

# BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

## Notes to the Consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

### 16. Other Assets

Other assets are comprised of the following:

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

### 17. Intangible Asset

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 2,910,000	2,910,000
Less impairment loss	<u>(2,910,000)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>2,910,000</u>

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

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

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

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

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

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