

BARBADOS PUBLIC WORKERS' CO-OPERATIVE CREDIT UNION LIMITED

Notes to the Non-consolidated Financial Statements

For the year ended March 31, 2019

(Expressed in Barbados dollars)

2. Accounting Policies, continued

(d) Financial instruments, continued

Non-derivative financial assets – Classification and subsequent measurement - Policy applicable before April 1, 2018, continued

The Credit Union classified its financial assets into one of the following categories:

- Held to maturity
- Available for sale
- Loans and receivables

Financial assets measured at held to maturity

Held to maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Credit Union has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method (EIR), less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The Credit Union has reported government securities which have all been classified under the held-to-maturity classification.

Impairment losses are reported as a deduction from the carrying value of the investment (through an allowance account) or investment balance. The amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the non-consolidated statement of income.

If the Credit Union were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Credit Union would be prohibited from classifying any financial asset as held to maturity in the current year and during the following two financial years.

Financial assets measured at available for sale

Available for sale financial investments include equity securities. Equity securities classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial securities are subsequently re-measured at fair value based on quoted bid prices or amounts derived from approved valuation models. Unrealised gains and losses on available for sale securities are recognised directly in the fair value reserve in equity and reported in the statement of comprehensive income.

When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the non-consolidated statement of income.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment.