	577,288
Contributions paid		828,006	830,668
Pension expense recognised in statement of income		(627,711)	(707,218)
Re-measurement recognised in other comprehensive income		(56,349)	331,573
Asset, end of year	$	1,176,257	1,032,311

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

		2021	2020
Obligation, beginning of the year	$	12,329,701	12,074,739
Interest cost		1,007,280	994,749
Current service cost		658,231	701,096
Employees' contributions		147,996	166,693
Benefits paid		(237,961)	(149,893)
Actuarial losses arising from experience adjustments		530,719	(1,457,683)
Obligation, end of year	$	14,435,966	12,329,701

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

		2021	2020
Opening fair value of plan assets	$	13,362,012	12,652,027
Actual return		1,537,541	(113,662)
Employer's contributions		828,006	830,668
Employees' contributions		147,997	166,693
Benefits paid		(237,961)	(149,893)
Administrative expenses		(25,372)	(23,821)
Closing fair value of plan assets	$	15,612,223	13,362,012

(ii) Plan assets consist of the following:

		2021	2020
Equities	$	7,845,365	6,498,632
Bonds		7,766,858	6,863,380
	$	15,612,223	13,362,012

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

	2021	2020
Mortgages	12.78%	13.61%
Bonds	35.34%	35.86%
Equities	41.16%	37.30%
Property	4.48%	4.82%
Other	6.24%	8.41%

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

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

		2021	2020
Current service cost	$	658,231	701,096
Interest cost on obligation		1,007,280	994,749
Expected return on plan assets		(1,063,172)	(1,012,448)
Administrative expenses		25,372	23,821
Net pension expense included in staff costs (Note 6)	$	627,711	707,218

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

		2021	2020
Remeasurement loss (gain) on obligation	$	432,903	(1,457,683)
Remeasurement (gain) loss on plan assets		(376,554)	1,126,110
	$	56,349	(331,573)

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

	2021	2020
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	7.25%	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%-11.25%	0.00%-11.25%
Future expenses	0.00%	0.00%

At March 31, 2021, the weighted-average duration of the defined benefit obligation was 21.33 (2020: 21.44) years.

(Expressed in Barbados dollars)

13. Pension Plan Asset, continued

h) Sensitivity analysis on projected benefit obligation:

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

	Increase	Decrease
Discount rate (1% movement)	(2,587,789)	3,432,179
Future salary growth (0.5% movement)	1,236,337	(1,121,785)

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 $289,828.

14. Investment in Subsidiary

		2021	2020
BPW Financial Holdings Inc. – 100%	$	10,192,600	10,192,600

15. Other Assets

Other assets are comprised of the following:

	Notes		2021	2020
Accounts receivable (i)		$	10,393,433	12,053,142
Prepaid employee benefit	17		2,139,664	2,268,845
Prepaid expenses			3,791,709	2,393,489
Interest receivable on cash resources			59	23
Dividend receivable			-	30,000
Other Assets re Goodwill Credit Union	26		39,786	39,786
		$	16,364,651	16,785,285

(i) Included in accounts receivable at March 31, 2021 is $Nil (2020: $2,319,084) related to the sale of loans to Capita Financial Services Inc.

(Expressed in Barbados dollars)

16. Deposits

This amount comprises:

		2021	2020
Saving deposits	$	602,479,853	559,770,466
Deposits payable on fixed date		721,593,534	671,191,007
Registered retirement savings plan deposits (i)		48,015,708	46,417,795
		1,372,089,095	1,277,379,268
Interest payable		2,217,121	2,218,428
	$	1,374,306,216	1,279,597,696

(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, 2021, the minimum deposit rate was 0.5% (2020: 0.5%).

Concentration of deposits

Deposits (excluding interest payable) comprised the following:

		2021	2020
Personal	$	1,357,934,678	1,252,679,748
Commercial		14,154,417	24,699,520
	$	1,372,089,095	1,277,379,268

At March 31, 2021, deposits pledged as security for loans to members and not available for withdrawal totalled $ 333,043,950 (2020: $343,403,471). The average yield of deposits during the year was 1.74% (2020: 1.91%).

(Expressed in Barbados dollars)

17. Other Liabilities

Other liabilities is comprised of the following:

	Note		2021	2020
Accounts payable and accrued expenses (i)		$	9,081,391	4,786,598
Amounts payable re Goodwill Credit Union	26		89,236	89,236
Fair value adjustment - staff loans (ii)			2,335,196	2,301,894
Interest rebate payable			203,026	203,026
Lease liability			2,079,483	2,770,181
Unallocated receipts to members			1,214,878	770,770
		$	15,003,210	10,921,705

(i) Included in accounts payable and accrued expenses at March 31, 2021, is expected credit losses on undrawn loan commitments of $412,604 (2020: $239,582) and legal litigations of $915,656 (2020: $500,000).

(ii) Fair value adjustment staff loans

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

Other liabilities also include amounts due to Legacy Foundation of $1,261 (2020: $18,279).

18. Share Capital

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

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

During the year, the Credit Union issued 86,112 (2020: 146,424) shares at $5.00 each to its members for cash consideration of $430,560 (2020: $732,120). The Credit Union redeemed 16,392 (2020: 24,864) shares and subsequently repaid $81,960 (2020: $124,320) to previous members.

At March 31, 2021, the total number of membership qualifying shares was 2,471,400 (2020: 2,401,680).

