Consolidated Financial Statements of

ST. LUCIA HOSPITALITY INDUSTRY WORKERS' CREDIT CO-OPERATIVE SOCIETY LTD.

December 31, 2019

St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

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INDEPENDENT AUDITOR’S REPORT

To the Members of St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of St. Lucia Hospitality Industry Workers Credit Co-operative Society Ltd. and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Bases for Disclaimer of Opinion

As at December 31, 2019 the Group’s loans and advances to members amount to $13,441,022, which includes the accrued interest amounting to $1,294,855 and the total allowance for impairment of $2,651,482. Interest income on members’ loans for the year ended December 31, 2019 is recorded as $2,018,342. A complete listing of loans and advances to members was not made available to us and the Group has not adopted IFRS 9 “*Financial Instruments”.* Consequently, we were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of loans and advances to members, interest income, accrued interest and the total allowance for impairment as at and for the year ended December 31, 2019.

As at December 31, 2019 the Group holds an investment property that is carried on the Consolidated Statement of Financial Position at $2,202,968. We were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of the recorded cost of the investment property as the appropriate supporting documentation was not available for examination because management could not locate the respective supporting documentation in relation to the land development costs.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd. (continued)

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

Bases for Disclaimer of Opinion (continued)

As a result of these matters, we were unable to determine whether any adjustments might be necessary to these amounts and the related impact on the consolidated statement of financial position, statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019.

Other Matter

The financial statements of the St. Lucia Hospitality Industry Workers Credit Co-operative Society Ltd. as at and for the year ended December 31, 2018 were audited by another auditor who expressed a qualified opinion on those statements on July 8, 2019 due to their inability to verify the land development costs, their inability to verify an accounts receivable balance and the failure to adopt IFRS 9 "*Financial Instruments*".

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd. (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Bases for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants including International Independence Standards (IESBA Code) together with the ethnical requirements that are relevant to our audit of the consolidated financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

KPMG

Chartered Accountants
August 20, 2021
Castries. St. Lucia.

St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

Consolidated Statement of Financial Position
As at December 31, 2019
(Expressed in Eastern Caribbean dollars)

	Notes	2019	Restated (Note 24) 2018	Restated (Note 24) 2017
Assets				
Cash	5	$ **10,198,121**	7,685,829	6,487,776
Financial investments	6	**4,213,601**	3,992,328	3,968,133
Accounts receivable	7	**164,862**	222,874	128,396
Loans and advances to members	8	**13,441,022**	14,116,366	12,786,341
Investment property	9	**2,202,968**	2,202,968	2,202,968
Property and equipment	10	**1,258,700**	1,290,458	1,139,327
Intangible asset	11	**14,363**	20,176	25,989
Total Assets		$ **31,493,637**	29,530,999	26,738,930
Liabilities and Members' Equity				
Liabilities				
Accounts payables and accruals	12	**89,331**	164,817	155,732
Members' fixed deposits	13	**2,082,304**	1,456,645	1,080,278
Members' regular deposits	14	**1,473,860**	1,292,200	1,289,649
Members' special savings	15	**25,217,354**	24,117,797	23,115,743
Borrowings	16	**-**	26,693	138,341
Total Liabilities		**28,862,849**	27,058,152	25,779,743
		$ **2,630,788**	2,472,847	959,187
Represented by				
Members' Equity				
Share capital	17	**1,281,887**	1,001,968	797,083
Reserves and fund	18-19	**1,965,891**	1,965,891	1,974,070
Deficit		**(616,990)**	(495,012)	(1,811,966)
Members' Equity		$ **2,630,788**	2,472,847	959,187

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

Approved by the Board of Directors:

President **Treasurer**

St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

Consolidated Statement of Changes in Equity
For the year ended December 31, 2019
(Expressed in Eastern Caribbean dollars)

	Notes		Share Capital	Statutory Reserve	Education Fund	Fair value Reserve	Deficit	Total
Balance as at January 1, 2018 as previously reported		$	797,083	1,610,991	363,079	304,076	1,143,325	4,218,554
Prior period adjustment	24		-	-	-	(304,076)	(2,955,291)	(3,259,367)
Restated balance at January 1, 2018			797,083	1,610,991	363,079	-	(1,811,966)	959,187
Prior period adjustment	24		-	-	-	-	1,310,184	1,310,184
Net income being total comprehensive income for the year			-	-	-	-	6,770	6,770
Members' shares net of redemptions/withdrawals	17		204,885	-	-	-	-	204,885
Withdrawals			-	-	(9,339)	-	-	(9,339)
Entrance fees	18		-	1,160	-	-	-	1,160
Restated balance as at December 31, 2018		$	**1,001,968**	**1,612,151**	**353,740**	-	**(495,012)**	**2,472,847**
Restated balance as at January 1, 2019			**1,001,968**	**1,612,151**	**353,740**	-	**(495,012)**	**2,472,847**
Net loss being total comprehensive loss for the year			-	-	-	-	**(51,222)**	**(51,222)**
Members' shares subscribed, net of redemptions/withdrawals	17		**279,919**	-	-	-	-	**279,919**
Dividend and patronage refund			-	-	-	-	**(70,756)**	**(70,756)**
Balance as at December 31, 2019		$	**1,281,887**	**1,612,151**	**353,740**	-	**(616,990)**	**2,630,788**

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

St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2019
(Expressed in Eastern Caribbean dollars)

	Notes		2019	Restated (Note 24) 2018
Interest income				
Interest on members' loans		$	**2,018,342**	1,615,006
Interest investments			**134,398**	129,752
			2,152,740	1,744,758
Interest expense				
Members' deposits			**(680,348)**	(651,327)
Bank charges and interest			**(4,093)**	(4,424)
Interest on borrowing			**(390)**	(8,352)
		$	**(684,831)**	(664,103)
Net interest income			**1,467,909**	1,080,655
Other income	21		**159,050**	179,001
Operating income			**1,626,959**	1,259,656
Administrative expenses	22		**(1,309,484)**	(1,004,978)
Impairment expense – loans and advances to members	8		**(368,697)**	(247,908)
		$	**(1,678,181)**	(1,252,886)
Net (loss)/income being total comprehensive (loss)/income for the year		$	**(51,222)**	6,770

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

St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd.

