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

Financial Statements

31st December, 2020

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

Statement of Financial Position
31st December, 2020

Table of Contents

CONTENTS **PAGES**

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

Statement of Financial Position
As at 31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	2020	Restated 2019
Assets			
Cash and cash equivalents	6	$ **7,952,409**	10,204,622
Financial investment: -Amortised cost	7	**7,298,103**	-
-Fair value through other comprehensive income (FVTOCI)		**453,559**	-
Loans and receivables		**-**	4,103,101
Available- for -sale (AFS)		**-**	110,500
Accounts receivable	8	**75,046**	164,862
Loans and advances to members	9	**11,613,034**	12,198,590
Investment property	10	**2,076,777**	2,076,777
Property and equipment	11	**1,452,712**	1,258,700
Intangible asset	12	**8,550**	14,363
Right-of-use asset	26	**1,152,717**	-
Total Assets		$ **32,082,907**	30,131,515
Liabilities and Members' Equity			
Liabilities			
Accounts payables and accruals	13	**168,772**	89,331
Members' fixed deposits	15	**2,149,679**	2,082,304
Members' regular deposits	16	**1,555,504**	1,473,860
Members' special savings	17	**24,550,147**	25,217,354
Lease liability	14	**1,152,717**	-
Total Liabilities		**29,576,819**	28,862,849
		$ **2,506,088**	1,268,666
Represented by			
Members' Equity			
Share capital	18	**1,318,161**	1,281,887
Statutory and Education Reserve	19-20	**2,316,729**	1,965,891
Fair value reserve		**343,059**	-
Deficit		**(1,471,861)**	(1,979,112)
Members' Equity		$ **2,506,088**	1,268,666

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

Approved by the Board of Directors:

.... **President** .... **Treasurer**

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

Statement of Changes in Members' Equity
For the year ended 31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	Share Capital	Statutory Reserve	Education Reserve	Fair value Reserve	Deficit	Total
Balance as at January 1, 2019 as previously reported		1,001,968	1,612,151	353,740	-	(495,012)	2,472,847
Prior period adjustment	30	-	-	-	-	(1,362,122)	(1,362,122)
Restated Balance at January 1, 2019		1,001,968	1,612,151	353,740	-	(1,857,134)	1,110,725
Total comprehensive income/ (loss)		-	-	-	-	(51,222)	(51,222)
Members shares	18	279,919	-	-	-	-	279,919
Dividend and patronage refund		-	-	-	-	(70,756)	(70,756)
Restated balance as at December 31, 2019		$ 1,281,887	1,612,151	353,740	-	(1,979,112)	1,268,666
					-		
Restated Balance as at January 1, 2020		1,281,887	1,612,151	353,740	-	(1,979,112)	1,268,666
IFRS 9 transition adjustments		-	-	-	-	1,754,166	1,754,166
Allocation for - Statutory reserve	19	-	350,833	-		(350,833)	-
Balance as at January 1, 2020		1,281,887	1,962,984	353,740	-	(575,779)	3,022,832
Total comprehensive income/ (loss)		-	-	-	343,059	(896,082)	(553,023)
Allocation for - Statutory reserve		-	-	-	-	-	-
Education reserve		-	-	-	-	-	-
Members shares	18	36,274	-	-	-	-	36,274
Entrance fees		-	5	-	-	-	5
Balance as at December 31, 2020		$ 1,318,161	1,962,989	353,740	343,059	(1,471,861)	2,506,088

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

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

Statement of Comprehensive Income
For the year ended 31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	2020	2019
Interest income			
Interest on members loans		$ **1,315,546**	2,018,342
Interest investments		**220,316**	134,398
		1,535,862	2,152,740
Interest expense			
Members' deposits		**(719,758)**	(680,348)
Bank charges and interest		**(4,485)**	(4,093)
Interest on borrowing		**-**	(390)
		$ **(724,243)**	(684,831)
Net interest income		**811,619**	1,467,909
Other income	21	**152,185**	159,050
Operating income		**963,804**	1,626,959
Administrative expenses	22	**(1,261,596)**	(1,309,484)
Impairment losses on loans and advances to members	9	**(598,290)**	(368,697)
		$ **(1,859,886)**	(1,678,181)
Net loss for the year		$ **(896,082)**	(51,222)
Other comprehensive income			
to be reclassified to profit or loss in subsequent periods			
Fair Value increase in investments at FVTOCI		**343,059**	-
Total comprehensive loss for the year		**(553,023)**	(51,222)

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

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

Statement of Cash Flows
For the year ended 31st December, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Cash flows from operating activities				
Net loss for the year		$	**(553,023)**	(51,222)
Adjustments for non-cash items:				
Interest income on investments			**(220,316)**	(134,398)
Loss on disposal of property, plant and equipment			**122,774**	3,067
Depreciation	11		**22,558**	54,261
Amortisation	12		**5,813**	5,813
Cash flows before changes in operating assets and liabilities		$	**(622,194)**	(122,479)
Changes in:				
Accounts receivable			**89,816**	58,012
Loans and advances to members			**2,339,722**	675,344
Accounts payable and accruals			**79,441**	(75,486)
Members' deposits and savings			**(518,188)**	1,906,876
Net cash from operating activities		$	**1,368,597**	2,442,267
Interest received from investments			**148,667**	133,430
Net cash from operating activities			**1,517,264**	2,575,697
Cash flows from investing activities				
Purchase of property and equipment	11		**(339,344)**	(25,570)
Purchase of investment securities			**(3,000,000)**	(4,196,759)
Proceeds from disposal and redemption of investments			**(466,412)**	3,976,454
Net cash used in investing activities		$	**(3,805,756)**	(245,875)
Cash flows from financing activities				
Repayment of borrowings			**-**	(26,693)
Proceeds from entrance fees and sales of passbooks			**5**	-
Dividends and patronage refunds			**-**	(70,756)
Proceeds from share issue			**36,274**	279,919
Net cash from financing activities		$	**36,279**	182,470
Net change in cash			**(2,252,213)**	2,512,292
Cash – beginning of the year			**10,204,622**	7,692,330
Cash – end of the year		$	**7,952,409**	10,204,622

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

1. Activities and Incorporation

These consolidated financial statements comprise the financial statements of the Co-operative and its subsidiary, the Hospitality Land Development Company Limited, (together the Group). The St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd. ("the Credit Union") was registered on 23rd March 1968 as a duly registered society in accordance with the Co-operative Societies Ordinance #82 (the former Act) under the laws of St. Lucia (1957 revision). The Act establishing the Credit Union was repealed on 27th August 1999 and replaced by the Co-operative Societies Act No. 28 of 1999, the Credit Union was continued under this new Act.