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

(Expressed in Barbados dollars)

18. Share Capital, continued

		2021		2020	
		Carrying Amount	No. of Shares	Carrying Amount	No. of Shares
Balance, beginning of year	$	12,008,400	2,401,680	11,400,600	2,280,120
Shares issued		430,560	86,112	732,120	146,424
Shares redeemed		(81,960)	(16,392)	(124,320)	(24,864)
Balance, end of year	$	12,357,000	2,471,400	12,008,400	2,401,680

19. Statutory Reserves

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

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

		2021	2020
Balance, beginning of year	$	141,452,705	134,058,639
Transfers to reserve - statutory		4,892,297	7,363,561
Transfers to reserve - voluntary		3,032,437	-
		7,924,734	7,363,561
		149,377,439	141,422,200
Entrance fees		17,940	30,505
Balance, end of year	$	149,395,379	141,452,705

(Expressed in Barbados dollars)

20. Other Reserves

Other reserves is comprised of the following:

		2021	2020
Fair value reserve (i)	$	887,417	1,406,356
Special funds (ii)		1,521,415	1,070,138
Donated equity (iii)		26,909	26,909
Defined benefit plan (iv)		(271,016)	(214,667)
Reserve for interest on non-performing loans (v)		4,875,917	5,210,079
	$	7,040,642	7,498,815

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

		2021	2020
Balance, beginning of year	$	1,406,356	1,055,000
Unrealised fair value (loss) gain		(518,939)	351,356
Balance, end of year	$	887,417	1,406,356

20. Other Reserves, continued

(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.

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.

(Expressed in Barbados dollars)

20. Other Reserves, continued

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

	2021			
	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	$ 129,786	450,315	(175,815)	404,286
Education Fund	183,852	375,263	(207,319)	351,796
Development Fund	346,500	-	(41,167)	305,333
BCCUL Training/Education Fund	-	50,000	-	50,000
BPWCCUL Foundation	-	300,000	(300,000)	-
Small and Micro Business Fund	150,000	-	-	150,000
National Development Fund	-	60,000	(60,000)	-
Credit Union Liability Insurance Fund	260,000	-	-	260,000
	$ 1,070,138	1,235,578	(784,301)	1,521,415

	2020			
	Balance at Beginning	Amounts Appropriated	Amounts Utilised	Balance at End
Social Outreach Fund	$ -	332,518	(202,732)	129,786
Education Fund	171,651	356,269	(344,068)	183,852
Development Fund	221,658	128,342	(3,500)	346,500
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	260,000	-	-	260,000
	$ 803,309	1,127,129	(860,300)	1,070,138

(Expressed in Barbados dollars)

20. Other Reserves, continued

(iii) Donated equity

This amount totalling $26,909 (2020: $26,909) represents the value of donations bestowed upon the Credit Union on incorporation.

(iv) Defined benefit plan

This amount totalling $271,016 (2020: $214,667) represents the net amount of actuarial losses and other items recognised directly in other comprehensive income on the Credit Union's defined benefit plan (Note 13).

(v) Reserve for interest on non-performing loans

This amount totalling $4,875,917 (2020: $5,210,079) is created to set aside interest accrued on non-performing loans where certain conditions are met in accordance with IFRS 9. The guidelines of Section 202 (2) of the Co-operative Societies Act Cap. 378A, however do not allow for the accrual of such interest. The interest is therefore set aside in a reserve and is not available for distribution to members.

21. Related Party Disclosures

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

Terms and conditions of transactions with related parties
Certain transactions with related parties are made at terms equivalent to those that prevail in arm's length transactions. Specifically, transactions with key management personnel are at arm's length. Other related party transactions are non-arm's length.

For the years ended March 31, 2021 and March 31, 2020, the Credit Union has not recorded any impairment of receivables relating to amounts owed by related parties.

Compensation of key management personnel

		2021	2020
Short term employee benefits	$	1,745,864	1,814,098
Post-employment benefits		138,723	139,389
Total compensation paid to key management personnel	$	1,884,587	1,953,487

(Expressed in Barbados dollars)

21. 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.

		2021	2020
Key management personnel:			
Loans and advances	$	2,138,973	1,219,356
Deposits		2,473,340	1,914,308

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 their related concerns.

Due from related companies

		2021	2020
Due from Allied Co-operators Inc. (i)	$	88,587	9,600
Due from BPW Financial Holdings Inc. (i)		18,768,080	17,943,194
Due from Capita Insurance Brokers Inc. (i)		46,235	142,061
Due from Capita Financial Services Inc. (ii)		9,828,483	10,940,609
Due from Capita Financial Services Inc. (i)		(298,124)	(303,997)
Due from Legacy Foundation. (i)		10,028	15,082
	$	28,443,289	28,746,549

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

(ii) On July 30, 2020, the Credit Union entered into a loan agreement with Capita Financial Services Inc. The Credit Union advanced $11,674,344 with a term of 10 years and an interest rate of 1.25% per annum. Fixed annual repayments are $1,242,528 over the life of the loan. The outstanding balance as at March 31, 2021 is $9,828,483 (2020: $10,940,609).

21. Related Party Disclosures, continued

Other transactions
Cash resources include deposits held with Capita Financial Services Inc. amounting to $25,394,996 (2020: $15,344,669) which resulted in interest income of $478,780 (2020: $379,524). At March 31, 2021 accrued interest receivable was $366,528 (2020: $198,670). The Credit Union receives a management fee for the provision of support services to Capita Financial Services Inc. on an annual basis which is reported within fee income (Note 4). During the fiscal ending March 31, 2021 the Credit Union recorded management fees of $144,000 (2020: $ 144,000).

Sale of Investment
During the financial year ended March 31, 2021 there was no sale of investments to related parties. However, for the financial year ending March 31, 2020 the Credit Union sold Strip One of its series B bonds to its subsidiary, Capita Financial Services Inc. in the amount of $1,347,778. The bond was sold at its credit impaired value (carrying value) of $1,171,761.

Deed of Sale and Administration agreement
During the financial year ended March 31, 2020, the Credit Union sold $2,395,407 in loans to its subsidiary, Capita Financial Services Inc. as per the Deed of Sale and Administration agreement. The balance as at March 31, 2021 was $9,978,784 (2020: $11,086,977). The Credit Union receives an administrative fee for the collection and remittance of loan payments on behalf of Capita Financial Services Inc. The administrative fees for the year ended March 31, 2021 was $68,274 (2020: $55,576). The Credit Union has determined that substantially all the risks and rewards of the said loan portfolio have been transferred to Capita Financial Services Inc. and consequently, the loans were eliminated from the Credit Union's statement of financial position.

Capitalization of New Subsidiary
Allied Co-operators Inc. (ACI) was established to offer co-operative shared services to credit unions and their members. Phase 1 of its development will provide assurance services to affiliated credit unions of the Barbados Co-operative Credit Union League Ltd. These services will include corporate governance, operational risk management, compliance and internal audit.

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

Finally, ACI's suite of services will be broadened to include finance and financial planning, information technology, strategic planning, marketing, customer experience and research. The balance of $88,587 (2020: $9,600) presented in the financial statements as due from ACI represents stipends paid to its Directors for attendance at its Board of Directors meetings.

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

In accordance with the Co-operative Societies Act, CAP. 378A, on May 19, 2021 the Credit Union sought approval from the Financial Services Commission to capitalize its fully owned subsidiary Allied Co-operators Inc. in the amount of $1,000,000. Approval of the same was received on July 21, 2021. However, completion of this transaction is deferred pending the establishment of ACI's banking facilities.

(Expressed in Barbados dollars)

22. Commitments and Contingencies

(i) Loan commitments

		2021	2020
Consumer loans approved and pending disbursement	$	21,930,122	15,152,294
Mortgage loans approved and pending disbursement		63,370,275	51,598,470
Available balances on line of credit accounts		18,059,184	15,552,625
Gross commitments	$	103,359,581	82,303,389

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

		2021		2020	
		Gross Carrying Amount	ECL	Gross Carrying Amount	ECL
Consumer	$	21,930,122	167,073	15,152,294	91,920
Mortgages		63,370,275	112,270	51,598,470	52,923
	$	85,300,397	279,343	66,750,764	144,843
Line of credits available		18,059,184	133,261	15,552,625	94,739
	$	103,359,581	412,604	82,303,389	239,582

The movement in the expected credit loss allowance:

		2021	2020
Balance at beginning of year	$	239,582	219,860
Expected credit loss		173,022	19,722
Balance at end of year	$	412,604	239,582

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

22. Commitments and Contingencies, continued

(ii) Loan facilities

Loan facilities committed but not recognised in the financial statements as at March 31, 2021 are as follows:

(a) an approved line of credit facility of $7,800,000 (2020: $7,800,000) with a bank. This facility is secured by a first legal mortgage over the property at Belmont Road. At March 31, 2021 this facility was undisbursed.

(b) an approved line of credit facility of $350,000 (2020: $350,000) 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. The commitment due on this facility at year end was $29,014 (2020: $25,212).

(iii) Legal proceedings

At March 31, 2021, 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.

23. Financial Risk Management

Introduction

Risk is inherent in the Credit Union’s activities but is managed through a process of on-going identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Credit Union’s continuing profitability and each 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.

23. Financial Risk Management, continued

Introduction, continued

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

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

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

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.

Impact of COVID-19

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Governments and regulatory bodies in affected areas, including Barbados, have imposed a number of measures designed to contain the outbreak, including government-mandated social distancing measures, travel restrictions, quarantines, and stay at home directives. The breadth and depth of the impact of COVID-19 on the global economy and financial markets continues to evolve with disruptive effects. The specific impact on the economy of Barbados, which is largely driven by tourism has been significant and during the year reduced incoming flights to Barbados continued. The resulting impacts continued into 2021 including increased unemployment, hotel closures/hotel operations at reduced occupancy levels for those which remained opened and reduced revenue for businesses, financial institutions and the Government. As a consequence of the job cuts and reduced disposable income, there was a continued impact on persons' ability to service their loan commitments and other obligations.

While some of the Government and regulatory measures have been eased across regions and the economy has started to recover, subsequent spikes in the virus have caused some measures to be reinstated and future economic activity to be uncertain. This has also been the case in Barbados, and the Government continues to monitor the number of active cases.

23. Financial Risk Management, continued

Introduction, continued

Risk mitigation, continued

Impact of COVID-19, continued
COVID-19 continues to impact the Credit Union's employees, members and community, impacting the Credit Union's operations, financial results and present and future risks to the Credit Union's business. For the year ended March 31, 2021, the Credit Union recognized net income of $8,019,720 (2020: $17,091,949). The Credit Union's net assets as at March 31, 2021 were $173,166,386 (2020: $168,963,587). The Credit Union has $387,851,864 of resources comprising cash and cash equivalents and other highly liquid assets at the date of authorization of these financial statements. There is still uncertainty over how the future development of the outbreak will impact the Credit Union's business and member demand for its products. Hence, the Credit Union is closely monitoring the potential effects and impact of the pandemic, which is an evolving situation.