Consolidated Statement of Cash Flows
For the year ended December 31, 2019
(Expressed in Eastern Caribbean dollars)

	Notes		2019	Restated (Note 24) 2018
Cash flows from operating activities				
Net (loss) income for the year being total comprehensive (loss) income for the year		$	**(51,222)**	6,770
Adjustments for non-cash items:				
Interest income on investments			**(134,398)**	(129,895)
Impairment losses on loans and advances			**368,697**	247,310
Loss on disposal of property, plant and equipment			**3,067**	286
Depreciation	10		**54,261**	37,694
Amortisation	11		**5,813**	5,813
Cash flows before changes in operating assets and liabilities		$	**246,218**	167,978
Changes in:				
Accounts receivable			**58,012**	(94,478)
Loans and advances to members			**306,647**	(267,709)
Accounts payable and accruals			**(75,486)**	9,085
Members' deposits and savings			**1,906,876**	1,380,972
Net cash from operating activities		$	**2,442,267**	1,195,848
Interest received from investments			**133,430**	129,675
Net cash from operating activities			**2,575,697**	1,325,523
Cash flows from investing activities				
Purchase of property and equipment	10		**(25,570)**	(189,111)
Purchase of investment securities			**(4,196,759)**	(3,881,828)
Proceeds from disposal and redemption of investments			**3,976,454**	3,857,852
Net cash used in investing activities		$	**(245,875)**	(213,087)
Cash flows from financing activities				
Repayment of borrowings			**(26,693)**	(111,648)
Proceeds from entrance fees and sales of passbooks			**-**	1,160
Withdrawal from reserves			**-**	(8,781)
Dividends and patronage refunds			**(70,756)**	-
Proceeds from share issue			**279,919**	204,885
Net cash from financing activities		$	**182,470**	85,616
Net increase in cash			**2,512,292**	1,198,052
Cash – beginning of the year			**7,685,829**	6,487,777
Cash – end of the year		$	**10,198,121**	7,685,829

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

1. Corporate information

The St. Lucia Hospitality Industry Workers Credit Co-operative Society Ltd (“the Group”) is domiciled in Saint Lucia. The registered office and principal place of business of the Group is located on 35 Chisel Street, Castries, Saint Lucia. These consolidated financial statements comprise the financial statements of the Co-operative and its subsidiary (collectively, “the Group”).

The parent company, St. Lucia Hospitality Industry Workers’ Credit Co-operative Society Ltd (“the Co-operative”) was duly registered as a Credit Union on October 30, 1994 pursuant to the Co-operative Societies Act, Chapter 82 of the Laws of Saint Lucia (1957) Revision, and is continued under Section 241 the Co-operative Societies Act, No. 28 of 1999.

The Group was formed to promote thrift and co-operative principles among its members by providing the means to facilitate savings.

The Hospitality Land Development Company Limited, a company that is duly incorporated pursuant to the Companies Act of Saint Lucia, CAP 13.01 of the Revised Laws, 2001, is a wholly-owned subsidiary of the St. Lucia Hospitality Industry Workers Credit Co-operative Society Ltd. The Company was incorporated to manage the development of and sell developed lots of land in the Balata, Castries area to members of the Co-operative and the general public.

2. Summary of significant accounting policies

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

(a) Statement of compliance

The consolidated financial statements comprise of the statement of financial position, statement of changes in equity, statement of comprehensive income, statement of cash flows and the explanatory notes.
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as at December 31, 2019 (the reporting date) except for the requirements of IFRS 9: Financial Instruments. The Group has not adopted IFRS 9 and has classified its financial assets, financial liabilities and determined its impairment allowance for financial assets in accordance with IAS 39 which is no longer applicable for the December 31, 2019 year end.

(b) Basis of preparation

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Areas involving a higher degree of judgment or complexity, or areas where estimations and assumptions are significant to the consolidated financial statements are disclosed in Note 4.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Co-operative and its subsidiary, disclosed in Note 1. The consolidated financial statements of the subsidiary are prepared for the same reporting year end as the Co-operative, using consistent accounting policies. All intra–Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

<u>New standards, amendments and interpretations effective for periods beginning January 2019</u>
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **IFRS 16 Leases**
  In January 2016, the IASB issued IFRS 16 Leases, the standard that replaced IAS 17 for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The Group did not early adopt IFRS 16. IFRS 16 specifies how leases will be recognised, measured, presented and disclosed. IFRS 16 does not significantly change the accounting for leases for Lessors. However; the standard does require lessees to recognise most leases on their balance sheet as lease liabilities with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases but will have the option not to recognise “short-term” leases and leases of “low-value” assets. Generally, the profit or loss recognition pattern for recognised leases will be like finance lease accounting under the predecessor standard IAS 17, with interest and depreciation expense recognised separately in the statement of income. Management has assessed the impact and have concluded that there is no material impact on the consolidated financial statements.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

New standards, amendments and interpretations effective for periods beginning January 2019 (continued)

- **Amendments to IAS 23 Borrowing Costs - Annual Improvements to IFRS Standards 2015-2017**

  The amendment to IAS 23 clarified that when a qualifying asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that qualifying asset, becomes part of general borrowings. It therefore means that an organization should calculate the capitalization rate on general borrowings considering the specific borrowing on completed assets if outstanding. The amendment was issued in December 2017 and is applicable for annual reporting periods beginning on or after January 1, 2019. The standard did not have an impact on the Group.

- **Amendments to IFRS 9 – Financial Instruments**

  The IASB issued "Prepayment Features with Negative Compensation (Amendments to IFRS 9)" to address the concerns about how IFRS 9 – Financial Instruments classifies particular repayable financial assets. Under the current standard, financial assets are classified as at amortized cost only when the business model test and the contractual cash flow characteristics (SPPI) test are met. However, when financial institutions generate loans with prepayment features with negative compensation, the cash flows from such loans might not represent solely payments of principal and interest and as such, the contractual cash flow test is not met. As a result, all the loans *with similar prepayment features could not be classified at amortized cost*. Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. The amendments are applicable for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The changes in the standard did not have any impact on the consolidated financial statements.

- **IFRS 3 - Business Combinations – Annual Improvements to IFRS standards 2015 – 2017**

  The amendments to IFRS 3 clarified that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The standard did not have any impact on the Group.

- **IFRS 11 – Joint Arrangements (Annual Improvements to IFRS Standards 2015-2017 cycle)**

  The amendments to IFRS 11 clarified that when an entity obtains control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier adoption is permitted. The standard did not have any impact on the Group.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **IFRS 17- Insurance Contracts**

  IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. An entity shall apply IFRS 17 to:

  - Insurance contracts including reinsurance contracts, it issues;
  - Reinsurance contracts it holds and
  - Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

    The standard is effective for reporting periods beginning on or after January 1, 2021. The standard is not expected to have a material impact on the consolidated financial statements of the Group.

- **IFRS 3 Definition of A Business (Amendments to IFRS 3)**

  The amendments to the definition of a Business aims at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are changes to Appendix A defined terms, the application guidance and the illustrative examples of IFRS 3 only and include:

  - Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
  - Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
  - Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
  - Remove the assessment of whether market participants can replace any missing inputs or processes and continuing to produce outputs; and
  - Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period. Earlier adoption is permitted.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Financial assets
The Group allocates financial assets to the following IAS 39 categories: loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

a) *Held-to-maturity*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Co- operative's management has the positive intention and ability to hold to maturity, other than: (a) those that the Group upon initial recognition designates as at fair value through profit or loss; (b) those that the Group designates as available for sale; and (c)those that meet the definition of loans and receivables. These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently as amortized cost, using the effective interest rate method. Interest on held-to-maturity investments is included in the statement of income. In case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognized in the statement of income.

If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale investments.

b) *Available-for-sale*
Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the statement of comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognized in the statement of income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the Group's right to receive payment is established.

2. Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Financial assets (continued)

c) *Loans and receivable*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value though profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortized cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to members or as investment securities. Interest on loans and advances to members and investment securities are included in the statement of income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognized in the statement of income.

(c) Foreign currency translation

(i) Functional and presentation currency

Items in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Eastern Caribbean dollars, which is the Group’s functional and presentation currency.

(ii) 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 differences on non-monetary items, such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity, if any.

2. Summary of significant accounting policies (continued)

(d) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that the financial asset or group of financial assets is impaired. A financial asset or 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 estimate future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issue or obligor;
- a breach of contract, such as default or delinquency in interest or principal;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

2. Summary of significant accounting policies (continued)

(d) Impairment of financial assets (continued)

(i) <u>Assets carried at amortised cost (continued)</u>

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using the observable market price

The calculation of the present value of the estimated future cash flows of the collateralized financial asset reflects the cash flows that may or may not result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for the loan impairment in the statement of income.

If, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (subsequent to an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

(ii) *<u>Assets carried at fair value</u>*

The Group assesses at each reporting date whether there is objective evidence that the financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available- for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

2. Summary of significant accounting policies (continued)

(d) Impairment of financial assets (continued)

(iii) *Impairment of other non-financial assets*
Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(iv) *Offsetting financial instruments*
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on the net basis, or realize the asset and settle the liability simultaneously.

Pursuant to Section 109 of the 2001 Act, the Group has a legally enforceable right to apply the members' deposits against any related loan balances that are over 90 days overdue. During the financial year amounts offset by the Credit Union were not deemed material.

(e) Cash and cash equivalents

Cash and cash equivalents includes notes and coins on hand, unrestricted balances held with the banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(f) Accounts receivable

Accounts receivable represent the principal amounts due at the reporting date less, where applicable, any provision for impairment.

(g) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

2. Summary of significant accounting policies (continued)

(g) Property and equipment (continued)

Depreciation is calculated using the declining balance basis, so as to allocate cost to their residual values over their estimated useful lives as follows:

Office furniture & equipment	15.00%
Leasehold improvements	20.00%
Land	0.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be re- coverable. The assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amounts are greater than their recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with their carrying amounts. These are included in the statement of comprehensive income.

(h) Intangible assets

Intangible assets comprise of computer software. Computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable.

An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The Group chooses to use the cost model for the measurement after recognition.

(i) Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties. Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property consist of land and are measured at cost, including transaction costs. Land is not depreciated. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost was incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

2. Summary of significant accounting policies (continued)

(i) Investment property (continued)

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to statement of income during the financial period in which they are incurred.

(j) Financial liabilities

The Group's financial liabilities are measured at amortized cost and include members' deposits and savings, borrowings, accounts payables and accrued liabilities. Financial liabilities are derecognized when extinguished.

(k) Members' shares

Members' shares issued by the Group are redeemable and are classified as puttable financial instrument. A puttable financial instrument that includes a contractual obligation for the Group to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Group's net assets in the event of the Groups liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Group to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognized net assets of the Group over the life of the instrument.

The Group's redeemable shares meet these conditions and are classified as equity.

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are reported in equity as a deduction, from proceeds.

(l) Dividends on equity shares

Dividends on ordinary shares are recognized as a reduction of retained earnings under equity and in the year declared. Dividend declaration is based on a rate that is not more than that recommended by the Board of Directors for distribution. Members, at the Annual General Meeting, may not approve a rate that is higher than that recommended by the Board of Directors.

(m) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

2. Summary of significant accounting policies (continued)

(n) Interest income and expense

Interest income and expense for all interest- bearing financial instruments are recognized within interest income and interest expense in the statement of income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows consisting all contractual terms of the financial instrument but does not consider further credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(o) Fees and commission income

Fees, commissions and other income are recognized on an accrual basis when related service has been provided.

(p) Dividend income

Dividend income from available-for-sale equities is recognized when the right to receive payment is established.

(q) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(r) Taxation

The Group is not liable to income taxes in accordance with Section 25(1) (q) of the Income Tax Act Cap 15.02.

(s) Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, investment securities, loans and advances to members, deposits and shares to members. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

(t) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Note 24 reflects the comparative figures which been restated to conform with changes in the presentation in the current year.

3. Financial risk management

Responsibility and authority
The Board of Directors has overall responsibility for risk management. The authority for designing and operating the processes that ad- dress the objectives is delegated to the Treasurer.

Financial instruments strategy
Consequent on its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts the proceeds of deposits and shares from members and seeks to earn an interest margin by lending these monies to members while maintaining sufficient liquidity to meet all claims that may fall due.

The Group also seeks to raise its interest margins by obtaining above average margins, net of allowances, through investing in various financial instruments.

The most common types of risks are credit risk, liquidity risk, market risk, and operational risk. Market risk includes currency and interest rate risks.

(a) Credit risk

The Group takes on exposure to credit risk which is the risk that a counterpart will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the reporting date. Management, therefore, carefully manages its exposure to credit risks.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis. Limits on the level of credit risk by products are approve by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and personal guarantees.

3. Financial risk management (continued)

(a) Credit risk (continued)

(i) Impairment and provisioning policies

Impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Some accounts are reviewed monthly, others quarterly and sometimes when individual circumstances require.

Impairment losses on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case by case basis and are applied to all individually significant accounts. The assessment encompasses collateral held and the anticipated receipts for those individual accounts. This forms the specific provisioning.

The collective provisioning requires management's judgment about the risks of default and loss associated with a pool of accounts. These accounts are in a segment that is considered to be Pass and or Special Mention. Management determines whether objective evidence of impairment exist based on the following criteria:

- Delinquency in payments of principal and interest
- Cash flow constraints of members
- Breach of loan covenants
- Deterioration of members' competitive position
- Deterioration in the value of collateral
- Economic conditions

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	Notes		2019	2018
Cash at bank	5	$	**10,010,587**	7,685,829
Investment securities	6		**4,103,101**	3,881,828
Loans and advances to members	8		**13,441,022**	14,116,366
Accounts receivables	7		**164,862**	222,874
			27,719,572	25,906,897
Loan commitments			**-**	12,500
Maximum exposure to credit risk		$	**27,719,572**	25,919,397

3. Financial risk management (continued)

(a) Credit risk (continued)

(i) Impairment and provisioning policies (continued)

Credit risk from financial assets is minimized through advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. The risk accepted in relation to one borrower is restricted to 10% of the shareholder's equity. Exposure to credit risk is also managed in part by obtaining collateral and guarantees for loans receivable. The collateral may consist of real estate, member deposits and shares, equipment or vehicles. The credit quality of each individual investment is internally assessed based on the financial strength, reputation and market position of the issuing company and the ability of that company to service the debt.

The above table represents a worst case scenario of credit risk exposure to the Group at December 31, 2019 and 2018, without taking account of any collateral held. For financial assets included in the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

(ii) Loans and advances to members

Loans and advances to members are summarized as follows:

		2019	2018
Neither past due nor impaired	$	**13,957,632**	13,724,043
Past due but not impaired		**-**	-
Impaired		**2,134,872**	2,748,987
Gross		**16,092,504**	16,473,030
Less allowance for impairment losses on loans and advances to members		**(2,651,482)**	(2,356,664)
Net	$	**13,441,022**	14,116,366

The total impairment provision for loans and advances to members is $2,651,482 (2018 - $2,356,664) and is comprised as follows:

		2019	2018
Individually impaired loans	$	**1,805,913**	1,585,840
General impairment allowance		**845,569**	770,824
	$	**2,651,482**	2,356,664

3. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Loans and advances to members past due but not impaired

Loans up to 90 days past due are not considered impaired unless information is available to indicate otherwise. Therefore, the gross amount of loans and advances by class to members that were past due but not impaired were nil (2018: nil).

(iv) Loans and advances to members individually impaired

The table below shows the individually impaired loans and advances to members before taking into consideration the cash flows from collateral held.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

		Personal	Vehicle	Mortgage	Other	Total
As at December 31, 2019						
Individual impaired loans	$	**1,429,734**	**444,543**	**254,124**	**6,471**	**2,134,872**
As at December 31, 2018						
Individual impaired loans	$	1,993,860	476,196	262,566	16,365	2,748,987

(v) Concentrations of risks of financial assets with credit exposure

Membership in the cooperative is restricted primarily to workers in the hospitality industry, spouse and child or ward, siblings and parents of members' of the Group and common law partners of a member of the Group.

The Group operates primarily in Saint Lucia. Based on the country of domicile of its counterparties, exposure to credit risk is concentrated in this location.

3. Financial risk management (continued)

(a) Credit risk (continued)

(v) Concentrations of risks of financial assets with credit exposure (continued)

The following table breaks down the Group's credit exposure at gross amounts without taking into account any collateral held or other credit support by the industry sectors of the Group's counterparties.

		Financial Institutions	Personal	Education	Vehicle	Mortgage	Other	Total
As at December 31, 2019								
Financial assets								
Cash at bank	$	**10,010,587**	**-**	**-**	**-**	**-**	**-**	**10,010,587**
Accounts receivable		**-**	**-**	**-**	**-**	**-**	**164,862**	**164,862**
Investment securities		**4,103,101**	**-**	**-**	**-**	**-**	**-**	**4,103,101**
Loans and advances to members		**-**	**10,277,036**	**95,836**	**1,381,162**	**1,671,966**	**15,022**	**13,441,022**
		14,113,688	**10,277,036**	**95,836**	**1,381,162**	**1,671,966**	**179,884**	**27,719,572**
Loan commitments	$	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at December 31, 2018								
Financial assets								
Cash at bank		7,685,829	-	-	-	-	-	7,685,829
Accounts receivable		-	-	-	-	-	222,874	222,874
Investment securities		3,881,828	-	-	-	-	-	3,881,828
Loans and advances to members		-	10,353,855	115,252	1,645,685	1,922,960	78,614	14,116,366
		11,567,657	10,353,855	115,252	1,645,685	1,922,960	301,488	25,906,897
Loan commitments	$	-	-	-	-	12,500	-	12,500

3. Financial risk management (continued)

(a) Credit risk (continued)

(v) Concentrations of risks of financial assets with credit exposure (continued)

The table below presents an analysis of debt securities and treasury bills by rating agency designation at December 31, 2019 and 2018, based on CariCRIS ratings:

		Loans and Receivables - bonds	Loans and Receivables - deposits	Loans and Receivables - Treasury bills	Total
As at December 31, 2019					
Unrated	$	**3,937,687**	**74,684**	**90,730**	**4,103,101**
Total	$	**3,937,687**	**74,684**	**90,730**	**4,103,101**
As at December 31, 2018					
Unrated	$	3,808,403	73,425	-	3,881,828
Total	$	3,808,403	73,425	-	3,881,828

(b) Market risk

Market risks arise from changes in currency exchange rates, interest rates other market factors. The effects of these risks are disclosed in the sections below. Market risk is the risk that changes in market price, such as interest rates, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liability and/or the Group's income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. There was no significant exposure to market price risk during the financial year.

(c) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The exposure of the Group to currency risk is minimal since most of its assets and liabilities in foreign currencies are held in United States dollars (US$). The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar has been pegged at EC$2.7169 to US$1.00 since 1974.