Hospitality Land Development Company Limited is duly incorporated as 444 /2016 pursuant to the Companies Act of Saint Lucia, CAP 13.01 of the Revised Laws, of Saint Lucia, 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 sale of developed lots located in Balata, Castries to members of the Co-operative and the general public.

The registered office and principal place of business of the Credit Union is located on Brazil Street, Castries, St. Lucia.

The objectives of the Credit Union are:

- To promote thrift among its members by providing ways and means whereby savings can be affected and whereby shares in the Society can be acquired;
- To educate its members in the Credit Union principles and methods, in family financial management and in efficient management of affairs;
- To create out of the savings of its members and others business of the society, a source of credit available to its members, on reasonable terms and conditions for provident and productive purposes;
- To undertake all other acts and things as are incidental or conductive to or consequential upon the attainment of the above objectives.

2. Date of Authorisation of issue

The Financial Statements were approved for Issuance by the Board of Directors on ……....

3. Significant Accounting Policies

a. Statement of Compliance

The financial statement comprises of the statements of financial position, changes in members' equity, comprehensive income, cash flows and the notes. These financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) as at December 31, 2020 (the reporting date). These financial statements have been prepared under the historical cost convention, except for fair value through other comprehensive income (FVTOCI) investments measured at fair value.

With the exception of section 119(3b) which requires that the statutory and other reserves are at no stage be less than 10 percent of its total liabilities, the Credit Union is in compliance with the Co-operative Societies Act Cap and the regulations.

b. Basis of Preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as at 31st December 2020 (The reporting date).

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. Changes in assumption may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are the measurement of the expected credit loss allowance disclosed in note 5.

The Credit Union presents its statements of financial position on a non-classified basis in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the year-end date(current) and more than twelve months after the year-end date (non-current), present in the notes. The Credit Union classifies its expenses by the nature of expenses.

Amendments to International Financial Reporting Standards effective in the 2020 financial year

The Credit Union applied for the first-time, unless otherwise indicated, certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2020. The amendments had no significant impact on the Credit Union's financial statements.

- IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' were amended to clarify when information is material. In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and

3. Significant Accounting Policies *…(cont'd)*

b. Basis of Preparation*…(cont'd)*

- The meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

  The application of this amendment did not have a material impact on amounts reported in respect to the Credit Union's financial statements.

- IFRS 16, 'Leases' was amended to provide lessees with an exemption from assessing whether COVID-19-related rent concession is a lease modification.

The application of this amendment did not have a material impact on amounts reported in respect to the Credit Union's financial statements.

Amendments that are issued but not effective and have not been early adopted are as follows:

- IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' were amended to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

This amendment is applicable for annual periods beginning on or after January 1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

- IAS 16, 'Property, Plant and Equipment' was amended to prohibit deducting from the cost of an item of PPE any, proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items and the cost of producing those items in profit or loss.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' was amended to specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract", which can be either incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

3. Significant Accounting Policies *…(cont'd)*

b. Basis of Preparation*…(cont'd)*

- IFRS 9, 'Financial Instruments' was amended to clarify which fees an entity includes when it applies the "10 per cent test" in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

- IFRS 16, 'Leases' was amended to remove from Illustrative Example 13 (which accompanies IFRS 16) the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Credit Union's financial statements.

The Credit Union has adopted IFRS 9 from January 1, 2020.

Due to the transition method chosen by the Credit Union in applying IFRS 9, comparative information throughout these financial statements has not been restated to reflect its requirements.

The effect of initially applying IFRS 9 is mainly attributed to the following:

- an increase in impairment losses recognized on financial assets
- additional disclosures related to IFRS 9

Except for the changes below, the Credit Union has consistently applied the accounting policies as outlined to all periods presented in these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out requirements for measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The requirements of IFRS 9 represent a significant change from IAS 39 and brings fundamental changes to the accounting for financial assets.

IFRS 9 also introduced changes to the classification and measurement of financial assets and the accounting for impairment of financial assets from an incurred loss approach to a forward-looking expected credit loss approach.

3 Significant Accounting Policies …(cont'd)

b. Basis of Preparation…(cont'd)

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). For classification purposes, IFRS 9 requires all financial assets, except equity instruments and derivatives to be assessed on the basis of the entity's business model for managing the assets and the contractual cash flow characteristics of the instruments. The standard eliminates the previous categories under IAS 39 of available-for-sale, held-to-maturity and loans and receivables.

The Credit Union has classified its financial assets as follows:

- Debt instruments at amortised cost; and
- Equity instruments designed at fair value through other comprehensive income (FVOCI)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities and therefore, there have been no significant changes to the accounting for the Credit Union's financial liabilities under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model for financial assets. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. These new requirements are forward-looking and eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the new approach it is no longer necessary for a credit event to have occurred before credit losses are recognized and therefore under IFRS 9, credit losses are recognized earlier than under IAS 39. The impairment allowance is based on a three-stage model that determines the expected credit loss based on the probability of default, the exposure at default and the loss given default for loans and loan commitments, debt securities not held for trading and financial guarantee contracts.

Transition disclosures

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

As permitted by the transition provisions of IFRS 9, the Credit Union elected not to restate comparative financial information for 2018 for financial instruments within the scope of IFRS 9. As such, the comparative financial information for 2019 is reported under IAS 39 and is not comparable to the information presented in 2020 under IFRS 9. Adjustments to carrying amounts of financial assets and liabilities arising from the adoption of IFRS 9 have been recognized in opening retained earnings and other components of equity as at January 1, 2020.

3. Significant Accounting Policies *…(cont'd)*

b. Basis of Preparation*…(cont'd)*

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

If a debt security had low credit risk at the date of initial application of IFRS 9, then the Credit Union has assumed that credit risk on the asset had not increased significantly since its initial recognition.
The differences arising from the adoption of IFRS 9 are disclosed in the transition note disclosures following.

The table presents a reconciliation between the carrying amounts under IAS 39 with the carrying amounts of the balances under IFRS 9 at January 1, 2020 including the effect of reclassification and remeasurements.

	IAS 39 measurement at December 31, 2019	Reclassification	Remeasurement	Carrying amount at January 1, 2020	Category
	$	$	$	$	
Financial Assets					
Cash	10,204,622	-	-	10,204,622	Amortised cost
Loan and advances to members	12,198,590	-	1,754,166	13,952,756	Amortised cost
Financial Investments:					
-Loans and receivable	4,103,101	(4,103,101)	-	-	
-Available-for sale (AFS)	110,500	(110,500)	-	-	
Other receivables	37,078	-	-	37,078	Amortised cost
	26,653,891	(4,213,601)	1,754,166	24,194,456	
Equity securities - FVOCI					
From securities – available-for-sale	-	110,500	-	110,500	FVOCI
Debt securities – Amortised cost					
From securities – loans and receivable	-	(4,103,101)	-	-	Amortised cost

3. Significant Accounting Policies *…(cont'd)*

c. Foreign Currency Translation

Functional and presentation currency
Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean Dollars, which is the Credit Union's functional and presentation currency.

Transaction 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.

d. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash on hand and non-restricted cash balances.

e. Interest Income and Expense

Interest income and expenses are recognised in the Statement of Comprehensive Income for all interest-bearing instruments on an accrual basis using the effective yield method.

The effective interest method is a method of calculating the amortised 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 instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or discounts received between parties to the contract that are an integral part of the effective interest rate. Once a financial asset has been written down as a result of a provision for loan loss, interest income is not recognised until received.

f. Provisions

Provisions are recognized when the Credit Union has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense of any provision is recognized in the statement of comprehensive income. If the effect of the time value of money is risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

g. Taxation

The Credit Union is not liable to income taxes in accordance with section 25 (1) (q) of the Income Tax Act Cap 15.02 of the Revised Law of Saint Lucia.

3. Significant Accounting Policies…*(cont'd)*

h. Dividends Distributions

Dividends are based on the available earnings and are declared by the Board of Directors. Dividends distribution to the Credit Union's members are recognised as a liability in the Credit Union's financial statements in the period in which the dividends are approved by the Board of Directors.

i. Members' Equity

Members' shares are the savings and deposits accounts of the owners of the Credit Union. Share ownership of more than twenty shares at $5 each allows the member to vote in the election of the Board of Directors and other corporate matters. Each member has one vote and is subordinate to other liabilities in the Credit Union upon liquidation.

j. Reserves

Reserves are set aside by the Credit Union whereby allocations are transferred from retained earnings as necessary. Retained earnings include all prior and current period results of operations as disclosed in the statement of comprehensive income.

k. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year financial statements.

l. Fees and Commission Income

Fees and commission are generally recognised on an accrual basis when the service has been provided.

m. Property and Equipment

Items of property and equipment, except for land and building are recorded initially at cost and subsequently measured at cost less accumulated depreciation and impairment losses. Land is stated at revalued amounts, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent expenditure is capitalised when it will result in future economic benefits to the Credit Union.

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

Furniture and equipment	15%
Leasehold improvements	20%
Land	0%

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

3. Significant Accounting Policies …(cont'd)

m. Property and Equipment*… (cont'd)*

Increases in the carrying amount arising on revaluation of land is credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income. The entire revaluation reserve included in equity will be transferred to retained earnings upon disposal.

Gains or losses arising on the disposal or retirement of an item of property and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income.

n. Leases

The Credit Union as a lessee

The credit union assesses whether a contract is or contains a leave at the inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee

At lease commencement date, the credit union recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the credit union, on estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The credit union depreciated the right-of-use assets on a straight-line basis from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The credit union also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the credit union measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available, or the credit union's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the credit union would have to pay to borrow the same amount of a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity should have a different risk profile to that of the Company.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and financial costs. The financial cost is the amounts that produce a constant periodic rate of interest on the remaining balance of the lease liability.

3. Significant Accounting Policies *…(cont'd)*

n. Leases*…(cont'd)*

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the credit union's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero, then any excess is recognized in profit or loss. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The credit union has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss a straight-line basis over the lease term.

o. Financial Instruments

Classification and measurement of financial instruments

All financial assets are measured either at amortized cost, FVOCI or FVTPL based on their contractual cash flow characteristics and the business model for managing the financial assets. All financial instruments are initially measurement at fair value. They are recognized at the trade date, when the Credit Union becomes a party to the contractual provisions of the instrument, and initially measured at fair value.

Transactions costs on financial instruments classified as FVTPL are expensed as incurred. For all other classifications of financial instruments, initial transaction costs are capitalized.

In order to meet the cash flow characteristics criteria for purposes of classifying as financial asset at amortized cost, the cash flow for the asset must be solely payment of principal and interest SPPI on the principal amount outstanding. Principle is defined as the fair value of the asset at initial recognition. Interest payments can include for the time value of money as well as credit and liquidity risk and certain profit margin.

The Credit Union's business models are determined in a manner that reflect how groups of financial assets are managed to achieve a particular business objective. The business models refer to how the Credit Union manages its financial assets in order to generate cash flows, that is, they reflect whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Determining business models requires the use of judgement and is based on all relevant evidence available at the date of the assessment.

The Credit Union's business models are defined as follows:

- Held to collect contractual cash flows:
- Held to collect contractual cash flows and sell:
- Other business models: the objective is not consistent with any of the above-mentioned business models and represent business objectives where assets are managed on a fair value basis.

Financial assets are not reclassified following their recognition, unless the business model for management of those financial assets change.

3. Significant Accounting Policies *…(cont'd)*

o. Financial Instruments*…(cont'd)*

Financial assets measured at amortized cost

Financial assets are measured at amortized cost if they are held within the held to collect contractual cash flows business model and their contractual cash flows pass the SPPI test. The assets are initially recognized at fair value which is the cash consideration to originate or purchase the assets, including any transaction costs, and is subsequently measured at amortized cost using the effective interest rate method. Financial assets measured at amortized cost are reported in the statement of financial position as cash on hand, shares and term deposits held at Credit Union, loans outstanding and other assets. Interest is included in the statement of comprehensive income as a part of interest income.

For loans outstanding, allowance for loss is presented as a deduction in the loan's carrying value and is recognized in the statement of comprehensive income as provision for loan impairment.

Financial assets at fair value through other comprehensive income

Financial assets with the held to collect contractual cash flows and sell business model, where contractual cash flows meet the SPPI test, are measured at FVOCI. Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income (OCI). There are no active markets for these shares, therefore the Credit union has determined that the carrying amount is indicative of fair value.

Financial assets measured at fair value through profit or loss

The financial assets at FVTPL comprise two sub-categories: financial assets required to be measured at fair value as a result of the business model for managing those assets and financial assets designed by the Credit Union as FVTPL upon initial recognition.

Equity instruments are measured FVTPL. Fair value changes are recorded as part of other income in the statement of comprehensive income.

Financial Liabilities measured at amortized cost

Financial liabilities not classified as FVTPL fall into this category and include members' withdrawable shares and deposits, accounts payable and accrued liabilities. These are measured at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Modifications and recognition

A modification occurs when a loan's original terms, payment schedule, interest rate and limit are renegotiated or modified, which results in a change to the loans' contractual cash flows. A modification is calculated by taking the net present value of the new contractual cash flows, discounted at the original effective interest rate less the current carrying value, with the difference recognized as a gain or loss. The asset will continue to be subject to the same assessments for significant increase in credit risk and stage migration prior to being modified.

