

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, continued

Assessment of corporate investments (term deposits), continued

Notwithstanding this, the Group has identified the following indicators as those where cost might not be representative of fair value as the following;

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

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

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

Assessment of Sovereign debt securities

In 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 Group's acceptance of this offer resulted in the restructuring of principal and interest payments of \$22,197,526 on its debt securities measured at amortised costs. The new securities are designated as series B and D bonds in the amount of \$16,331,378. The effective average yield on these securities for income year 2019 were 4.58% (2018 - 6.78%).