

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)

26. Financial Risk Management, continued

26.2 Credit risk, continued

Financial investments

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

Assessment of corporate investments (Term Deposits)

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

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

These investments are categorized as follows:

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

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

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

IFRS 9 provides that cost can be used as a basis for estimating fair value where, there are limitations on supportable information to do otherwise. There is currently insufficient trading information from published sources to measure the fair market value of the corporate term deposits. Any application based on the insufficiency of this data would therefore, result in a wide range of possible fair value measurements and cost therefore represents the best estimate of fair value within the relevant range.