

Financial Statements of

**STUDENT REVOLVING LOAN FUND**

March 31, 2019









# **Student Revolving Loan Fund**

## **Table of Contents**

	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1 - 3</b>
<b>Statement of Financial Position</b>	<b>4</b>
<b>Statement of Changes in Funds</b>	<b>5</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>6</b>
<b>Statement of Cash Flows</b>	<b>7</b>
<b>Notes to the Financial Statements</b>	<b>8 - 26</b>

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**KPMG**

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**INDEPENDENT AUDITORS' REPORT**

**To the Management Committee of Student Revolving Loan Fund**

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

***Qualified Opinion***

We have audited the financial statements of Student Revolving Loan Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2019, the statements of changes in funds, profit or loss and other comprehensive income, and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

***Basis for Qualified Opinion***

As described in note 2(i) to the financial statements, the Fund has not implemented the expected credit loss requirements of IFRS 9 – Financial Instruments. Furthermore, as at March 31, 2018 the Fund's provisioning policy did not meet the requirements of International Accounting Standard No. 39 and we issued a qualified audit report on the financial statements as at March 31, 2018 and for the year then ended. Consequently, we are unable to determine whether any adjustments might have been necessary to the increase in the allowance for expected credit losses on students loans receivable, insurance receivable and comprehensive income for the years ended March 31 2019 and March 31, 2018, as well as to the carrying value of student loans receivables, insurance receivable and general fund as at March 31, 2019 and March 31, 2018 respectively.







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

**To the Management Committee of Student Revolving Loan Fund (continued)**

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

### ***Basis for Qualified Opinion (continued)***

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 Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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

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





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

**To the Management Committee of Student Revolving Loan Fund (continued)**

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

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

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing>. This description forms part of our auditors' report.

### ***Other Matter***

This report is made solely to the Student Revolving Loan Fund Management Committee, as a body, in accordance with the Student Revolving Fund Loan Act Cap 54A, Section 9(1). Our audit work has been undertaken so that we might state to the Fund's management committee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's management committee as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink, appearing to be 'KPMG', is written over the printed name of the firm.

Chartered Accountants  
Bridgetown, Barbados  
June 11, 2019



# Student Revolving Loan Fund

## Statement of Financial Position

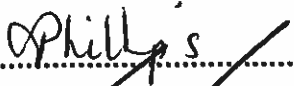

As at March 31, 2019  
With comparative figures for 2018

(Expressed in Barbados dollars)

	Notes	2019	2018
<b>Assets</b>			
Cash and cash equivalents	4	\$ 6,816,359	8,535,094
Investments	5, 13	22,227,071	18,480,270
Receivables and prepaid expenses	6	192,183	363,331
Staff loans		83,424	130,638
Insurance receivable	7	585,249	630,255
Student loans receivable	8	71,192,501	75,701,735
Plant and equipment	12	<u>288,293</u>	<u>256,161</u>
<b>Total Assets</b>		<b>\$ <u>101,385,080</u></b>	<b><u>104,097,484</u></b>
<b>Liabilities and Funds</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses		\$ 762,832	564,555
Advances from the Government of Barbados	10	<u>6,000,000</u>	<u>6,000,000</u>
<b>Total liabilities</b>		<u>6,762,832</u>	<u>6,564,555</u>
<b>Funds</b>			
Contribution		58,343,698	58,343,698
General fund		<u>36,278,550</u>	<u>39,189,231</u>
<b>Total funds</b>		<u>94,622,248</u>	<u>97,532,929</u>
Commitments	9		
<b>Total Liabilities and Funds</b>		<b>\$ <u>101,385,080</u></b>	<b><u>104,097,484</u></b>