The Barbados government and the Credit Union's regulator, the Financial Services Commission have taken, and are continuing to take, significant measures to provide economic assistance to individual households and businesses, stabilize the market, and support economic growth. The effectiveness of these programs will depend on the duration and scale of COVID-19.

The Credit Union's risk and capital management framework continues to be applied and the Credit Union continues to monitor the impact of COVID-19 on the Credit Union's risk and capital profile. Non-financial risks emerging from global movement restrictions, and remote working by staff, counterparties and members are being identified, assessed, managed and governed through timely application of the Credit Union's Risk Management Framework.

Measures that the Credit Union continues to employ include measures to assist our members during this crisis, such as:

- **Loan moratoriums** - It is not expected that there will be reclassification of loans from Stage 1 to Stage 2, as these payment moratoriums should not trigger a significant increase in the credit risk (SICR) unless other criteria indicating SICR are identified.

- **Special payment arrangements** such as payment plan solutions and debt restructuring, based on approval by the Credit Committee and the Board.

23. Financial Risk Management, 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.

COVID-19

The COVID-19 pandemic's significant impact to the economy and the different stages of lockdown and re-opening, resulted in continued uncertainty on timing of recovery. This required additional considerations to determine the allowance for credit losses this year.

In response to the pandemic, and based on regulatory support, during the period the Credit Union introduced a support mechanism for members impacted by COVID-19, including the deferral of payments for an initial period of six months. Special payment arrangements such as payment plan solutions and debt restructuring, based on approval by the Credit Committee and the Board was also offered to members.

The ECL methodology, model inputs, significant increase in credit risk (SICR) thresholds, and definition of default remain consistent with those used as at March 31, 2020. Forward-looking information, scenarios and associated weightings, were revised to reflect the unprecedented impact of the COVID-19 pandemic, and the resulting significant uncertainty as it relates to current conditions and outlook.

IFRS 9 requires the consideration of past events, current conditions and reasonable and supportable forward-looking information over the life of the exposure to measure expected credit losses. Furthermore, to assess significant increase in credit risk, the Standard requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument when determining staging. The IASB and global regulators issued guidance for entities, consistent with IFRS 9, to consider the exceptional circumstances of the COVID-19 pandemic. This includes consideration of significant government support and the high degree of uncertainty around historical long-term economic trends used in determining reasonable and supportable forward-looking information.

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

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

23. Financial Risk Management, continued

Credit risk, continued

The Credit Union offered borrowers cash flow relief through loan payment moratoria which allowed for a deferral of loan payments while interest continued to accrue on outstanding balances.

The initial moratoria periods ranged from three to six months and were intended for members who faced financial difficulty due to COVID-19 but who were previously in good standing. Loans subject to moratoria were not treated as non-performing during the deferral period. The moratoria programme adopted an opt-in approach where members were required to request the moratoria if needed.

Early observations of payment behaviour related to loans where moratoriums expired during this year were considered in the assessment of the longer-term probability of the members' ability to pay, a key input in determining migration. All payment deferrals ended on March 31, 2021 and the organization remains committed to providing support to financially challenged members through the below options:

- extension of loan terms
- converting outstanding interest to a separate loan and / or
- consolidation of debt

Modifications

The terms and conditions related to the payment deferrals were assessed to determine if they represented substantial modifications. Where required, modification gains or losses have been recognized.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

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

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

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

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

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

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

		2021		2020	
		Carrying Amount	Collateral	Carrying Amount	Collateral
Stage 1	$	874,181,931	596,079,491	902,458,784	677,747,105
Stage 2		58,350,105	39,085,853	54,535,936	38,119,495
Stage 3		147,026,196	102,022,482	104,575,171	74,016,875
	$	1,079,558,232	737,187,826	1,061,569,891	789,883,475

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

The collateral value expressed as a percentage of the carrying value was 68.3 percent (2020: 74.4 percent).

Assets obtained by taking possession of collateral

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

		2021	2020
Collateral repossessed during the year and held at year-end	$	9,435,521	3,138,302
	$	9,435,521	3,138,302

Financial investments

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

The Credit Union currently has $36,863,088 (2020: $33,873,871) in corporate term deposits which were assessed on an entity level.

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

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of corporate investments (term deposits), continued

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

These investments were categorized as follows:

Stage 1: The entity shows no decline in its ability to repay either based on past performance or future events for which a 12-month PD was assigned.

Stage 2: There has been a significant event which has caused or is highly probable to have significant impact on the investee's ability to repay for which the PD assigned was the Cumulative Probability of Default (CPD) rate less the survival period.

Stage 3: There has been a default or significant event which has caused or is highly probable to have a significant impact on the investee's ability to repay for which the assigned PD was the CPD rate.

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

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

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

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

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

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

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

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

1. A significant change in liquidity which can be expected to reduce the investee's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

2. Actual or forecasted significant investee downgrade in an external credit rating, withdrawal of a credit rating or delisting from a Stock Exchange.

3. Length of time (duration) or the extent to which the fair value of the underlying financial asset or security is less than the amortized cost of the investment at initial recognition.

4. An actual or expected significant adverse change in the regulatory, economic, or technological environment of the investee.