3. Financial risk management (continued)

(d) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarizes the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

		Up to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2019							
Financial assets							
Cash at bank	$	10,010,587	-	-	-	-	10,010,587
Investment securities:							
- available-for-sale		-	-	-	-	110,500	110,500
- held- to- maturity		1,138,483	2,873,888	90,730	-	-	4,103,101
Accounts receivable		-	-	-	-	164,862	164,862
Loans and advances to members		2,761,340	1,418,475	5,693,201	6,219,488	-	16,092,504
Total financial assets	$	13,910,410	4,292,363	5,783,931	6,219,488	275,362	30,481,554
Financial liabilities							
Members' deposits and savings		27,794,955	978,562	-	-	-	28,773,517
Accounts payable and accruals		-	-	-	-	89,331	89,331
Total financial liabilities		27,794,955	978,562	-	-	89,331	28,862,848
Total interest repricing gap	$	(13,884,545)	3,313,801	5,783,931	6,219,488	186,031	1,618,706

3. Financial risk management (continued)

(d) Interest rate risk (continued)

		Up to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2018							
Financial assets							
Cash at bank	$	7,685,829	-	-	-	-	7,685,829
Investment securities:							
- available-for-sale		-	-	-	-	110,500	110,500
- held- to- maturity		1,117,000	2,691,403	73,425	-	-	3,881,828
Accounts receivable		-	-	-	-	222,874	222,874
Loans and advances to members		2,763,721	641,528	8,062,523	5,005,258	-	16,473,030
Total financial assets	$	11,566,550	3,332,931	8,135,948	5,005,258	333,374	28,374,061
Financial liabilities							
Members' deposits and savings		25,409,988	1,456,654	-	-	-	26,866,642
Accounts payable and accruals		-	-	-	-	164,817	164,817
Borrowings		26,693	-	-	-	-	26,693
Total financial liabilities		25,436,681	1,456,654	-	-	164,817	27,058,152
Total interest repricing gap	$	(13,870,131)	1,876,277	8,135,948	5,005,258	168,557	1,315,909

3. Financial risk management (continued)

(d) Interest rate risk (continued)

At the reporting date, the carrying values of the Group's interest-bearing, fixed-rate financial instruments were:

		2019	2018
Financial assets			
Cash at bank	$	**10,010,587**	7,685,829
Financial investments		**4,103,101**	3,881,828
Loans and advances to members		**13,441,022**	14,116,366
	$	**27,554,710**	25,684,023
Financial liabilities			
Borrowings		**-**	26,693
Members' deposits and savings		**28,773,518**	26,866,642
	$	**28,773,518**	26,893,335

The table below summarizes the interest rates on financial assets and liabilities held at the reporting date.

	2019 %	2018 %
Financial assets		
Cash	**0.00-0.50**	0.00-0.50
Financial investments	**1.25-6.50**	1.25-6.50
Loans and advances to members	**7.00-12.00**	9.00-12.00
Financial liabilities		
Borrowings	**-**	4.99
Members' deposits and savings	**2.50-4.00**	2.50-4.00

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate, with all other variables held constant, of the Group's profit before tax and net assets:

	Change in interest rate	Effect on profit before tax	Effect on net assets
2019			
Cash in bank	**±0.50%**	**±540**	**±540**
Loans and advances to members	**±0.50%**	**±168,636**	**±346,073**
Members' deposits	**±0.50%**	**±169,876**	**±169,876**
2018			
Cash in bank	±0.50%	±321	±321
Loans and advances to members	±0.50%	±346,073	±346,073
Members' deposits	±0.50%	±137,756	±137,756

3. Financial risk management (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with the financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Group is exposed to daily calls on its available cash resources from maturing members' deposits and loan draw downs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for the Group to be completely matched as transacted business is often of uncertain terms and types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The contractual maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

The table below presents the cash flows payable by the Group for financial liabilities by remaining contractual maturity dates at the date of the consolidated financial statements. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

3. Financial risk management (continued)

(d) Liquidity Risk

	Carrying amounts $	**Contractual Cash flows $**	**Under 6 months $**	**6 – 12 months $**	**1 – 2 year s $**	**2 – 5 years $**	**More than 5 years $**
As at December 31, 2019							
Accounts payables	**89,331**	**89,331**	**89,331**	**-**	**-**	**-**	**-**
Members' deposits and savings	**28,773,518**	**28,773,518**	**27,794,955**	**978,563**	**-**	**-**	**-**
	28,862,849	**28,862,849**	**27,884,286**	**978,563**	**-**	**-**	**-**
As at December 31, 2018							
Accounts payables	164,817	164,817	164,817	-	-	-	-
Borrowing	26,693	26,693	26,693	-	-	-	-
Members' deposits and savings	26,866,642	26,866,642	25,409,988	1,456,654	-	-	-
	27,058,152	27,058,152	25,601,498	1,456,654	-	-	-

Fair value hierarchy

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and are best evidences by the quoted market values, if they exist. The following methods and assumptions were used to estimate the fair value of financial instruments.

The fair values of cash, accounts receivable, accounts payable and accruals, members' deposits and savings, and other short-term instruments are assumed to approximate their carrying amounts due to their short-term nature. The fair value of statement of financial position commitments are also assumed to approximate the amounts disclosed.

(i) *Investment securities*
Assets classified as available-for-sale are at fair value based on market prices or broker price quotations. For unlisted securities, fair value is estimated based on their cost as the amounts are immaterial. For investment securities classified as loans and receivables, fair value is estimated using the discounted cash flows.

(ii) *Loans and advances to members*
Loans and advances to members are net of their provisions for impairment. The estimated values of loans and advances to members represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

3. Financial risk management (continued)

(f) Fair values of financial assets and liabilities

	Level 3	Total
As at December 31, 2019		
Financial assets measured at fair value		
Investment securities – available-for-sale	**110,500**	**110,500**
	$ **111,500**	**110,500**
As at December 31, 2018		
Financial assets measured at fair value		
Investment securities – available-for-sale	110,500	110,500
	$ 110,500	110,500

There were no financial instruments that traded in an active market. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is Level 2. There are no financial instruments classified as level 2 as at December 31, 2019 and 2018.

If one or more significant inputs is not based on observable market data, the instrument is included in Level 3. All available- for- sale instruments are classified as level 3 as at December 31, 2019 and 2018.

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Group's statement of financial position at their fair value.

	Carrying amount		Fair value	
	2019	2018	2019	2018
	$	$	$	$
Financial assets				
Investment securities	**4,103,101**	3,881,828	**4,119,762**	3,881,828
Loans and advances to members	**13,441,022**	14,116,366	**14,247,947**	15,415,876
	17,544,123	17,998,194	**18,367,709**	19,297,704

The carrying amounts of all financial liabilities are assumed to approximate their fair values.

3. Financial risk management (continued)

(f) Fair values of financial assets and liabilities (continued)

Assets measured at fair value
Fair value hierarchy – reconciliation of level 3 items:
The following table presents the changes in level 3 instruments for the year ended December 31, 2019 and 2018:

Investment securities - available for sale		**2019**	**2018**
Opening balance	$	**110,500**	110,500
Purchases		**-**	-
Sales		**-**	-
Closing balance	$	**110,500**	110,500

There were no transfers between levels in the fair value hierarchy during the year.