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

Approved on behalf of the Management Committee on June 11, 2019

  
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Chairman

Administrative Manager



# Student Revolving Loan Fund

## Statement of Changes in Funds

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

*(Expressed in Barbados dollars)*

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		Contribution - Government of Barbados	General Fund	Total
Balance at April 1, 2017	\$	58,343,698	41,568,187	99,911,885
Comprehensive income		<u>-</u>	<u>(2,378,956)</u>	<u>(2,378,956)</u>
Balance at March 31, 2018	\$	58,343,698	39,189,231	97,532,929
Comprehensive income		<u>-</u>	<u>(2,910,681)</u>	<u>(2,910,681)</u>
Balance at March 31, 2019	\$	<u>58,343,698</u>	<u>36,278,550</u>	<u>94,622,248</u>

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





# Student Revolving Loan Fund

## Statement of Profit or Loss and Other Comprehensive Income

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

(Expressed in Barbados dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>Income</b>			
Interest on student loans	2(d)	\$ 4,335,681	4,050,688
Interest on investments		656,199	784,856
Credit and adjudication fees		86,751	86,125
Government Funding		-	-
Gain on Sale of Plant & Equipment		110	8,935
Other		<u>108,474</u>	<u>81,229</u>
<b>Total income</b>		<u>5,187,215</u>	<u>5,011,833</u>
<b>Expenses</b>			
Advertising		17,326	21,922
40 <sup>th</sup> Anniversary expenses		-	75,293
Bad debt expense		1,705,354	666,289
Other Bad debt expense		155,758	-
Increase in allowance for uncollectible insurance	7	24,111	13,167
Increase in allowance for loan losses	8	259,722	212,186
Bank charges		4,420	3,612
Committee members' expenses		8,200	9,960
Commissions paid		78,366	72,226
Depreciation and amortisation		90,314	90,056
Dues and subscriptions		13,904	10,704
Insurance		9,040	7,483
Miscellaneous		5,104	3,395
Office expenses and supplies		129,948	147,248
Professional fees		119,849	72,402
License fees		10,875	8,916
Commitment Fees – Government of Barbados		-	1,637
Repairs and maintenance		65,772	55,144
Salaries and staff benefits		2,019,920	1,852,372
Telephone		36,062	30,097
Travel and entertainment		<u>16,563</u>	<u>9,352</u>
<b>Total expenses</b>		<u>4,770,608</u>	<u>3,363,461</u>
Impairment of investments due to Government of Barbados debt restructuring	13	-	(4,027,328)
Loss on derecognition of Government of Barbados securities	13	<u>(3,327,288)</u>	<u>-</u>
<b>Net loss being comprehensive income for the year</b>		<b>\$ <u>(2,910,681)</u></b>	<b><u>(2,378,956)</u></b>

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



# Student Revolving Loan Fund

## Statement of Cash Flows

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

(Expressed in Barbados dollars)

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (2,910,681)	(2,378,956)
Adjustments for:		
Depreciation and amortisation	90,314	90,056
Interest income on investments	(656,199)	(784,856)
Interest income on student loans receivable	(4,335,681)	(4,050,688)
Decrease in value of investments due to GOB debt restructuring	-	4,027,328
Loss on derecognition of GOB debt securities	3,327,288	-
Bad debts expense	1,705,354	666,289
Other Bad debts expense	155,758	-
Increase in allowance uncollectible insurance	24,111	13,167
Gain on disposal of plant and equipment	(110)	(8,935)
Increase in allowance loan losses	<u>259,722</u>	<u>212,186</u>
Operating loss before working capital changes	(2,340,124)	(2,214,409)
Decrease in receivables and prepaid expenses	15,391	6,245
Decrease (increase) in staff loans	47,214	(5,600)
Decrease (increase) in insurance receivable	20,894	(4,398)
Increase in accounts payable and accrued expenses	198,277	67,475
Net student loan receipts	<u>6,879,839</u>	<u>2,906,270</u>
<b>Net cash from operating activities</b>	<u>4,821,491</u>	<u>755,583</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant and equipment	(122,446)	(103,355)
Proceeds from sale of plant and equipment	110	10,000
Increase in investments portfolio	(6,985,027)	(9,006,724)
Interest received on investments	<u>567,137</u>	<u>782,934</u>
<b>Net cash used in investing activities</b>	<u>(6,540,226)</u>	<u>(8,317,145)</u>
<b>Cash Flows from Financing Activities</b>		
Advances from the Government of Barbados	-	<u>6,000,000</u>
<b>Net cash from financing activities</b>	-	<u>6,000,000</u>
Net decrease in cash and cash equivalents	<u>(1,718,735)</u>	<u>(1,561,562)</u>
Cash and cash equivalents - beginning of year	<u>8,535,094</u>	<u>10,096,656</u>
Cash and cash equivalents - end of year	\$ <u>6,816,359</u>	<u>8,535,094</u>

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



# Student Revolving Loan Fund

Notes to Financial Statements

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 1. Incorporation and Principal Activity

The Student Revolving Loan Fund (the "Fund") was established under the Student Revolving Loan Fund Act, 1976-20. The Fund is also governed by the Student Revolving Loan Fund (Amendment) Act 1984-38 and the Student Revolving Loan Fund (Amendment) Act 1991-5.

The Fund provides financial assistance to eligible Barbadians pursuing full-time studies in post-secondary, technical, vocational, undergraduate and graduate programmes. Its registered office is located at the Elsie Payne Complex, Constitution Road, St. Michael.

## 2. Significant Accounting Policies

### (a) *Basis of preparation*

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board. They have been prepared under the historical cost convention. They were authorised for issue by the Fund's Management Committee on June 11, 2019.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (b) *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.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 2. Significant Accounting Policies ...continued

### (b) Significant accounting judgments, estimates and assumptions... continued

#### *Impairment of financial assets*

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the future cash flows of the asset or group of assets that can be reliably estimated.

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

- Delinquency in contractual payment of principal and interest; and
- Breach of loan covenants or conditions.

The Fund reviews its individually significant loans at each reporting date to assess whether impairment should be recorded in the Statement of Comprehensive Income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining individual impairment and also in the determination of collective impairment.

In estimating these cash flows, the Fund makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

### (c) Foreign currency translation

#### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation of balances in United States currency has been made at the rate of US\$1 = BDS\$2, which is the official fixed rate of the Barbados Dollar (BDS\$).





# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 2. Significant Accounting Policies ...continued

### (d) Revenue recognition

#### *Interest revenue*

Interest on student loans is recognised on the accrual basis. At the end of each financial year all loans which have instalments in arrears for 180 days or over are classified as loans of doubtful value (LDV). Interest on loans classified as LDV is recognised only to the extent that cash is received.

#### *Credit fees*

Credit fees are recognised on an accrual basis.

#### *Investment income*

Investment income is recorded in the Statement of Comprehensive Income for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, transaction costs and other premiums or discounts) through the expected life of the instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

### (e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank.

### (f) Financial instruments

#### Recognition and measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value less transaction costs that are directly attributable to its acquisition or issue.

#### Classification and subsequent measurement

On initial recognition, a financial asset is classified at amortised cost, fair value through other comprehensive income (FVOCI) – debt investment, fair value through other comprehensive income – equity investment or fair value through profit and loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 2. Significant Accounting Policies ...continued

### (f) *Financial Instruments.....continued*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit and loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows
- its contractual terms 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 fair value in other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss

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

On initial recognition of an equity investment that is not held for trading the Fund may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. On initial recognition the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise occur.

All of the Fund's financial assets are measured at amortised cost.

#### *Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund 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.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 2. Significant Accounting Policies ...continued

### (f) Financial instruments ...continued

#### *Financial assets - Subsequent measurement and gains and losses:*

##### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

#### *Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### *Derecognition*

##### *Financial assets*

The Fund 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund 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.