5. Actual or expected significant change in the operating results of the investee, which can include one or more of the following financial indicators for increased credit risk.

   (i) Declining revenues or margins
   (ii) Increasing operating risks
   (iii) Working capital deficiencies
   (iv) Decreasing asset quality
   (v) Increased balance sheet leverage
   (vi) Liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of corporate investments (term deposits), continued

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

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

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

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

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

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of corporate investments (term deposits), continued

Loss Given Default (LGD)

This methodology is based on four key states from stable, marginal, moderate and significant. These recovery rates were internally generated based on historical experience and the availability of market data.

The derived expected recovery ratings can range from the lower and upper rates. The following were used to approximate recovery rates for impaired securities:

- **Stable** – A recovery rate of 90% was used which was lowest in the range of 90% to 95%. An internal due diligence rating of L-Low was assigned.
- **Marginal** – A recovery rate of 85% was used from a range of 80% to 90% to indicate a marginal decrease in credit quality from origination, based on the financial health, stability of the company, its share price and the AML/CFT and risk assessments. An internal due diligence rating of L-M Low to Medium was assigned.
- **Moderate** – A recovery rate of 75% within a range of 65% to 80% was a reflection of a moderate change from origination of the investment and historical relationship between the Credit Union and the investee. This was also based on the financial health and stability of the company and its share price and the AML and risk assessment. An internal due diligence rating of M-Medium was assigned.
- **Significant** – A recovery rate of 50% was used within a range of 35% to 65% if there were market indicators or events that demonstrated that the company was likely to default over the medium to long-term. An internal due diligence rating of H-High was assigned.
- **Default** - A recovery rate of 35% which was the highest within the range of 0% to 35% was used if there was a strong indicator of likely default in the short-term or there was a default in principal and/or accrued interest. For example, a going concern note has been disclosed in the recent financial statements, the company's credit rating has been withdrawn or there is a significant decrease in the company’s financial health. An internal due diligence rating of H/D High or Default was assigned.

The expected credit loss allowance computed was $138,399 (2020: $60,619) as at March 31, 2021 (Note 9).

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Amoritized Cost Fixed Income Securities

Sovereign debt securities - Government of Barbados

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

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

The Credit Union's acceptance of this offer resulted in the restructuring of principal and interest payments of $19,002,841 on its debt securities measured at amortized cost. 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.

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

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

Subsequent to the initial local currency sovereign credit rating on November 16th, 2018 of "Selective Default" (SD), this improved to B- with a Stable outlook on January 13th, 2020. There were no further credit rating updates during the current financial year.

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Sovereign debt securities
At March 31, 2021 the Credit Union's holdings in Government Securities relating to the Series B and D bonds were classified as POCI (Purchased or Originated Credit Impaired) and the Credit Union subsequently reversed any associated expected credit loss provisions booked on origination. At March 31, 2021, the balance was $14,134,500 with a weighted average effective rate of 1.02%. The derecognition loss of $3,634,651 which was initially recognized was reported at $3,520,935 at March 31, 2021.

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

Assessment of Corporate debt securities
As at March 31, 2021, the Credit Union held corporate debt securities with the Barbados Port Inc. (BPI) with a carrying value of $9,210,709 with an average weighted effective yield of 4.89%. An ECL assessment was performed as required by IFRS 9. This assessment on the Credit Union's debt securities measured at amortized cost utilized the following methodology as outlined below:

- Due to the lack of published statistical data and the lack of an active market for securities, Moody's Investor's Report dated May 13, 2020 on Sovereign default and recovery rates, 1983 to 2020 was used to provide the cumulative default rates (CDR) for categories of bonds similar to Barbados'. This gave the cumulative probability of default over a 10 year period.

- The recovery rate of 85% 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 15%.

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

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

Stage 1: The entity shows no decline in its ability to repay either based on past performance or future events for which a 12-month PD is assigned.

Stage 2: There has been a significant event which has caused or is highly probable to have significant impact on the investee's ability to repay (SICR) for which the PD is the Cumulative Probability of Default (CPD) rate less the survival period.

Stage 3: There has been a default or significant event which has caused or is highly probable to have a significant impact on the investee's ability to repay (SICR) for which the PD is the CPD rate.

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Assessment of Corporate 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 Chartered Accountants of Barbados (ICAB).

The expected credit losses computed were $19,539 (2020: $324,541) as at March 31, 2021 (Note 10).

Incorporation of Forward Looking Information Assessment

The Credit Union's forward-looking information, an IFRS 9 requirement, was modelled using its internal due diligence process and was included in the final ECL calculation for the year ended March 31, 2021.

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

External Indicators - Market/Macro-economic specific shocks

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

Internal Indicators - Company specific shocks

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

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

23. Financial Risk Management, continued

Credit risk, continued

Financial investments, continued

Incorporation of Forward Looking Information Assessment, continued

Scenarios	Expected State
Upside	Positive
Base case	Stable
Downside	Negative

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

Since Barbados received a stable outlook for the period under assessment by Moody's and the Central Bank of Barbados, the base case scenario was the most likely scenario. Out of the sensitivity analysis of nine forecasted states, a forward-looking adjustment of 4% was applied as at March 31, 2021.

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

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, 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:

		Maximum exposure	
		2021	2020
Loans and advances to members:			
Consumer	$	665,131,853	693,024,250
Mortgages		376,607,812	339,669,248
Business		4,690,084	5,049,286
Financial investments:			
Debt securities-amortized cost		23,643,897	18,236,072
Cash resources		387,713,465	294,902,050
Credit risk exposures relating to off-balance sheet items are as follows:			
Loan commitments		103,359,581	82,303,389
Total maximum exposure	$	1,561,146,692	1,433,184,295

The above table represents the maximum credit risk exposure of the Credit Union as of March 31, 2021 and March 31, 2020, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit quality by class of financial assets

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

Financial investments
The Credit Union has principally invested in government bonds issued by the Government of Barbados which in the 2020 financial year was rated by Standard & Poor's as B-. During the financial year ended March 31, 2021, these bonds remained rated B-.

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

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

		2021			
		Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	$	387,851,864	-	-	387,851,864
Financial investments:					
Amortized cost		9,526,626	-	14,136,810	23,663,436
Loans and advances:					
Consumer		484,864,762	132,039,789	74,642,185	691,546,736
Mortgages		250,849,672	100,589,020	31,249,429	382,688,121
Business		1,540,237	2,594,908	1,188,230	5,323,375
Total	$	1,134,633,161	235,223,717	121,216,654	1,491,073,532

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

		2020			
		Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash resources	$	294,962,669	-	-	294,962,669
Financial investments:					
Amortized cost		5,102,271	-	13,458,342	18,560,613
Loans and advances:					
Consumer		523,338,681	137,002,463	52,920,266	713,261,410
Mortgages		233,558,692	88,885,874	20,509,101	342,953,667
Business		1,673,384	2,829,586	851,844	5,354,814
Total	$	1,058,635,697	228,717,923	87,739,553	1,375,093,173

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

		2021				
		1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:						
Consumer	$	69,256,388	28,169,821	8,025,050	26,588,530	132,039,789
Mortgages		42,479,280	16,009,409	7,301,652	34,798,679	100,589,020
Business		2,446,966	-	-	147,942	2,594,908
Total	$	114,182,634	44,179,230	15,326,702	61,535,151	235,223,717

		2020				
		1-30 days	31-60 days	61-90 days	Over 90 days	Total
Loans and advances:						
Consumer	$	89,737,192	27,399,995	4,699,779	15,165,497	137,002,463
Mortgages		53,495,424	12,749,360	8,263,976	14,377,114	88,885,874
Business		1,302,542	188,189	488,500	850,355	2,829,586
Total	$	144,535,158	40,337,544	13,452,255	30,392,966	228,717,923

23. Financial Risk Management, continued

Credit risk, continued

Expected Credit Loss Allowance Model
Refer to Accounting policies 2 (d).

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

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

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

		2021	2020
Renegotiated loans and advances to individuals	$	3,683,261	3,138,302

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.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis

		2021			
		Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortized cost					
Current	$	736,855,304	-	-	736,855,304
Overdue <30 days		137,326,627	-	-	137,326,627
Overdue 31 days to 89 days		-	58,350,105	-	58,350,105
Overdue over 90 days		-	-	147,026,196	147,026,196
Total gross loans	$	874,181,931	58,350,105	147,026,196	1,079,558,232
Expected credit loss allowance					
Balance at March 31, 2020		(516,940)	(1,442,785)	(21,867,382)	(23,827,107)
Transfer to stage 1		(523,305)	-	-	(523,305)
Transfer to stage 2		-	(232,130)	-	(232,130)
Transfer to stage 3		-	-	(504,069)	(504,069)
Net re-measurement of loss allowance		(1,013,913)	214,855	(7,242,814)	(8,041,872)
Amounts charged-off/write-off		-	-	-	-
Total expected credit loss allowance		(2,054,158)	(1,460,060)	(29,614,265)	(33,128,483)
Balance at March 31, 2021		872,127,773	56,890,045	117,411,931	1,046,429,749
Interest receivable					8,235,470
Net loans and advances				$	1,054,665,219

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis, continued

		2021			
		Stage 1	Stage 2	POCI	Total
Sovereign debt securities measured at amortized cost					
Standards & Poor's rating: *B-*					
Government of Barbados – series B & D bonds ***	$	-	-	14,134,500	14,134,500
Not rated					
Barbados Port Inc.		9,210,710	-	-	9,210,710
Gross sovereign debt securities		9,210,710	-	14,134,500	23,345,210
Expected credit losses allowance		(19,539)	-	-	(19,539)
Interest receivable		315,916	-	2,310	318,226
Net sovereign debt securities	$	9,507,087	-	14,136,810	23,643,897

*** During the financial year ended March 31, 2021, the credit rating of the Government of Barbados series B & D bonds as per Standards and Poor's was B- (2020: B-).

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis, continued

		2021			
Term deposits measured at amortized cost		Stage 1	Stage 2	Stage 3	Total
Standards & Poor's rating:					
Not rated	$	36,333,028	-	-	36,333,028
Gross term deposit		36,333,028	-	-	36,333,028
Expected credit losses allowance		(138,399)	-	-	(138,399)
Interest Receivable		530,060	-	-	530,060
Net term deposits	$	36,724,689	-	-	36,724,689