3. Significant Accounting Policies *…(cont'd)*

o. Financial Instruments*…(cont'd)*

Derecognition of financial instruments
Financial assets are derecognized when the rights to receive cash flows from the asset have expired or substantially all the risks rewards of the assets have been transferred. If the Credit Unions has neither transferred nor retained substantially all the risks and rewards of the financial asset, it will assess whether it has retained control over the asset. If the Credit Union determines that control has not been retained, it will derecognize the transferred asset.

Financial liabilities are derecognized when the obligation has been discharged, cancelled or expired.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

p. Impairment of Financial Assets
The Credit Union records and allowance for loss for all assets that are measured at amortized cost or at FVOCI. Equity investments are not subject to impairment. Impairment losses are measured based on the estimated amount and timing of future cash flows, and collateral values.

For loans carried at amortised cost, impairment losses are recognized as an allowance for losses on the statement of financial position, and as a provision for loan loss on the statement of comprehensive income. Losses are based on a three-stage impairment model outlined below.

For financial assets measurement at FVOCI, the calculated allowance for loss does not reduce the carrying amount in the statement of financial position, which remains value, instead the allowance is recognized in OCI as an accumulated impairment amount and charged to profit or loss when the asset is derecognized.

Measurement of allowance for loss

The Credit Union recognizes an allowance for loss based on an impairment model that comprises three different stages:

- Stage 1: for financial instruments that have not had a significant increase in credit risk since initial recognition and are not considered credit- impaired financial assets at initial recognition, an allowance for loss amounting to 12- month expected credit losses is recognized.
- Stage 2: for financial instrument that have had a significant increase in credit risk since initial recognition but are not considered-impaired financial assets, an allowance for the loss amounting to lifetime expected credit losses is recognized.
- Stage 3: for financial instruments that have had significant increase in credit risk since initial recognition but are not considered credit- impairment financial assets, an allowance for loss amounting to lifetime expected credit losses is recognized.

3. Significant Accounting Policies *…(cont'd)*

Measurement of allowance for loss*…(cont'd)*

Stages 1 and 2 are considered to be performing loans and stage 3 consists of impaired loans. Financial instruments may, over their life, move from one impairment model stage to another based on the improvement or deterioration in their credit risk and the level of expected credit losses. Instruments are categorized based on the change in credit risk from origination (initial recognition) to the current reporting date.

Movement in the stages relies on the judgement to assess whether a loan credit risk has significantly increased relatively to the date the loan was initially recognized. For this assessment, an increase in credit risk is considered at the instruments level.

q. Significant increase in credit risk

Assessing for significant increases in credit risk is performed quarterly based on the following factors. Should any of these factors indicate a significant increase in credit risk, the loan is moved to the appropriate stage:

- Contractual cash flow obligations are more than 30 days past due: or
- An adverse change in the borrower's situation indicates that their ability to fulfill their contractual cash flow obligations has been reduced: or
- Forward-looking information indicates that the ability of the borrower to fulfill its contractual cash flow obligations will be reduced.

The Credit Union has not used the low credit risk exemption for any financial instruments in the years ended December 31st 2020 and December 31st 2019.

r. Forward-looking information

Forward-looking information is incorporated into the measurement of allowance for loss. The Credit Union performs historical analysis and identifies the key economic variables impacting credit risk and expected for each loan type. Forecasts of these economic variables are based on data from economic experts and consideration of variety of external, actual and forecast information that allows the Credit union to formulate a based case view of the future direction of relevant economic variables as well as representative range of other possible forecast scenarios. This process involves developing four additional economic scenarios and considering the relevant probabilities for each outcome.

(i) As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty therefore the actual outcome may be significantly different to those projected. The Credit Union considers these forecast to represent its best estimate of the possible outcomes and analyzes the non-linearities and asymmetries within the Credit Union's different portfolios to establish that the chosen scenarios are appropriately representative of the range possible scenarios.

Default

The credit Union has defined instrument default as meeting at least one of the following criteria:

- 90 or more days due, unless other factors rebut this presumption.

3. Significant Accounting Policies *…(cont'd)*

r. Forward-looking information*…(cont'd)*

- Less than 90 days past due but the Credit Union has information indicating that the member is unlikely to pay their credit obligations in full. Examples include member bankruptcy and breach in covenants. An instrument is no longer considered default when it no longer meets any of the default criteria.

s. Write-offs

The Credit Union writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: ceasing enforcement activity and where the Credit Unions recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovery in full. The Credit Union may write-off financial assets that are still subject to enforcement activity. The Credit Union still seeks to recover amounts legally owned in full, but which have been partially written-off due to no reasonable expectation of full recovery.

4. 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 address the objectives is delegated to the Treasurer.

Financial instruments' strategy
Consequent on its nature, the Credit Union's activities are principally related to the use of financial instruments. The Credit Union 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 Credit Union 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 Credit Union 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 Credit Union'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 Credit Union 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.

The estimate of credit exposure is complex and requires the use of models, as the value of product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of default occurring of the associated loss ratios and of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

4. Financial Risk Management*…(Cont'd)*

(a) **Credit risk***…(Cont'd)*

In measuring credit risk of loans and advances at a counterparty level, the Credit Union considers three components:

- the probability of default by the member or counterparty on its contractual obligations:
- current exposures to the counterparty and its likely future development, from which the Credit Union derives the exposure at default;
- likely recovery ratio on the defaulted obligations loss given default.

The maximum exposure to credit risk from financial assets, without taking into account any collateral held or other credit enhancements, is as follows;

		2020	2019
Cash at bank	$	**7,719,362**	10,017,088
Investments		**7,751,662**	4,103,101
Accounts receivable		**75,046**	164,862
Loans and advances to members		**11,613,034**	12,198,590
	$	**27,159,104**	26,483,641

Credit risk in respect of loans and advances is limited as this balance is shown net of impairment losses on loans and advances. The maximum exposure to credit risk for loans and advances to members at the reporting date by category was: -

		2020	2019
Personal loans	$	**8,868,057**	10,776,491
Mortgages and real estate		**1,516,282**	1,823,316
Vehicle		**1,712,019**	1,772,314
Business		**62,932**	-
Travelling		**17,107**	17,568
Education		**83,673**	95,690
Staff		**72,549**	72,570
Insurance		**237,000**	239,700
	$	**12,569,619**	14,797,649

4. Financial Risk Management*…(cont'd)*

a. Credit risk*…(Cont'd)*

Loans and advance to members

The Credit Union often takes security as collateral in a manner similar to other lending institutions. The Credit Union maintains guidelines on the acceptability of specific types of collateral and prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. Collateral may include mortgages over commercial properties and charges over business assets such as premises, inventory and accounts receivable. Where significant impairment indicators are identified, the Credit Union will take additional measures to manage the risk of default, which may include seeking additional collateral. The Credit Union's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Credit Union since the prior period.

The Credit Union may foreclose on overdue loans by repossessing the pledged asset. The pledged asset may consist of real estate, equipment or vehicles which the Credit Union will seek to dispose of by sale. In some instances, the Credit Union may provide refinancing.

b. Liquidity Risk

The Credit Union is exposed to daily calls on its available cash resources from members' shares, deposits and loan draw downs. The Credit Union 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 sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level borrowing facilities that should be placed to cover withdrawals at unexpected levels of demand.

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

The 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 Credit Union and its exposure to changes in interest rates.

4 Financial Risk Management*…(cont'd)*

b. Liquidity Risk*…(Cont'd)*

The table below presents the cash flows payable by the Credit Unions for financial liabilities by remaining contractual maturity dates at the date of the financial statements. The amounts disclosed in the table are the contractual undiscounted cash flow, whereas the Credit Union manages the inherent liquidity.

	Carrying Amounts	Contractual Cash Flows	6 Months or Less	6 - 12 Months	1-2 Years	2 -5 years	More than 5 years
	$	$	$	$	$	$	
As at December 31st 2020							
Account payables	168,772	168,772	168,772	-	-	-	-
Deposits from members	3,705,183	3,705,183	2,821,163	884,020	-	-	-
Withdrawable shares	24,550,147	24,550,147	24,550,147	-	-	-	-
	28,424,102	28,424,102	27,540,082	884,020	-	-	-
As at December 31st,2019							
Account payables	89,331	89,331	89,331	-	-	-	-
Deposits from members	3,556,164	3,556,164	2,577,601	978,563	-	-	-
Withdrawable shares	25,217,354	25,217,354	25,217,354		-	-	-
	28,862,849	28,862,849	27,884,286	978,563	-	-	-

c. *Currency Risk*

The Credit Union takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Credit Union's exposure to currency risk is minimal since most of its assets and liabilities are held in Eastern Caribbean Dollars. The exchange rate of the Eastern Caribbean Dollar (XCD) to the United States Dollar (US$) has been formally pegged at XCD $2.70 = US$1.00 since 1974.

4. Financial Risk Management *…(cont'd)*

d. Interest Rate Risk

The Credit Union takes on the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. Interest margins may reduce or create losses in the event that unexpected movements arise.

The table below summaries the exposures to interest rate risks on the Credit Unions financial assets and financial liabilities. Amounts are stated at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Immediately rate sensitive $	1-3 Months $	3-12 Months $	Greater than 12 Months $	Non-rate Sensitive $	Total $
Risk						
As at December 31st, 2020						
Financial Assets						
Cash at bank	7,719,362	-	-	-	-	7,719,362
Financial investment	-	7,228,103	70,000	-	453,559	7,751,662
Account receivable	-	-	-	-	75,046	75,046
Members' loans and advances		479,405	6,603,479	4,418,818	111,332	11,613,034
Total financial assets	7,719,362	7,707,508	6,673,479	4,418,818	639,937	27,159,104
Financial Liabilities						
Account payables	-	-	-	-	168,772	168,772
Members' deposits	2,821,163	884,020	-	-	-	3,705,183
Members' withdrawable shares	24,550,147	-	-	-	-	24,550,147
Total financial liabilities	27,371,310	884,020	-	-	168,772	28,424,102
Total interest sensitive gap	(19,651,948)	6,823,488	6,673,479	4,418,818	471,165	(1,264,998)

4. Financial Risk Management*…(cont'd)*

d. Interest Rate Risk*…(cont'd)*

	Immediately rate sensitive	1-3 Months	3-12 Months	Greater than 12 Months	Non-rate Sensitive	Total
	$	$	$	$	$	$
Risk						
As at December 31st, 2019						
Financial Assets						
Cash at bank	10,017,088	-	-	-	-	10,017,088
Investment securities						
• Available for sale	-	-	-	-	110,500	110,500
• Loans and receivable	1,138,483	2,873,888	90,730	-	-	4,103,101
Accounts receivable	-	-	-	-	164,862	164,862
Members' loans and advances	-	940,198	4,986,481	6,219,488	52,423	12,198,590
Total financial asset	11,155,571	3,814,086	5,077,211	6,219,488	327,785	26,594,141
Financial Liabilities						
Accounts payable	-	-	-	-	89,331	89,331
Members' deposits	2,577,601	978,563	-	-	-	3,556,164
Members' withdrawable shares	25,217,354	-	-	-	-	25,217,354
Total financial liability	27,794,955	978,563	-	-	89,331	28,862,849
Total interest sensitive gap	(16,639,384)	2,835,523	5,077,211	6,219,488	238,454	(2,268,708)

4. Financial Risk Management…*(cont'd)*

d. Interest Rate Risk…*(cont'd)*

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

Financial Assets		**2020**	2019
Cash at bank	$	**7,719,362**	10,017,088
Financial investments		**7,298,103**	4,103,101
Members' Loans and advances		**11,613,034**	12,198,590
		26,630,499	26,318,779
Financial Liabilities			
Members' Deposits		**3,705,183**	3,556,164
Members' Withdrawable shares		**24,550,147**	25,217,354
	$	**28,255,330**	28,773,518

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

Financial Assets	**2020** **%**	2019 %
Cash and cash equivalents	0.00-0.50	0.00-0.50
Investment Securities	1.5-6.25	1.25-6.50
Members' Loans and advances	7-12.00	7-12.00
Financial Liabilities		
Members' Deposits	2-3.00	2.50-4.00
Members' Withdrawable shares	2.50	2.50-4.00.

e. Market Risk

The Credit Union is exposed to equity securities price risk because of Investments held by the Credit Union classified on the statement of financial position as financial investments.

f. Geographical Concentration of Risk

Membership in the Credit Union is restricted primarily to current and ex-employees of the hospitality industry department along with their spouse and child or ward as defined in section 4 of the bylaws. As a result of the restriction, its risk is concentrated to members of that profession.

4. Financial Risk Management*…(cont'd)*

g. Fair Value Hierarchy

IFRS 7 specifies a hierarchy valuation technique based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Credit Union's market assumptions.

Where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date. The values derived from applying these techniques are significantly affected by the underlying assumption used concerning both amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used: -

The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

The fair value of variable-rate financial instruments is assumed to approximate their carrying amount.