##### *Financial liabilities*

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund 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 is recognised in profit or loss.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 2. Significant Accounting Policies ...continued

### (g) Plant and equipment

Recognition and measurement:

All assets are stated at cost less accumulated depreciation and impairment losses. Any gain or loss on disposal of an item of plant and equipment is recognised in profit or loss.

Subsequent expenditure:

Subsequent cost is included in an asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits will flow to the Fund.

Depreciation

Depreciation is computed using the straight-line method at rates considered adequate to write off the cost of depreciable assets over their estimated useful lives.

The annual rates used are:

Computer equipment	10% & 33.3%
Furniture and fixtures	20%
Motor vehicles	20%
Leasehold improvement	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### (h) Impairment of non-financial assets

At each reporting date, the Fund reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.





# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 2. Significant Accounting Policies ...continued

### (i) Impairment of Financial Assets

#### *Allowance for loan losses*

The allowance for possible loan loss is based upon detailed analyses of loans in repayment mode in the 'Recoveries' portfolio and reflects an amount which, in Management's judgement, provides adequately for potential losses. All loans deemed uncollectible are fully provided for in the year that they are deemed to be uncollectible. The rates used to provide for potential losses and the corresponding categories to which they apply are as follows:

<u>Rate</u>	<u>Period of Arrears</u>
1%	Current – 180 days
25%	181 – 365 days
50%	1 – 2 years
100%	over 2 years
100%	deemed uncollectible

IFRS 9, Financial Instruments, requires that the Fund measures loss allowances at an amount equal to lifetime expected credit losses, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month expected credit losses.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured 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 Fund expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

The Fund does not conduct a review in the manner described above to be able to make an assessment of the reasonableness of its provisioning policy compared to the expected credit losses at the end of each reporting period. The absence of such a review could lead to the under or overstatement of the allowance for expected credit losses.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 2. Significant Accounting Policies ...continued

(j) *Allowance for uncollectible insurance*

The allowance for uncollectible insurance is determined on the same basis as the allowance for loan losses.

(k) *Taxation*

The Fund is exempt from income and any other form of tax under section 8 of the Student Revolving Loan Fund Act, Cap 54A.

(l) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended March 31, 2019, and have not been applied in preparing these financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Fund's financial statements is provided below:

- IFRS 16 – Leases (annual reporting periods beginning on or after January 1, 2019)

It is not anticipated that the application of IFRS 15 or IFRS 16 will have a significant impact on the Fund's financial statements in the period of application. IFRS 9 is expected to alter the recognition of impairment and the calculation of the allowance for loan losses and could have a significant impact on the amounts reported by the Fund.

(m) *Standards, interpretations and amendments to existing standards effective for the current year*

*IFRS 15 Revenue from Contracts with Customers*

This standard did not have any significant impact on the preparation of the financial statements

*IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

*Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The Fund has not adopted the requirements of the standard IFRS 9.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 2. Significant Accounting Policies ...continued

### (m) Standards, interpretations and amendments to existing standards effective for the current year.....continued

The table below reflects the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Funds' financial assets and liabilities at January 1, 2018.

	Original classification IAS 39	New classification IFRS 9
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	Amortised cost
Investments	Loans and receivables	Amortised cost
Receivables and prepaid expenses	Loans and receivables	Amortised cost
Staff loans	Loans and receivables	Amortised cost
Insurance receivable	Loans and receivables	Amortised cost
Student loans receivable	Loans and receivables	Amortised cost
<b>Financial liabilities</b>		
Accounts payable and accrued expenses	Other financial liabilities	Other financial liabilities
Advances from the Government of Barbados	Other financial liabilities	Other financial liabilities

IFRS 9 replaces in the 'incurred loss model in IAS 39 with an 'expected credit loss' model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value in other comprehensive income but not to investments in equity instruments. Under IFRS 9 credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Fund has not implemented the expected credit loss requirements of IFRS 9.

### (n) Employee benefits

#### Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Fund has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### Long-term employee benefits

The Fund does not operate a pension plan. Long term employee benefits are expensed as incurred and are paid from operational income.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

### 3. Financial Risk Management

The Fund's activities expose it to a variety of financial risks including the effects of credit risk, liquidity risk and interest rate risk.

Risk management assessments are carried out by the Fund's management team under the direction of the Management Committee through review of the Fund's performance; and its investment and loan disbursements, internal procedures, policies and practices.

#### Capital management

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide financial assistance to eligible Barbadians as mandated in its governing Act.

The loan agreement with the Caribbean Development Bank (the "CDB") stipulates that the debt to equity ratio should not be more than 4:1. The Fund's debt to equity ratio at March 31, 2019 is as follows:

	<u>2019</u>	<u>2018</u>
Total liabilities	\$ 6,762,832	6,564,555
Total Equity	58,343,698	58,343,698
Net debt to equity ratio	0.12: 1	0.11: 1

The debt to equity ratio is in accordance with CDB's requirements.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily on the loans disbursed to borrowers. Credit risk also arises from cash and cash equivalents, government securities and deposits with banks and financial institutions.

The Fund employs a range of policies and practices to mitigate credit risk relating to its loan portfolio. Each loan application is first reviewed and rated by a loans officer before being presented to the Management Committee for approval. In addition, based on the amount of the loan disbursed by the Fund, suitable sureties and or collateral is required of the loan applicant. The principal collateral types for loans within the Fund are:

- Mortgages over residential properties
- Charges over financial instruments such as debt securities and equities





# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 3. Financial Risk Management ...continued

### Credit risk ... continued

The Fund evaluates the financial institutions with which it places cash and cash equivalents.

The maximum credit risk exposure is as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 6,816,359	8,535,094
Investments (i)	22,227,071	22,507,598
Staff loans	83,424	130,638
Receivables	145,633	300,434
Insurance receivable	834,282	879,507
Student loans receivable (ii)	<u>104,956,544</u>	<u>109,206,056</u>
	<u>\$ 135,063,313</u>	<u>141,559,327</u>

- (i) As at March 31, 2019, the Fund holds \$ 15,210,194 (2018: \$22,507,598) in Government of Barbados debt securities representing 68% (2018: 100%) of the Fund's total investment portfolio.
- (ii) The above balance of student loans receivable represents the maximum credit risk exposure of the Fund as of March 31, 2019 and 2018, without taking account of any collateral held or other credit enhancements attached.

### Credit quality of student loan receivable

As at March 31, 2019, the aging analysis of gross student loans receivable is as follows:

	<u>Total</u>	<u>Not Impaired</u>	<u>Current to 180 Days</u>	<u>Neither Past Due and Impaired 181 to 365 Days</u>	<u>1 to 2 Years</u>	<u>Over 2 Years</u>
2019	\$ 104,956,544	57,870,364	10,164,872	8,467,403	9,186,952	19,266,953
2018	\$ 109,206,056	63,504,471	11,215,120	8,477,058	6,689,757	19,319,650
2017	\$ 108,727,927	66,947,734	10,244,183	6,152,211	5,326,841	19,961,308
2016	\$ 103,646,774	55,113,441	13,405,131	5,720,969	5,498,733	23,908,500
2015	\$ 92,517,577	48,879,009	10,977,582	4,553,177	4,575,694	23,532,115
2014	\$ 85,054,856	42,905,906	10,985,561	3,610,795	4,395,737	23,156,857
2013	\$ 81,712,843	41,059,467	9,588,121	3,619,727	4,662,620	22,782,908
2012	\$ 78,973,084	36,173,088	10,813,483	4,239,820	5,287,537	22,459,156

### Liquidity risk

Liquidity risk is the risk that the Fund does not have sufficient financial resources available to meet its obligations and commitments as they fall due. Liquidity management is therefore primarily designed to ensure that funding requirements can be met, including the replacement of existing funds as they are disbursed to borrowers and creditors.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 3. Financial risk management ...continued

Liquidity risk ...continued

The Fund's liquidity management process includes:

- (a) Monitoring future cash flows and liquidity on a monthly basis;
- (b) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption of cash flow; and
- (c) Optimising cash returns on investment.

As at date of the Statement of Financial Position, the Fund's liabilities related only to accounts payable and accrued liabilities of \$762,832 (2018: \$564,555), and the CDB principal of \$6,000,000. As at the similar date the Fund had \$6,816,359 (2018: \$8,535,094) in unrestricted cash and cash equivalents.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's income and operating cash flows are substantially dependent on interest rates as the Fund has significant interest-bearing assets. However, the rates to which the Fund is subject are fixed and consequently, it is not exposed to any significant interest rate risks.

### Fair value

Except for student loans receivable, the carrying values of the Fund's financial assets and liabilities in the Statement of Financial Position approximate their fair values.

There is currently no active market for the loans receivable held by the Fund. In addition, the Fund has approximately 2019: 263 (2018: 234) loans with a carrying value of 2019: \$10.49 (2018: \$10.45) million that have reached maturity and for which new repayment terms have not been negotiated with the borrowers. It is therefore impracticable to determine the fair value of the student loans receivable portfolio.

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 judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## 4. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash in hand	\$ 9,140	8,999
Cash at bank	<u>6,807,219</u>	<u>8,526,095</u>
	<u>\$ 6,816,359</u>	<u>8,535,094</u>



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 5. Investments

	<u>2019</u>	<u>2018</u>
Treasury note (Note 13)	\$ -	5,972,672
Treasury bills (Note 13)	-	11,863,303
Treasury bills-collateral (Note 13)	-	351,771
Capita Financial – 2.50% maturing August 8, 2019	4,000,000	-
Consolidated Finance – 2.00% maturing March 14, 2020	3,000,000	-
Gov't Bonds - Series D (Note 13)	6,128,210	-
Gov't Bonds - Series B (Note 13)	9,069,159	-
Accrued Interest	<u>29,702</u>	<u>292,524</u>
	<u>\$ 22,227,071</u>	<u>18,480,270</u>

The Government of Barbados restructured its treasury bills and treasury notes resulting in the derecognition of the debt securities existing prior to the restructuring given the contractual cash flows of the new debt securities were significantly different. Refer to note 13 for further details of the restructuring.

## 6. Receivables and Prepaid Expenses

	<u>2019</u>	<u>2018</u>
Other receivables	\$ 145,633	300,434
Prepaid expenses	<u>46,550</u>	<u>62,897</u>
	<u>\$ 192,183</u>	<u>363,331</u>

## 7. Insurance Receivable

	<u>2019</u>	<u>2018</u>
Insurance receivable, gross	\$ 834,282	879,507
Allowance for uncollectible insurance	<u>(249,033)</u>	<u>(249,252)</u>
Insurance receivable, net	<u>\$ 585,249</u>	<u>630,255</u>

The change in the allowance for uncollectible insurance is as follows:

	<u>2019</u>	<u>2018</u>
Balance – beginning of year	\$ 249,252	237,187
Write-offs against the provision	(24,330)	(1,102)
Change during the year	<u>24,111</u>	<u>13,167</u>
Balance – end of year	<u>\$ 249,033</u>	<u>249,252</u>



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 8. Student Loans Receivable

	<u>2019</u>	<u>2018</u>
Student loans receivable, gross	\$ 104,956,544	109,206,056
Allowance for loan losses	<u>(33,764,043)</u>	<u>(33,504,321)</u>
Student loans receivable, net	\$ <u>71,192,501</u>	<u>75,701,735</u>

The balance of student loans receivable of \$104,956,544 (2018: \$109,206,056) includes principal and interest receivable.

Interest on loans classified as loans of doubtful value (LDV) is recognised only to the extent that cash is received. Unpaid interest on LDV is recorded in an interest receivable account and is offset by a deferred income contra account to net to zero. When cash is received for outstanding interest on LDV the interest receivable and deferred income balances are derecognised and the interest income recorded through the Statement of Comprehensive Income. As at the date of the Statement of financial position, the balance in the deferred income account exceeded the balance in the interest receivable account due to interest receivable capitalised in a prior period.

The change in the student loans receivable, net is derived as follows:

	<u>2019</u>	<u>2018</u>
Disbursements	\$ 7,904,944	10,871,285
Adjustments	9,335	6,579
Interest	<u>4,335,681</u>	<u>4,050,688</u>
	12,249,960	14,567,394
Deduct:		
Direct write-offs	(1,705,354)	(666,289)
Repayments	<u>(14,794,119)</u>	<u>(13,422,975)</u>
	(4,249,513)	478,130
Increase in allowance for loan losses	<u>(259,722)</u>	<u>(212,186)</u>
(Decrease) increase in student loans receivable	\$ <u>(4,509,235)</u>	<u>265,944</u>





# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

## 8. Student Loans Receivable ...continued

The change in the allowance for loan losses is as follows:

	<u>2019</u>	<u>2018</u>
Balance – beginning of year	\$ 33,504,321	33,292,135
Increase during the year	<u>259,722</u>	<u>212,186</u>
Balance – end of year	\$ <u>33,764,043</u>	<u>33,504,321</u>

## 9. Commitments

As at March 31, 2019, loans approved but not yet disbursed amounted to \$10,914,334 (2018 - \$12,957,986).

## 10. Advances from the Government of Barbados

	<u>2019</u>	<u>2018</u>
Advances from the Government of Barbados	\$ <u>6,000,000</u>	<u>6,000,000</u>

On January 16, 2017 the Government of Barbados (the Borrower) and Student Revolving Loan Fund (the Executing Agency) entered into a loan agreement with the Caribbean Development Bank to lend the Borrower an amount not exceeding US\$7,750,000.

The purpose of the loan in the amount of US\$7,500,000 is to provide cash resources to Student Revolving Loan Fund to lend to eligible students attending local, regional and international tertiary institutions. An amount not exceeding US\$250,000 is to assist in the financing of a consultancy to undertake an independent diagnostic review of the Fund.

An On-Lending Agreement will be put in place between the Government of Barbados and the Student Revolving Loan Fund regarding the loan. The Government of Barbados will fully service the loan to maturity and the Student Revolving Loan Fund will reimburse the Government of Barbados' debt service payments after the five (5) year moratorium.

The Loan is repayable in forty-eight (48) equal or approximately equal and consecutive quarterly instalments due on January 1, April 1, July 1 and October after the expiry of five (5) years following the date of the Loan Agreement of January 16, 2017 or on such later due date as the Caribbean Development Bank may specify in writing.

Interest is payable at the rate of 3.43% per annum on the amount withdrawn and outstanding. Interest is payable quarterly on the following dates January 1, April 1, July 1 and October 1.

A Commitment charge of 0.25% per annum is due on any portion of the amount of the Loan unwithdrawn.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

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## 11. Transactions with key management personnel

### a) Key management personnel compensation

		<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$	288,333	262,307
Management committee members fees		8,200	9,960

### b) Loans to management

The amount due from management for vehicle loans as at March 31, was as follows

		<u>2019</u>	<u>2018</u>
Staff Loans	\$	34,167	44,167

No interest is payable on the loan and the loan is repayable 5 years after the issue date.