(g) Capital management

The Group manages capital with the following objectives:

- to comply with the statutory capital requirements of the Group Societies Act of St Lucia and enforced by the Financial Services Regulatory Authority (FSRA);
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for members and benefit other stakeholders;
- to maintain a strong capital base in an effort to maintain confidence of members, creditors and other parties as well as sustain future development of the Group; and
- to provide a cushion in the event of market instability.

The Board of Directors monitors the return, which is defined as surplus for the year divided by average total assets, and also the level of dividends paid to members. Section 119 of the Group Societies Act Cap 12.06 requires the Group to maintain statutory and other reserves at not less than 10.0% of its liabilities. As at the year end, the minimum requirements were:

		2019	**2018**
Minimum capital requirement	$	**2,886,285**	2,705,815

3. Financial risk management (continued)

(g) Capital management

Capital adequacy is monitored quarterly using the PEARLS ratios prescribed by the World Council of Credit Unions for determining capital adequacy and which has been adopted by the Financial Services Regulatory Authority (FRSA). PEARLS require that each Credit Union maintain a minimum of 10.0% of total assets as its capital base. As at the year end, the minimum capital required was:

		2019	2018
Minimum capital requirement	$	**3,528,393**	3,175,948

The Group was in compliance for both these requirements.

(h) Regulatory capital

Regulatory capital is divided into two sections:

- Institutional capital: Share capital, retained earnings, statutory reserve; and
- Transitory capital: Fair value reserve, revaluation reserve, education fund, building fund and disaster fund.

		2019	2018
Institutional capital			
Share capital	$	**1,281,887**	1,001,968
Accumulated deficit		**(616,990)**	(495,012)
Statutory reserve		**1,612,151**	1,612,151
		2,277,048	2,119,107
Transitory capital			
Education fund		**353,740**	353,740
		353,740	353,740
Total regulatory capital	$	**2,630,788**	2,472,847

The risk-weighted assets are measured by an estimation of market, credit, interest and other risk associated with each asset and with due consideration to the collateral proffered. In addition, management and the Board of Directors monitor any major movements in asset levels on a monthly basis.

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolio to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in the statement of income, the Group makes a judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio.

(b) Impairment of available-for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, when there is evidence of deterioration in the financial health of investee industry and sector performance, changes in technology and operational and financial cash flows.

5. Cash

		2019	2018
Cash on hand	$	**187,534**	-
Cash at bank		**10,010,587**	7,685,829
	$	**10,198,121**	7,685,829

Interest is earned on savings bank balances at an average rate of 0.5% (2018 – 0.5%) per annum. Pursuance to Section 119 (3) of the Co-operative Society's Act, the Group is required to maintain a liquidity reserve calculated to be 15.0% of members' shares and deposits. The following bank deposits and investment securities have been identified to meet the requirement of the Act.

		2019	2018
Bank of St. Lucia Limited	$	**9,956,637**	7,649,897
1st National Bank St. Lucia Limited		**53,950**	32,175
CIBC – First Caribbean International Bank		**-**	3,757
		10,010,587	7,685,829
The minimum requirement under the Act	$	**4,508,311**	4,180,292

As at the year end, the Group met the liquidity reserve requirement.

6. Financial investments

		2019	Restated 2018
Available for sale (AFS) (Equity Investments)			
St. Lucia Co-operative Credit Union League Limited	$	**50,500**	50,500
1st National Bank St. Lucia Limited		**60,000**	60,000
Eastern Caribbean Co-operative Central Ltd		**27,169**	27,169
		137,669	137,669
Less allowance for impairment		**(27,169)**	(27,169)
Total available for sale (AFS) (Equity Investments)	$	**110,500**	110,500

		2019	2018
Held- to - maturity (Fixed Deposits)			
Bank of St. Lucia Limited	$	**613,566**	607,604
St. Lucia Co-operative Credit Union League Limited		**395,353**	385,710
First Citizens Investment Services		**74,557**	73,649
Capita Financial Service Inc.		**1,117,000**	1,101,581
Financial Investment & Consultancy Services Ltd		**1,855,927**	1,713,284
Accrued interest on investments		**46,698**	-
Total held - to – maturity (Fixed Deposits)	$	**4,103,101**	3,881,828
Total financial instruments, net allowance for impairment	$	**4,213,601**	3,992,328

Interest is earned on interest bearing securities at rates ranging between 1.25% - 6.5% (2018: 1.25% - 6.5% per cent per annum. The investment in St. Lucia Co-operative Credit Union League Limited is used to secure the Credit Union's loan, to the extent of the loan outstanding. See note 17.

7. Accounts receivable

		2019	2018
Members' FIP benefits - Credit Union National Association	$	**144,167**	146,694
Other		**20,695**	76,180
Accounts receivable	$	**164,862**	222,874

8. Loans and advances to members

		2019	Restated 2018
Loans and advances to members	$	**14,797,649**	15,688,635
Allowance for impairment of loans		**(2,651,482)**	(2,356,664)
		12,146,167	13,331,971
Interest receivable on loans		**1,294,855**	784,395
	$	**13,441,022**	14,116,366

Allowance for impairment on loans

		2019	Restated 2018
Balance – at beginning of year	$	**2,356,664**	4,001,765
Recoveries during the year		**-**	(1,893,009)
Provision made during the year		**368,697**	247,908
		2,725,361	2,356,664
Written-off during the year		**(73,879)**	-
Balance – at end of year	$	**2,651,482**	2,356,664

Interest is earned at rates ranging between 7%- 12% (2018: 9% - 12%) per annum.

9. Investment property

		2019	2018
Opening balance	$	**2,202,968**	**2,202,968**
Additions		**-**	-
		2,202,968	**2,202,968**
Sales		**-**	-
Closing balance	$	**2,202,968**	**2,202,968**

The St Lucia Hospitality Industry Workers Credit Co-operative Society Ltd purchased lands in the Balata, Castries area in 2003 and 2010 for the purpose of development and resale to its members and the general public. As at December 31, 2019, the development had not been completed. However, during 2010, the Co-operative incorporated the Hospitality Land Development Company Limited to manage the rest of the development and sales of the 44 lots. There were no expenses or impairment losses charged to the statement of income during the year.

The fair value of the investment property was determined by external, independent property valuators as at December 31, 2019 as $3,719,729.