Observable and unobservable inputs have created the following fair value hierarchy:

Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. This includes listed equity securities and debt instruments on exchanges.

Level 2- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, as prices) or indirectly (that is derived from prices).

Level 3- Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Credit Union's financial assets and financial liabilities are disclosed in the statement of financial position approximate their fair value.

h. Capital Risk Management

The Credit Union's objectives when managing capital are:

- To comply with statutory capital requirements of the Co-operative Societies Act Cap 12.06 of the revised laws of Saint Lucia;
- The Credit Union is guided by its loan policy and the regulations in the Co-operative Societies Act, taking into consideration changes in the economy or any particular segment that may represent a concentration in the Credit Union's portfolio;
- To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members and benefits to other stakeholders; and
- To maintain a strong capital base to maintain members, creditors and other parties' confidence and to sustain future development of the Credit Union.

The Board of Directors monitors the return on members' investment, which is defined as surplus for the year divided by total shares, as well as the level of dividends to members.

4 Financial Risk Management*…(cont'd)*

i. The following table shows the analysis of financial instruments measured at their fair value by level of the fair value hierarchy:

	Level 3 $	Total $
As at December 31st, 2020		
Investment securities- unlisted	**453,559**	**453,559**
	453,559	**453,559**
As at December 31st, 2019		
Investment securities- unlisted	110,500	110,500
	110,500	110,500

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Credit Union 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. In the future, actual results may differ from the estimates and assumptions. The effects of a change in an accounting estimate are recognised prospectively by including it in the statement of comprehensive income in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

a. Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess the expected credit loss at least on a quarterly basis. The measurement of the expected credit loss for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgements are also required in applying the accounting requirements for measuring expect credit loss, such as:

- determining criteria for Significant increase in credit risk
- choosing appropriate models and assumptions for the measurements of expected credit loss;
- establishing the number and relative weighing of forward- looking scenarios or each type of product and the associated expected credit loss: and
- establishing groups of similar financial assets for the purpose of measuring expected credit loss

The judgements, inputs, methodology and assumptions used for estimating the expected credit loss allowance are reviewed regularly to reduce any difference between the loss estimates and actual loss experience.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

b. Revaluation of land and investment property

The Credit Union measures its land classified as property and equipment at revalued amounts with changes in fair value being recognized in other comprehensive income. Land classified as investment property are measured at fair value with changes being recognized in profit or loss. The Credit Union engages independent valuation specialists to determine fair value of its land. The valuer uses judgment in the application of valuation techniques such as replacement cost, capitalization of potential rentals and the market price of comparable properties, as applicable in each case. As at December 31, 2020 the credit union has opted not to revalue its property.

c. Going Concern

The Credit Union's management is satisfied that it has the resources to continue in business for the foreseeable future. The Credit Union's management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern.

d. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

e. Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value Is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Credit Union's best estimates of the most appropriate model assumption.

6. Cash and cash equivalents

		2020	2019
Cash on hand	$	**233,047**	187,534
Cash at bank		**7,719,362**	10,017,088
	$	**7,952,409**	10,204,622

Interest is earned on savings bank balances at an average rate of 0.5% (2019 – 0.5%) per annum. Pursuance to Section 119 (3) of the Co-operative Society's Act, the Co-operative 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.

		2020	2019
Cash at Bank	$	**7,719,362**	10,017,088
The minimum requirement under the Act	$	**4,238,300**	4,316,028

As at the year end, the Co-operative met the liquidity reserve requirement.

7. Financial investments

	2020		2019	
	Cost $	**Carrying Value**	Cost $	Carrying Value
Fair value through other comprehensive income (FVOCI)				
St. Lucia Co-operative League				
10,100 ordinary shares at $5	**50,500**	**50,500**	-	-
1st National Bank St. Lucia			-	-
24,667 ordinary shares at $16.34(2019- $15.47)	**60,000**	**403,059**	-	-
Total FVOCI Investments	**110,500**	**453,559**	-	-
Amortised cost				
St Lucia Government Eurobond	**-**	**75,479**	-	-
St Vincent Government Treasury Bond	**-**	**70,000**	-	-
	-	**145,479**	-	-
Fixed Deposits				
Financial Investment and Consultancy Services Ltd	**-**	**3,342,063**	-	-
Bank of Saint Lucia Limited	**-**	**622,770**	-	-
Capita Financial Services	**-**	**1,153,402**	-	-
Sagicor Finance Inc.	**-**	**1,500,000**	-	-
St Lucia Co-operative League	**-**	**405,236**	-	-
	-	**7,023,471**	-	-
Interest receivable	**-**	**129,153**	-	-
Total amortised cost investments	**-**	**7,298,103**	-	-
Total financial investments	**-**	**7,751,662**	-	-

7. Financial investments*…(cont'd)*

		2020	2019
Available for sale (AFS) investments			
St. Lucia Co-operative Credit Union League Limited	$	-	50,500
1st National Bank St. Lucia Limited		-	60,000
Eastern Caribbean Co-operative Central Ltd		-	27,169
		-	137,669
Less allowance for impairment		-	(27,169)
Total available for sale (AFS) investments	$	-	110,500

		2020	2019
Loans and receivables			
Bank of St. Lucia Limited	$	-	613,566
St. Lucia Co-operative Credit Union League Limited		-	395,353
First Citizens Investment Services		-	74,557
Capita Financial Service Inc.		-	1,117,000
Financial Investment & Consultancy Services Ltd		-	1,855,927
Accrued interest on investments		-	46,698
Total securities – loans and receivables	$	-	4,103,101
Total financial instruments, net allowance for impairment	$	-	4,213,601

Interest is earned on interest bearing securities at rates ranging between 2020 -0% (2019: 1.25% - 6.5% per cent per annum.

8. Accounts receivable

		2020	2019
CUNA – Members' FIP benefits	$	**45,000**	144,167
Other		**30,046**	20,695
Accounts receivable	$	**75,046**	164,862

9. Loans and advances to members

		2020	**Restated** 2019
Loans and advances to members	$	**12,569,619**	14,797,649
Interest receivable		**111,332**	52,422
		12,680,951	14,850,071
Provisions for impairment of loans		**(1,067,917)**	(2,651,482)
	$	**11,613,034**	12,198,590

Provisions for impairment on loans

In accordance with IFRS 9 as at December 31,2020

Balance – at beginning of year	$	**2,651,482**	2,356,664
Provision for ECL		**598,290**	-
Impact of IFRS 9 adoption		**(1,754,166)**	-
Provision for loan impairment IAS39		**-**	368,697
Written-off loans during the year		**(427,689)**	(73,879)
Provision balance end of year		**1,067,917**	2,651,482

Expected Credit Loss end of year

The table below shows the staging of loans to members and their related credit losses based on IFRS 9 adoption

	Stage 1 Provision 12 months ECL performing $	Stage 2 Provision Lifetime ECL performing $	Stage 3 Provision Lifetime ECL Credit Impaired $	Forward Looking Factor $	Total $
Credit loss expense/(recoveries)	714,761	34,522	303,903	14,731	1,067,917
Expected Credit Loss Allowances as at December 31,2020	714,761	34,522	303,903	14,731	1,067,917

Interest is earned at rates ranging between 2020- 7%- 12% (2019: 9% - 12%) per annum

10. Investment property

		2020	2019
Opening balance	$	**2,076,777**	2,076,777
Additions		**-**	-
		2,076,777	2,076,777
Sales		**-**	-
Closing balance	$	**2,076,777**	2,076,777

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, 2020, 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.

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

Notes to Financial Statement
For the year ended 31st December, 2020
(Expressed in Eastern Caribbean Dollars)

11. Property and equipment

		Furniture Equipment	Land	Leasehold Improvements	Total
Cost					
Balance at January 1, 2019	$	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
Additions		16,710	-	322,634	339,344
Disposals		(36,204)	-	(285,825)	(322,029)
Balance at December 31, 2020	$	247,888	985,890	322,634	1,556,412
Accumulated depreciation					
Balance at January 1, 2019		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
Charge for the year		22,558	-	-	22,558
Disposals		(25,578)	-	(173,677)	(199,255)
Balance at December 31, 2020	$	103,700	-	-	103,700
Net Book Value					
At December 31, 2020		144,188	985,890	322,634	1,452,712
At December 31, 2019	$	160,662	985,890	112,148	1,258,700

12. Intangible asset

		Computer software
Cost		
Balance at January 1, 2019	$	29,062
Balance at December 31, 2019		29,062
Balance at December 31, 2020	$	**29,062**
Accumulated Depreciation		
Balance at January 1, 2019		8,886
Charge for the year		5,813
Balance at December 31, 2019		14,699
Change for the year		5,813
Balance at December 31, 2020	$	**20,512**
Net Book Value		
At December 31, 2020		**8,550**
At December 31, 2019	$	14,363

13. Accounts payable and accruals

		2020	2019
Accruals	$	**66,339**	89,331
ATM suspense		**24,710**	-
Other		**77,723**	-
	$	**168,772**	89,331

14. Lease Liability

This balance refers to liability in respect to Lease Contract for the Rights of use assets i.e., building used by the Credit Union. The liability incurred is discounted at a rate of 6% per annum.

		2020	2019
Additions		**1,152,717**	-
Balance end of year	$	**1,152,717**	-

15. Members' fixed deposits

		2020	2019
Opening balance	$	**2,082,304**	1,456,645
Additions		**2,367,435**	8,895,947
		4,449,739	10,352,592
Withdrawals		**(2,300,060)**	(8,270,288)
Closing balance	$	**2,149,679**	2,082,304

Interest is paid on members' fixed deposit at a rate of 4% (2019: 4%) per annum.

16. Members' regular deposits

		2020	2019
Opening balance	$	**1,473,860**	1,292,200
Additions		**8,694,345**	8,451,948
		10,168,205	9,744,148
Withdrawals		**(8,612,701)**	(8,270,288)
Closing balance	$	**1,555,504**	1,473,860

No interest is paid on members' regular deposits.

17. Members' special savings

		2020	2019
Opening balance	$	**25,217,354**	24,117,797
Additions		**8,644,513**	11,237,335
		33,861,867	35,355,132
Withdrawals		**(9,311,720)**	(10,137,778)
Closing balance	$	**24,550,147**	25,217,354

Interest is paid on members' special savings at a rate of 2.5% (2019 - 2.5%) per annum.

18. Share capital

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

		2020	2019
Balance at beginning of year	$	**1,281,887**	1,001,968
New shares issued		**60,642**	302,680
		1,342,529	1,304,648
Withdrawals		**(24,368)**	(22,761)
Balance at end of year		**1,318,161**	1,281,887
Issued capital 263,632 (2019 – 256,375) $5.00 non-redeemable members' shares	$	**263,632**	256,377

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.

19. Statutory reserve

		2020	2019
Balance - beginning of year	$	**1,612,151**	1,612,151
Transfer from retained earnings		**350,833**	-
Entrance fees		**5**	-
Balance - end of year	$	**1,962,989**	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.

20. Education reserve

		2020	2019
Balance - beginning of year	$	**353,740**	353,740
Transfer from profit		**-**	-
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 realised surplus (if any) shall be deposited.

21. Other income

		2020	2019
Passbook sales	$	**840**	1,230
Foreign exchange gain		**2,755**	3,799
Loan processing		**18,660**	43,045
No passbook and third-party fees		**-**	12,511
Commissions		**70,860**	41,529
Dividends		**1,010**	6,000
Other		**58,060**	50,936
	$	**152,185**	159,050

22. Administrative expenses

	Notes		2020	2019
AGM expenses		$	**750**	7,721
Emortelle software license			**7,645**	8,638
Audit			**22,500**	40,459
Credit union week			**2,750**	8,468
CUNA insurance			**126,976**	122,628
Insurance			**10,660**	9,654
Depreciation	10		**22,558**	54,261
Amortization	11		**5,813**	5,813
Donation and subscriptions			**14,711**	6,710
Lease			**86,344**	104,456
Advertisement			**9,896**	13,480
Legal fees and professional			**21,338**	27,964
League dues			**33,880**	25,408
Office			**56,140**	61,434
ATM project			**56,512**	28,701
Repairs and maintenance			**79,281**	10,621
Management and employee cost	23		**458,331**	537,115
Executive			**11,565**	10,480
Security			**48,658**	46,041
OECS Summit			**-**	5,131
Loss on disposal of property and equipment			**122,774**	3,067
Utilities			**61,262**	66,115
Miscellaneous			**1,252**	105,119
		$	**1,261,596**	1,309,484

23. Management and employee costs

		2020	2019
Salaries and wages	$	**430,877**	433,723
Staff overtime pay		**1,677**	9,633
Staff travelling and acting allowances		**-**	13,400
Medical insurance		**4,812**	4,885
Employer's NIC contributions		**16,431**	18,626
Staff uniforms		**935**	11,763
Staff bonus and incentives		**-**	18,400
Staff other expenses		**2,999**	9,773
Staff redundancy costs		**600**	16,912
	$	**458,331**	537,115

24. Related party transactions

Related party definition

A related party is a person or entity that is related to the Co-operative:

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

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

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

(i) The entity and the Co-operative 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 Co-operative or an entity related to the Co-operative.
(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 Co-operative.