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

(Expressed in Barbados dollars)

12. Plant and Equipment	Furniture and Fittings	Motor Vehicles	Computer Equipment	Leasehold Improvement	Total
<b>Cost</b>					
Balance at April 1, 2017	\$ 433,920	42,608	493,362	356,332	1,326,222
Additions	8,844	67,784	26,727	-	103,355
Disposals	-	(42,608)	-	-	(42,608)
Balance at March 31, 2018	\$ 442,764	67,784	520,089	356,332	1,386,969
Balance at April 1, 2018	\$ 442,764	67,784	520,089	356,332	1,386,969
Additions	18,885	-	32,548	71,013	122,446
Disposals	-	-	-	-	-
Balance at March 31, 2019	\$ 461,649	67,784	552,637	427,345	1,509,415
<b>Accumulated Depreciation</b>					
Balance at April 1, 2017	\$ 392,310	37,992	434,738	217,255	1,082,295
Charge for the year	25,989	6,941	27,344	29,782	90,056
Disposals	-	(41,543)	-	-	(41,543)
Balance at March 31, 2018	\$ 418,299	3,390	462,082	247,037	1,130,808
Balance at April 1, 2018	\$ 418,299	3,390	462,082	247,037	1,130,808
Charge for the year	11,755	13,556	30,631	34,372	90,314
Disposals	-	-	-	-	-
Balance at March 31, 2019	\$ 430,054	16,946	492,713	281,409	1,221,122
<b>Net Book Value</b>					
Balance at March 31, 2018	\$ 24,465	64,394	58,007	109,295	256,161
Balance at March 31, 2019	\$ 31,595	50,838	59,924	145,936	288,293



# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## 13. Government of Barbados (GOB) Debt Restructuring

On September 7, 2018 the Government of Barbados issued an official Offer to Exchange existing government issued instruments for new instruments. On September 30, 2018 this offer was executed.

### **Treasury notes**

The Fund held treasury note #257 with a face value of \$10,000,000, maturity date of October 31, 2019 and an interest rate of 6.25% per annum, prior to restructuring. As at March 31, 2018, an impairment of \$4,027,328 was recorded for this treasury note based on the anticipated restructuring.

Interest on the treasury note as at September 30, 2018 amounted to \$260,417. On September 30, 2018 the note was converted to a Series D debenture with a face value of \$10,260,417.

The Series D debenture issued by the Government of Barbados is divided into 20 strips maturing in 16 – 35 years. Interest rates applied to the strips are as follows:

- 1.5% per annum for first 5 years
- 4.25% per annum for years 6-10
- 6.0% per annum for years 11-15
- 7.5% per annum until maturity

The principal of each strip is to be repaid in four equal quarterly instalments in the final year prior to maturity commencing on 30 November 2033 with the exception of the final strip, which will be repaid in three instalments with a final payment on 31 August 2053.

The treasury note existing prior to the debt restructuring has been derecognised and the new debenture recognised at its fair value of \$6,142,670 resulting in a loss on derecognition of \$90,419 which has been recognized in profit or loss. The fair value of the new debenture was estimated by discounting the expected cash flows using a yield curve based on the estimated market yield for the new debenture.

### **Treasury bills**

The Fund held treasury bills prior to restructuring with a value, inclusive of accrued interest, of \$11,962,330. The Fund also held treasury bills prior to restructuring with a value, inclusive of accrued interest, of \$329,238, assigned to the Fund by borrowers as collateral for their loans. These treasury bills were converted to Series B debentures effective September 30, 2018.

The Series B debentures issued by the Government of Barbados are divided into 11 strips maturing in 5 to 15 years. Interest rates applied to the strips are as follows:

- 1.0% per annum for first 3 years
- 2.5% per annum for year 4
- 3.75% to maturity

The principal of each strip will be repaid in four equal quarterly instalments commencing one year prior to the maturity date of that strip.





# Student Revolving Loan Fund

Notes to the Financial Statements (continued)

For the year ended March 31, 2019

*(Expressed in Barbados dollars)*

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## **13. Government of Barbados (GOB) Debt Restructuring...continued**

### **Treasury bills...continued**

The treasury bills existing prior to the debt restructuring have been derecognised and the new debentures recognised at their fair value of \$9,054,699 resulting in a loss on derecognition of \$3,236,869 which has been recognised in profit or loss. The fair value of the new debenture was estimated by discounting the expected cash flows using a yield curve based on the estimated market yield for the new debenture.