10. Property and equipment

		Furniture Equipment	Land	Leasehold Improvements	Total
Cost					
Balance at January 1, 2018	$	**170,167**	**985,890**	**195,247**	**1,351,304**
Additions		**98,533**	**-**	**90,578**	**189,111**
Disposals		**(8,872)**	**-**	**-**	**(8,872)**
Balance at December 31, 2018		**259,828**	**985,890**	**285,825**	**1,531,543**
Additions		**25,570**	**-**	**-**	**25,570**
Disposals		**(18,016)**	**-**	**-**	**(18,016)**
Balance at December 31, 2019	$	**267,382**	**985,890**	**285,825**	**1,539,097**
Accumulated depreciation					
Balance at January 1, 2018		**85,873**	**-**	**126,104**	**211,977**
Charge for the year		**18,158**	**-**	**19,536**	**37,694**
Disposals		**(8,586)**	**-**	**-**	**(8,586)**
Balance at December 31, 2018		**95,445**	**-**	**145,640**	**241,085**
Charge for the year		**26,224**	**-**	**28,037**	**54,261**
Disposals		**(14,949)**	**-**	**-**	**(14,949)**
Balance at December 31, 2019	$	**106,720**	**-**	**173,677**	**280,397**
Net Book Value					
At December 31, 2019		**160,662**	**985,890**	**112,148**	**1,258,700**
At December 31, 2018	$	164,383	985,890	140,185	1,290,458

11. Intangible asset

		Computer software
Cost		
Balance at January 1, 2018	$	29,062
Balance at December 31, 2018		29,062
Balance at December 31, 2019	$	**29,062**
Accumulated Depreciation		
Balance at January 1, 2018		3,073
Charge for the year		5,813
Balance at December 31, 2018		8,886
Charge for the year		5,813
Balance at December 31, 2019	$	**14,699**
Net Book Value		
At December 31, 2019		**14,363**
At December 31, 2018	$	20,176

12. Accounts payable and accruals

		2019	2018
Accruals	$	**89,331**	155,469
Staff vacation		**-**	4,365
Other		**-**	4,983
	$	**89,331**	164,817

13. Members' fixed deposits

		2019	2018
Opening balance	$	**1,456,645**	1,080,278
Additions		**8,895,947**	1,570,426
		10,352,592	2,650,704
Withdrawals		**(8,270,288)**	(1,194,059)
Closing balance	$	**2,082,304**	1,456,645

Interest is paid on members' fixed deposit at a rate of 4% (2018: 4%) per annum.

14. Members' regular deposits

		2019	2018
Opening balance	$	**1,292,200**	1,289,649
Additions		**8,451,948**	7,313,080
		9,744,148	8,602,729
Withdrawals		**(8,270,288)**	(7,310,529)
Closing balance	$	**1,473,860**	1,292,200

No interest is paid on members' regular deposits.

15. Members' special savings

		2019	2018
Opening balance	$	**24,117,797**	23,115,743
Additions		**11,237,335**	11,564,627
		35,355,132	34,680,370
Withdrawals		**(10,137,778)**	(10,562,573)
Closing balance	$	**25,217,354**	24,117,797

Interest is paid on members' special savings at a rate of 2.5% (2018 - 2.5%) per annum.

16. Borrowings

		2019	2018
Opening balance	$	**26,693**	138,341
Additions- interest		**-**	8,352
		26,693	146,693
Less repayments		**(26,693)**	(120,000)
		-	26,693
Current portion		**-**	(26,693)
Non- current portion	$	**-**	-

The St. Lucia Co-operative Credit Union League Limited loan is repayable in monthly installments of $10,000 at the combined blended monthly rates.

17. Share capital

	No. of shares	Value
Authorized capital	**Unlimited**	**Unlimited**

		2019	2018
Balance at beginning of year	$	**1,001,968**	797,083
New shares issued		**302,680**	223,295
		1,304,648	1,020,378
Withdrawals		**(22,761)**	(18,410)
Balance at end of year		**1,281,887**	1,001,968
Issued capital			
256,375 (2018 – 200,394) $5.00 non-redeemable members' shares	$	**256,375**	200,394

The permanent shares have a nominal value of $5.00. The shares are allotted on the basis of the amount credited to the members' permanent share account.

In accordance with Section 123 (b) of the Co-operative Societies Act, the Co-operative shall not pay a dividend if the statutory reserve fund is less than 10% of the total liabilities.

18. Statutory reserve

		2019	Restated 2018
Balance - beginning of year	$	**1,612,151**	1,610,991
Entrance fees		**-**	1,160
Balance - end of year	$	**1,612,151**	1,612,151

In accordance with Section 119 of the Co-operative Societies Act, the Credit Union is required to set aside a statutory reserve of at least 20% of net surplus (if any) each year. In addition, all entrance fees are placed in the statutory reserve.

19. Education reserve

		2019	Restated 2018
Balance - beginning of year	$	**353,740**	362,521
Other		**-**	(8,781)
Balance - end of year	$	**353,740**	353,740

Section 119 of the Co-operative's By-Laws requires it to maintain an education reserve to which an amount not less than 10% of the Co-operative's realized surplus (if any) shall be deposited.

20. Fair value reserve

The fair value reserve arose on revaluation of equity investments classified as available for sale.

21. Other income

		2019	2018
Passbook sales	$	**1,230**	-
Foreign exchange gain		**3,799**	3,673
Loan processing		**43,045**	49,575
No passbook and third-party fees		**12,511**	-
Commissions		**41,529**	53,323
Dividends		**6,000**	5,300
Other		**50,936**	67,130
	$	**159,050**	179,001

22. Administrative expenses

	Notes	2019	2018
AGM expenses		$ **7,721**	17,607
CUMIS software update		**-**	16,801
Emortelle software license		**8,638**	-
Audit		**40,459**	24,187
Credit union week		**8,468**	9,690
Insurance- Credit Union National Association		**122,628**	143,787
Insurance		**9,654**	9,320
Depreciation	10	**54,261**	37,694
Amortization	11	**5,813**	5,813
Donation and subscriptions		**6,710**	2,940
Lease		**104,456**	87,756
Advertisement		**13,480**	2,568
Legal fees and professional		**27,964**	32,550
League dues		**25,408**	21,001
Office		**61,435**	52,721
ATM project		**28,700**	-
Repairs and maintenance		**10,621**	31,194
Management and employee cost	23	**537,115**	435,990
Board and committee expenses		**10,480**	13,757
Security		**46,041**	38,545
Credit union expenses		**-**	18,999
Summit expenses – Organization of Eastern Caribb States		**5,131**	-
Loss on disposal of property and equipment		**3,067**	286
Utilities		**66,115**	60,373
Miscellaneous		**105,119**	(58,601)
		$ **1,309,484**	1,004,978