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

24. Related party transactions…*(cont'd)*

The following are the loan balances of board of directors, members of the supervisory committee and credit committee and other management personnel.

		2020	2019
Loans			
Directors	$	**4,951**	27,743
Credit committee		**66,941**	150,726
Supervisory committee		**3,881**	121,641
Staff		**63,599**	72,570
	$	**139,372**	372,680

		2020	2019
Special savings			
Directors	$	**71,028**	104,780
Credit committee		**51,838**	84,543
Supervisory committee		**19,865**	82,889
Staff		**32,286**	38,914
	$	**175,017**	311,126

		2020	2019
Deposits			
Directors	$	**8,058**	8,144
Credit committee		**269**	929
Supervisory committee		**372**	1,264
Staff		**11,447**	4,528
	$	**20,146**	14,865

		2020	2019
Share capital			
Directors	$	**4,904**	7,025
Credit committee		**1,367**	3,110
Supervisory committee		**1,896**	3,563
Staff		**3,090**	4,100
	$	**11,257**	17,798

25. Rights of use assets

On 14th August 2020, the St Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd entered a ten (10) year lease for 2,400 sq ft of office space on the ground floor of a building situated on Brazil street, in the city of Castries for its office accommodations. The lease agreements commit the Co-operative to a monthly payment of $8,000 (96,000) for the first year, $10,000 ($120,000) in the second and third year subject to review and agreement by the parties based on the prevailing economic climate due to the Covid19 pandemic. Year 4 is at $13,500 monthly ($162,000) and year's 5-10 $15,000 monthly, (180,000). The rent is payable monthly in advance and is depreciated in accordance with the terms of the lease.

Cost:		**2020**	2019
Additions	**$**	**1,152,717**	-
Balance as at December 31,2020	**$**	**1,152,717**	-

26. Contingent liability

		US	**2020**	2019
Potential liability due to Grenada Co-operative League Limited	$	**10,082**	**-**	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 Nishe 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 however, Nishe Technology reneged on their obligation. The remaining members of the OECS Credit Union agreed that they would share the responsibility of the loss for the letter of credit. The St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd paid to Grenville the amount of US $10,082. The amount of $10,082 is being written off as no indication was given that suggests that the OECS Credit Union Leagues are making a concrete effort to recover funds.

27. Subsequent event – Coronavirus (COVID-19)

In 2020, the world experienced a pandemic referred to as Covid -19, in order to curtail the spread the Government of the Saint Lucia declared a state of emergency in March 2020. These measures disrupted many regular aspects of life, including limitations on business operations, public events, travel, and in-person interactions.

The St. Lucia Hospitality Industry Workers' Credit Co-operative Society Ltd membership is restricted primarily to members and ex-employees of the hospitality industry. The shut-down of the tourism industry caused a loss or reduction of the primary earning capacity of members thereby creating an inability for them to keep up with their loan repayment schedule. To mitigate COVID-19 on its members who are employed primarily in the hospitality industry the Credit Union offered to its members moratorium, waivers and loan restructures.

There is uncertainty about the length and potential impact of the disturbance. The Credit Union's Management is unable to estimate the potential impact on the Credit Union's operations as at the date of these financial statements.

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28. Co-operative Societies Act Compliance Requirements

Liquidity Reserve Requirements

Under section 119 (3a) of the Act the Credit Union is to maintain a liquidity investment calculated as 15% of members' shares and deposits as at the year end and this amounted to 2020: $4,238,300, (2019: $4,316,028)

The liquid assets at the year-end comprised:

		2020	2019
Cash	$	**7,952,409**	10,204,622
Financial investments		**7,751,662**	4,213,601
Total securities available-for-sale and cash	$	**15,704,071**	14,418,223

Total financial investments and cash	$	**15,704,071**	14,418,223
Total Shares and deposits	$	**28,255,330**	28,773,518
Liquidity ratio		**56%**	50%

The Credit Union is in compliance with the liquidity reserve requirement as at December 31st, 2020 (2019: in compliance).

28. Co-operative Societies Act Compliance Requirements...*(cont'd)*

Statutory Reserve Requirements

Section 119 (3b) of The Co-operative Societies Act requires that statutory and other reserves at no stage be less than 10% of its total liabilities.

The Credit Union's reserves to liabilities ratio is as follows: -

		2020	2019
Reserves and funds	$	**2,316,729**	1,965,891
Total liabilities	$	**29,576,819**	28,862,849
Reserves to liabilities ratio		**8%**	7%

The Credit Union is not in compliance with the reserve requirement as at December 31st, 2020 (2019: not in compliance).

29. Provisioning

The following disclosure is required in accordance with Schedule 3 of the Regulations 30(1) of the Co-operative Societies Act. Chapter 12:06, the loan loss on outstanding loans is computed as follows:

Duration of Period of Overdue Loans	Delinquent Loans	Qualifying Collateral	Net Delinquent Loans	Loss Exposure	Regulatory Provision
3-6 mths (91-180 days)	307,233	143,526	163,707	25%	**40,927**
6-9 mths (181-270 days)	81,642	289	81,353	50%	**40,677**
9-1 year (271-365 days)	92,306	55,171	37,135	75%	**27,851**
Over 1 year (<365 days)	1,383,871	1,049,670	334,201	100%	**334,201**
Total	**1,856,052**	**1,248,656**	**616,396**		**443,656**

Under the "incurred loss framework" Credit Unions were required to recognise credit losses only when evidence of a loss was apparent. Provisioning is calculated under IFRS 9's ECL impairment framework. Under this framework Credit Unions are required to recognise ECLs at all times, taking into account past events, current conditions and forecast information, and to update the amount of ECLs recognised at each reporting date to reflect changes in an asset's credit risk. The provision for impairment is contained in note 9 of the financial statements.

30. Prior Period Adjustments

The financial statement as at December 31, 2019 has been restated to reflect the change in accrued interest receivable in members loans and advances, consolidated balances for cash at bank and due from subsidiary company balances.

Rectification in the error resulted in a reduction in the members loans and advances, increase in cash and cash equivalents and decrease in due from subsidiary and an increase in deficit.

The effect of the restatements for the year ended December 31st, 2019 is summarised below:

Year ended December 31st, 2019

		As previously reported	Adjustments	As Restated
Statement of Financial Position				
Due from subsidiary company		126,191	(126,191)	-
Cash and cash equivalents		10,198,121	6,501	10,204,622
Members loans and advances	$	13,441,022	(1,242,432)	12,198,590
Deficit	$	(616,990)	(1,362,122)	(1,979,112)