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis

		2020			
		Stage 1	Stage 2	Stage 3	Total
Loans and advances at amortized cost					
Current	$	758,570,757	-	-	758,570,757
Overdue <30 days		143,888,027	-	-	143,888,027
Overdue 31 days to 89 days		-	54,535,936	-	54,535,936
Overdue over 90 days		-	-	104,575,171	104,575,171
Total gross loans	$	902,458,784	54,535,936	104,575,171	1,061,569,891
Expected credit loss allowance					
Balance at March 31, 2019		(822,065)	(1,468,067)	(22,381,377)	(24,671,509)
Transfer to stage 1		296,826	-	-	296,826
Transfer to stage 2		-	1,236,996	-	1,236,996
Transfer to stage 3		-	-	(3,022,987)	(3,022,987)
Net re-measurement of loss allowance		8,299	(1,211,714)	(3,385,236)	(4,588,651)
Amounts charged-off/write-off		-	-	6,922,218	6,922,218
Total expected credit loss allowance		(516,940)	(1,442,785)	(21,867,382)	(23,827,107)
Balance at March 31, 2020		901,941,844	53,093,151	82,707,789	1,037,742,784
Interest receivable					8,337,287
Net loans and advances				$	1,046,080,071

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis, continued

		2020			
		Stage 1	Stage 2	POCI	Total
Sovereign debt securities measured at amortized cost					
Standards & Poor's rating: *B-*					
Government of Barbados – series B & D bonds ***	$	-	-	13,458,342	13,458,342
Not rated					
Barbados Port Inc.		5,050,761	-	-	5,050,761
Gross sovereign debt securities		5,050,761	-	13,458,342	18,509,103
Expected credit losses allowance		(36,101)	-	(288,440)	(324,541)
Interest receivable		49,182	-	2,328	51,510
Net sovereign debt securities	$	5,063,842		13,172,230	18,236,072

*** During the financial year ended March 31, 2020, the credit rating of the Government of Barbados series B & D bonds as per Standards and Poor's was B-.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

Credit Quality Analysis, continued

		2020			
		Stage 1	Stage 2	Stage 3	Total
Term deposits measured at amortized cost					
Standards & Poor's rating:					
Not rated	$	18,167,064	15,344,669	-	33,511,733
Gross term deposits		18,167,064	15,344,669	-	33,511,733
Expected credit losses allowance		(32,862)	(27,757)		(60,619)
Interest receivable		163,469	198,670	-	362,139
Net term deposits	$	18,297,671	15,515,582	-	33,813,253

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Credit risk, continued

		2021			
		Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	$	516,940	1,442,785	21,867,382	23,827,107
Transfer to Stage 1		523,305	-	-	523,305
Transfer to Stage 2		-	232,130	-	232,130
Transfer to Stage 3		-	-	504,069	504,069
Net remeasurement of loss allowance		1,013,913	(214,855)	7,242,814	8,041,872
Balance at March 31	$	2,054,158	1,460,060	29,614,265	33,128,483

		2020			
		Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	$	822,065	1,468,067	22,381,377	24,671,509
Transfer to Stage 1		(296,826)	-	-	(296,826)
Transfer to Stage 2		-	(1,236,996)	-	(1,236,996)
Transfer to Stage 3		-	-	3,022,987	3,022,987
Net remeasurement of loss allowance		(8,299)	1,211,714	3,385,236	4,588,651
Amounts charged-off		-	-	(6,922,218)	(6,922,218)
Balance at March 31	$	516,940	1,442,785	21,867,382	23,827,107

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.

23. Financial Risk Management, continued

Liquidity risk and funding management, continued

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

The steps taken by the Credit Union to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the Credit Union's financial statements include the following:

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

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

In addition, the Credit Union maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cashflow. This portfolio value has an estimated value of $387,713,465 as at March 31, 2021. In balancing profitability goals and liquidity demands, management carefully evaluates the benefits (yield and increased marketability) of holding liquid assets against the expected higher returns associated with less liquid assets. The Credit Union also has a committed line of credit facility for $7,800,000 that it can access to meet liquidity needs in cases of adverse conditions which results in greater operational cashflows.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Liquidity risk and funding management, continued

Analysis of financial liabilities by remaining contractual maturities
The table below summarises the maturity profile of the undiscounted cash flows (include estimated interest payments) of the Credit Union's financial liabilities as of March 31, 2021 and March 31, 2020 on the basis of their earliest possible contractual maturity.

Liquidity risk – Financial liabilities

		2021				
		Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	$	720,150,509	130,279,482	527,661,490	67,369,107	1,445,460,588
Reimbursable shares		-	-	14,702,164	-	14,702,164
Other liabilities		177,869	11,122,137	1,495,859	2,411,165	15,207,030
	$	720,328,378	141,401,619	543,859,513	69,780,272	1,475,369,782

		2020				
		Within 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
Deposits	$	640,443,698	118,554,748	527,665,443	67,709,123	1,354,373,012
Reimbursable shares		-	-	13,229,324	-	13,229,324
Other liabilities		170,413	6,398,898	2,187,023	2,507,432	11,263,766
	$	640,614,111	124,953,646	543,081,790	70,216,555	1,378,866,102

23. 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.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Credit Union does not have significant exposure to IBORs on its financial instruments that will be reformed as part of this market-wide initiative.

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Market risk, continued

***Interest rate risk*, continued**

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

		2021					
		Up to 3 months	Within 3 - 12 months	Within 1 - 5 years	Over 5 years	Non-interest bearing	Total
Cash resources	$	351,242,038	11,770,422	24,701,005	-	-	387,713,465
Financial investments							
Debt securities - amortized cost		358,928	-	13,052,947	10,232,022	-	23,643,897
Loans and advances		34,991,779	58,617,897	204,434,722	756,620,821	-	1,054,665,219
Due from related companies		280,209	845,898	4,647,792	4,054,585	18,614,805	28,443,289
Other assets		-	-	-	-	10,433,278	10,433,278
Total assets	$	386,872,954	71,234,217	246,836,466	770,907,428	29,048,083	1,504,899,148
Deposits	$	716,566,922	125,849,255	495,183,394	36,706,645	-	1,374,306,216
Reimbursable shares		-	-	-	-	14,702,164	14,702,164
Other liabilities		152,763	469,774	1,383,083	73,862	12,923,728	15,003,210
Total liabilities		716,719,685	126,319,029	496,566,477	36,780,507	27,625,892	1,404,011,590
Interest rate gap	$	(329,846,731)	(55,084,812)	(249,730,011)	734,126,921	1,422,191	100,887,558

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Market risk, continued

***Interest rate risk*, continued**

		2020					
		Up to 3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Non-interest bearing	Total
Cash resources	$	265,505,460	17,662,094	11,734,496	-	-	294,902,050
Financial investments							
Debt securities - amortized cost		-	-	7,436,198	10,799,874	-	18,236,072
Loans and advances		31,942,823	47,459,811	217,715,855	748,961,582	-	1,046,080,071
Due from related companies		276,442	834,526	4,585,309	5,244,331	17,805,941	28,746,549
Other assets		-	-	-	-	12,122,951	12,122,951
Total assets	$	297,724,725	65,956,431	241,471,858	765,005,787	29,928,892	1,400,087,693
Deposits	$	639,791,025	114,372,572	489,284,919	36,149,180	-	1,279,597,696
Reimbursable shares		-	-	-	-	13,229,324	13,229,324
Other liabilities		136,589	459,018	1,979,290	195,284	8,151,524	10,921,705
Total liabilities		639,927,614	114,831,590	491,264,209	36,344,464	21,380,848	1,303,748,725
Interest rate gap	$	(342,202,889)	(48,875,159)	(249,792,351)	728,661,323	8,548,044	96,338,968

(Expressed in Barbados dollars)

23. Financial Risk Management, continued

Market risk, continued

Interest rate risk**,** continued

An interest rate sensitivity analysis was performed to determine the impact on profit of reasonable possible changes in the interest rates prevailing as at March 31, 2021, with all other variables held constant.

The impact is illustrated and shown in the table below:

		2021	2020
Increase / decrease of 100 bps			
Impact on profit + 100 bps	$	(3,711,069)	(3,636,354)
Impact on profit – 100 bps		3,675,743	3,601,631

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.

(Expressed in Barbados dollars)

24. Fair Value

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

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

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 where available, or otherwise based on an appropriate yield curve with the same remaining term to maturity. The fair value of loans and advances largely approximates carrying value as the Credit Union's portfolio comprises mainly variable rate loans. The fair value of deposits takes account of certain fixed rate deposits which have been discounted at current interest rates.

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

		2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets					
Cash resources	$	387,713,465	387,713,465	294,902,050	294,902,050
Financial investments					
– Amortized cost		23,643,897	23,643,897	18,236,072	18,236,072
– FVOCI - quoted		890,000	890,000	1,550,000	1,550,000
– FVOCI - unquoted		1,581,253	1,581,253	1,415,242	1,415,242
Loans and advances		1,054,665,219	1,052,330,023	1,046,080,071	1,043,778,177
Due from related companies		28,443,289	28,443,289	28,746,549	28,746,549
Other assets		10,433,278	10,433,278	12,122,951	12,122,951
	$	1,507,370,401	1,505,035,205	1,403,052,935	1,400,751,041
Liabilities					
Deposits	$	1,374,306,216	1,445,460,588	1,279,597,696	1,354,373,012
Reimbursable shares		14,702,164	14,702,164	13,229,324	13,229,324
Other liabilities		15,003,210	15,003,210	10,921,705	10,921,705
	$	1,404,011,590	1,475,165,962	1,303,748,725	1,378,524,041

24. Fair Value, continued

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

		2021			
		Level 1	Level 2	Level 3	Total balance
Investment securities					
Equity securities					
- FVOCI - quoted	$	-	890,000	-	890,000
- FVOCI - unquoted		-	-	1,581,253	1,581,253
	$	-	890,000	1,581,253	2,471,253

(Expressed in Barbados dollars)

24. Fair Value, continued

		2020			
		Level 1	Level 2	Level 3	Total balance
Investment securities					
Equity securities					
- FVOCI - quoted	$	-	1,550,000	-	1,550,000
- FVOCI - unquoted		-	-	1,415,242	1,415,242
	$	-	1,550,000	1,415,242	2,965,242

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

		2021	2020
Balance - beginning of year	$	1,550,000	1,705,000
Unrealised loss		(660,000)	(155,000)
Balance - end of year	$	890,000	1,550,000

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.

		2021	2020
Balance - beginning of year	$	1,415,242	884,496
Unrealised gain		141,161	506,356
Purchases		24,850	24,390
Balance - end of year	$	1,581,253	1,415,242

There were no transfers in or out of Level 3 during the year ended March 31, 2021 (2020 - $NIL).

24. Fair Value, continued

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

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

25. Capital Management

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

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

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

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

Regulatory capital requirement

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

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

26. Goodwill Co-operative Credit Union Limited

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

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

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

27. Subsequent events

There are no subsequent events requiring disclosure in the financial statements for the year ended March 31, 2021.

BARBADOS PUBLIC WORKERS'
CO-OPERATIVE CREDIT UNION LIMITED

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