23. Management and employee costs

		2019	2018
Salaries and wages	$	**433,723**	333,515
Staff overtime pay		**9,633**	7,616
Staff travelling and acting allowances		**13,400**	41,159
Medical insurance		**4,885**	4,698
Employer's NIC contributions		**18,626**	19,720
Staff uniforms		**11,763**	7,048
Staff vacation		**-**	4,364
Staff bonus and incentives		**18,400**	15,426
Staff other expenses		**9,773**	2,444
Staff redundancy costs		**16,912**	-
	$	**537,115**	435,990

Key management compensation

		2019	2018
Salaries and wages	$	**279,512**	216,043
Travelling and acting allowances		**13,400**	38,220
Medical insurance		**2,149**	1,458
Other (NIC, bonus and staff uniforms)		**19,939**	20,270
	$	**315,000**	275,991

		2019	2018
The average number of employees		**12**	12

24. Restatement of prior year consolidated financial statements

As at December 31, 2017, the Group had not accounted for loans impairment in accordance with the requirements of IFRS, specifically the requirements of IAS 39, "Financial Instruments; Recognition and Measurement".

Correction of the above error resulted in an increase in impairment of loans and advances to members as at December 31, 2018 and December 31, 2017 with corresponding decreases in net profit, retained earnings, and loans and advances to members.

The following table summarizes the impact on the Group 's consolidated financial statements.

Statement of financial position

		As previously reported	Adjustments	As restated
December 31, 2018				
Loans and advances to members	$	16,009,376	(1,893,010)	14,116,366
Financial investments- available for sale		445,975	(335,475)	110,500
		16,455,351	(2,228,485)	14,226,866
Statutory reserve		1,675,796	(63,645)	1,612,151
Education reserve		379,198	(25,458)	353,740
Fair value reserve		335,475	(335,475)	-
Retained earnings/deficit		1,308,895	(1,803,907)	(495,012)
	$	3,699,364	(2,228,485)	1,470,879

		As previously reported	Adjustments	As restated
December 31, 2017				
Loans and advances to members	$	15,741,632	(2,955,291)	12,786,341
Financial investments- available for sale		414,576	(304,076)	110,500
		16,156,208	(3,259,367)	12,896,841
Fair value reserve		304,076	(304,076)	-
Retained earnings/deficit		1,143,325	(2,955,291)	(1,811,966)
	$	1,447,401	(3,259,367)	(1,811,966)

25. Related party transactions

Related party definition

A related party is a person or entity that is related to the Group:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of the key management personnel of the Group or of the Group's parent

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
(vi) The entity is controlled, or jointly controlled, by a person, identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is part, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and at market rates. The following are the loan balances of board of directors, members of the supervisory committee and credit committee and other management personnel.

		2019	2018
Loans			
Directors	$	**27,743**	50,705
Credit committee		**150,726**	95,203
Supervisory committee		**121,641**	93,814
Staff		**72,570**	84,138
	$	**372,680**	323,860

25. Related party transactions (continued)

Related party definition (continued)

		2019	2018
Special savings			
Directors	$	**104,780**	85,421
Credit committee		**84,543**	45,566
Supervisory committee		**82,889**	78,111
Staff		**38,914**	38,498
	$	**311,126**	247,596

		2019	2018
Deposits			
Directors	$	**8,144**	4,358
Credit committee		**929**	22
Supervisory committee		**1,264**	668
Staff		**4,528**	1,484
	$	**14,865**	6,532

		2019	2018
Share capital			
Directors	$	**7,025**	7,978
Credit committee		**3,110**	1,910
Supervisory committee		**3,563**	2,658
Staff		**4,100**	3,400
	$	**17,798**	15,946

26. Lease

During 2016, the St Lucia Hospitality Industry Workers Credit Co-operative Society Ltd entered into two (2) lease agreements with three-year lease terms, for its office accommodations. The lease agreements commit the Group to a monthly payment of $5,175 ($62,100 annually) VAT inclusive.

Although the leases have not been renewed, the Group continues to operate pursuant to the provisions of the expired leases.

On March 12th, 2018, the Group committed itself to leasing additional office spaces. The additional financial commitment is $1,856.23 monthly ($22,274 annually) VAT inclusive.

	2019	**2018**
Not later than 1 year	**84,374**	84,374
	84,374	84,374

27. Undrawn commitments

As at December 31, 2019, the Group had the following commitments to disburse approved loans:

	2019	**2018**
Mortgage	**-**	12,500
	$ **-**	12,500

28. Contingent liability

	US	**2019**	**2018**
Potential liability due to Grenada Co-operative League Limited	$ **10,082**	**27,392**	27,392

This matter developed from an agreement brokered by the OECS Credit Unions and Leagues with the Eastern Caribbean Co-operative Central Limited to launch a debit card program through a Canadian company named Niche Technology and MasterCard. Prior to the launch, the Eastern Caribbean Co-operative Central Ltd was required to pledge security for the facility with MasterCard in the form of a Letter of Credit for US$200,000. The Grenville Co-operative Credit Union provided the Letter of Credit with the understanding that the other credit unions would share the responsibility for the Letter of Credit. MasterCard has since called the letter of credit, and the US$10,082 is the Society's portion.

While the Board of Directors of the Society have decided not to honor this debt, it is a position that can be reversed given the co-operative principles of credit unions.

29. Subsequent event – Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization declared the breakout of a coronavirus, (COVID-19), a pandemic. This followed reports from China, commencing on December 31, 2019, of dozens of cases of pneumonia of unknown cause. This ailment has since been linked to COVID-19, and the virus has spread to over 190 countries resulting in excess of 21,000 deaths from more than 478,000 cases. Medical experts expect the spread to continue before any abatement.

By January 9, 2021, Saint Lucia reported four hundred and thirty- eight (438) imported cases of the virus and a significant proportion of tourism-related businesses have either shut down or announced impending shut downs as the local government and the home governments implemented measures to limit the spread of the disease in their respective countries. Because of the importance of the tourism industry to the local economy, the Government of Saint Lucia is leading a series of initiatives with certain local entities designed to alleviate the financial impact on both the commercial sector and employees. These measures are expected to include a moratorium on the repayment of loans (principle and interest) by all financial institutions and intermediaries for a period of up to six months in addition to waiver of late fees and charges.

At the current time, we are unable to quantify the potential effects of the pandemic on our future consolidated financial statements, if any, as this will depend on future developments, including but not limited to (i) the duration and spread of the outbreak, (ii) travel restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted.