JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2022

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2022

I N D E X

INDEPENDENT AUDITORS' REPORT

To: The Registrar of Co-operatives Societies
Re: JPS & Partners Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JPS & Partners Co-operative Credit Union Limited ("The Credit Union") set out on pages 4 to 99, which comprise the statement of financial position as at 31 December 2022, and the statements of surplus or deficit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Co-operatives Societies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: JPS & Partners Co-operative Credit Union Limited

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: JPS & Partners Co-operative Credit Union Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional matters as required by the Co-operative Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner required.

Chartered Accountants

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Note	2022 $	Restated 2021 $	Restated 2020 $
ASSETS				
EARNING ASSETS:				
Liquid assets	5	440,171,551	83,406,623	42,345,882
Resale agreements	6	1,050,238,794	1,111,133,973	845,490,132
Loan receivables	7	2,835,536,910	2,694,242,255	2,740,102,372
Financial investments	8	474,736,867	791,990,509	810,417,174
Investment property	9	332,100,000	332,100,000	277,000,000
		5,132,784,122	5,012,873,360	4,715,355,560
NON-EARNING ASSETS:				
Cash and bank balances	10	85,387,132	71,044,722	63,615,327
Other assets	11	18,137,109	17,720,060	12,830,852
Property, plant and equipment	12	345,561,082	351,877,666	302,505,590
Intangible asset	13	6,743,969	6,712,172	5,090,213
Retirement benefit asset	14	14,074,000	51,555,000	55,878,000
		469,903,292	498,909,620	439,919,982
TOTAL ASSETS		5,602,687,414	5,511,782,980	5,155,275,542
LIABILITIES AND CAPITAL				
INTEREST BEARING LIABILITIES:				
Voluntary shares	15	1,526,719,452	1,481,423,309	1,418,382,955
Saving deposits	16	2,271,090,801	2,234,278,166	2,095,911,022
Loan scheme funds	17	14,358,732	12,542,667	12,141,705
		3,812,168,985	3,728,244,142	3,526,435,682
NON-INTEREST BEARING LIABILITIES:				
Payables	18	77,017,604	60,153,527	47,764,467
Deferred credit	19	5,166,977	5,166,977	5,166,977
		82,184,581	65,320,504	52,931,444
TOTAL LIABILITIES		3,894,353,566	3,793,564,646	3,579,367,126
CAPITAL:				
Institutional capital	20	882,411,723	861,438,891	814,402,358
Non-institutional capital	21	825,922,125	856,779,443	761,506,058
TOTAL CAPITAL		1,708,333,848	1,718,218,334	1,575,908,416
TOTAL LIABILITIES AND CAPITAL		5,602,687,414	5,511,782,980	5,155,275,542

Approved for issue by the Board of Directors on and signed on its behalf:

Donovan Cunningham - President

Natalie Sparkes - Treasurer

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	Restated 2021 $
INTEREST INCOME:			
Loan receivables		363,479,173	364,059,479
Liquid assets		7,506,281	4,983,529
Resale agreements		63,503,113	32,168,160
Financial investments		22,553,681	21,470,242
		457,042,248	422,681,410
INTEREST EXPENSE AND OTHER FINANCIAL COSTS:			
Voluntary shares		19,628,206	19,293,274
Saving deposits		43,789,040	41,173,199
Other financial costs	24	17,203,954	16,028,058
		80,621,200	76,494,531
NET INTEREST INCOME		376,421,048	346,186,879
Impairment allowance on loans	7	(9,005,513)	(5,673,512)
NET INTEREST INCOME AFTER IMPAIRMENT ALLOWANCE ON LOANS		367,415,535	340,513,367
Non-interest income	25	22,633,453	98,073,725
		390,048,988	438,587,092
Operating expenses	26	(327,044,835)	(288,347,822)
SURPLUS BEFORE HONORARIUM		63,004,153	150,239,270
Honorarium		(3,600,000)	(4,000,000)
SURPLUS AFTER HONORARIUM		59,404,153	146,239,270
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that will not be reclassified to surplus or deficit:			
Revaluation gain on property	12	-	57,302,472
Re-measurement of retirement benefit asset		(39,624,000)	(7,371,000)
		(39,624,000	49,931,472
Item that will or may be reclassified to surplus:			
Valuation loss on fair value through other comprehensive income on debt instruments		(9,071,684)	(3,849,309)
		(48,695,684)	46,082,163
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,708,469	192,321,433

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Note	Institutional Capital $	Non-Institutional Capital $	Total $
Balance at 31 December 2020				
As previously reported	20 & 21	814,402,358	798,532,783	1,612,935,141
Prior year adjustment	30	-	(37,026,725)	(37,026,725)
As restated		814,402,358	761,506,058	1,575,908,416
Total comprehensive income:				
Net surplus for the year				
As previously reported		-	150,910,667	150,910,667
Prior year adjustment		-	(4,671,397)	(4,671,397)
As restated		-	146,239,270	146,239,270
Other comprehensive income		-	46,082,163	46,082,163
Transactions with owners:				
Dividend (non-cash and cash)	20 & 23	5,871,828	(13,256,820)	(7,384,992)
Loan rebate on interest paid	23	-	(5,334,981)	(5,334,981)
Issue of permanent shares	20	182,572	-	182,572
Transfer to statutory reserve	20	40,982,133	(40,982,133)	-
Decrease in other non-qualifying reserves	22	-	(37,474,114)	(37,474,114)
		47,036,533	95,273,385	142,309,918
Balance at 31 December 2021, as restated	20 & 21	861,438,891	856,779,443	1,718,218,334
Total comprehensive income:				
Net surplus for the year		-	59,404,153	59,404,153
Other comprehensive income		-	(48,695,684)	(48,695,684)
Transactions with owners:				
Dividend	23	-	(6,208,786)	(6,208,786)
Patronage refund	23	-	(11,171,748)	(11,171,748)
Issue of permanent shares	20	372,001	-	372,001
Transfer to statutory reserve	20	20,600,831	(20,600,831)	-
Decrease in other non-qualifying reserves	22	-	(3,584,422)	(3,584,422)
Balance at 31 December 2022	20 & 21	882,411,723	825,922,125	1,708,333,848

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

INSTITUTIONAL CAPITAL

	Note	Statutory Reserve $	Revenue Reserve $	Permanent Shares $	Business Combination Reserve $	Total $
Balance at 31 December 2020		396,921,730	56,938,043	62,932,108	297,610,477	814,402,358
Transactions with owners:						
Dividends (non-cash)		-	-	5,871,828	-	5,871,828
Issue of permanent shares		-	-	182,572	-	182,572
Transfer from undistributed surplus		40,982,133	-	-	-	40,982,133
Balance at 31 December 2021	20	437,903,863	56,938,043	68,986,508	297,610,477	861,438,891
Transactions with owners:						
Issue of permanent shares		-	-	372,001	-	372,001
Transfer from undistributed surplus		20,600,831	-	-	-	20,600,831
Balance at 31 December 2022	20	458,504,694	56,938,043	69,358,509	297,610,477	882,411,723

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

NON- INSTITUTIONAL CAPITAL

	Note	Capital Revaluation Reserve $	Investment Reserve $	Other Non-Qualifying Reserve $	Retirement Benefit Reserve $	Undistributed Surplus $	Total $
Balance at 31 December 2020:							
As previously reported		528,766,041	21,020,912	111,626,365	55,878,000	81,241,465	798,532,783
Prior year adjustments	30	-	-	-	-	(37,026,725)	(37,026,725)
As restated		528,766,041	21,020,912	11,626,365	55,878,000	44,214,740	761,506,058
Total comprehensive income:							
Net surplus for the year							
As previously reported		-	-	-	-	150,910,667	150,910,667
Prior year adjustment		-	-	-	-	(4,671,397)	(4,671,397)
As restated		-	-	-	-	146,239,270	146,239,270
Other comprehensive Income:							
Valuation loss on fair value of debt instruments		-	(3,849,309)	-	-	-	(3,849,309)
Re-measurement of retirement benefit asset	14	-	-	-	-	(7,371,000)	(7,371,000)
Revaluation gain on property	12	57,302,472	-	-	-	-	57,302,472
		57,302,472	(3,849,309)	-	-	138,868,270	192,321,433
Transactions with owners:							
Dividends on permanent shares	23	-	-	-	-	(13,256,820)	(13,256,820)
Loan rebate on interest	23	-	-	-	-	(5,334,981)	(5,334,981)
Transfer to statutory reserves	20	-	-	-	-	(40,982,133)	(40,982,133)
Transfer from retirement benefit reserve		-	-	-	(4,323,000)	4,323,000	-
Transfer of revaluation gain on investment property	9	55,100,000	-	-	-	(55,100,000)	-
Decrease in reserves	22	-	-	(37,474,114)	-	-	(37,474,114)
Transfer to reserves	22	-	-	31,500,000	-	(31,500,000)	-
		112,402,472	(3,849,309)	(5,974,114)	(4,323,000)	(2,982,664)	95,273,385
Balance at 31 December 2021 restated	21	641,168,513	17,171,603	105,652,251	51,555,000	41,232,076	856,779,443

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

NON- INSTITUTIONAL CAPITAL

	Note	Capital Revaluation Reserve $	Investment Reserve $	Other Non-Qualifying Reserves $	Retirement Benefit Reserve $	Undistributed Surplus $	Total $
Balance at 31 December 2021:							
As previously reported		641,168,513	17,171,603	105,652,251	51,555,000	82,930,198	898,477,565
Prior year adjustments	30	-	-	-	-	(41,698,122)	(41,698,122)
As restated	21	641,168,513	17,171,603	105,652,251	51,555,000	41,232,076	856,779,443
Total comprehensive income:							
Net surplus for the year		-	-	-	-	59,404,153	59,404,153
Other Comprehensive Income:							
Valuation loss on fair value of debt instruments		-	(9,071,684)	-	-	-	(9,071,684)
Re-measurement of retirement benefit asset		-	-	-	-	(39,624,000)	(39,624,000)
		-	(9,071,684)	-	-	19,780,153	10,708,469
Transactions with owners:							
Dividends on permanent shares	23	-	-	-	-	(6,208,786)	(6,208,786)
Patronage Refund	23	-	-	-	-	(11,171,748)	(11,171,748)
Transfer to statutory reserves	20	-	-	-	(37,481,000)	37,481,000	-
Transfer to retirement benefit reserve		-	-	-	-	(20,600,831)	(20,600,831)
Decrease in reserves	22	-	-	(3,584,422)	-	-	(3,584,422)
Transfer to reserves	22	-	-	36,800,000	-	(36,800,000)	-
		-	(9,071,684)	33,215,578	(37,481,000)	(17,520,212)	(30,857,318)
Balance at 31 December 2022	21	641,168,513	8,099,919	138,867,829	14,074,000	23,711,864	825,922,125

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	Restated 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net surplus		59,404,153	146,239,270
Adjustments for:			
Depreciation	12	10,934,387	12,098,844
Amortisation	13	2,447,196	2,119,368
Fair value movement in investment property	9	-	(55,100,000)
Unrealised fair value (gains)/losses on FVTPL investments	25	278,289	(2,606,671)
Retirement benefit expense	14(f)	1,822,000	897,000
Impairment allowance on loans	7	9,005,513	5,673,512
Interest income		(457,042,248)	(422,681,410)
Interest expense		63,417,246	60,466,473
		(309,733,464)	(252,893,614)
Changes in operating assets and liabilities			
Other assets		(417,049)	(4,889,208)
Retirement benefit asset	14(b)	(3,965,000)	(3,945,000)
Loan scheme funds		1,816,065	400,962
Deferred credit		-	-
Saving deposits		36,442,551	138,580,701
Voluntary shares		45,296,143	63,040,354
Payables		(516,457)	12,389,060
Decrease in reserves	22	(3,584,422)	(37,474,114)
Loan receivables		(149,560,414)	34,045,536
		(384,222,047)	(50,745,223)
Interest received		454,911,243	421,824,085
Interest paid		(63,047,162)	(60,680,030)
Net cash provided by operating activities		7,642,034	310,398,732
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to financial investment		(82,119,465)	(209,626,938)
Proceeds from financial Investments		392,238,347	228,474,378
Resale agreements		86,975,931	(123,363,703)
Additions to liquid assets		(343,310,826)	-
Additions to property, plant and equipment	12	(4,617,803)	(4,168,447)
Additions to intangible assets	13	(2,478,993)	(3,741,328)
Net cash used in investing activities		46,687,191	(112,426,038)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Subscription to permanent shares	20	372,001	182,572
Dividend paid		-	(7,384,992)
Net cash used In financing activities		372,001	(7,202,420)
INCREASE IN CASH AND CASH EQUIVALENTS		54,701,226	190,770,274
Cash and cash equivalents at beginning of year		1,142,221,615	951,451,341
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	1,196,922,841	1,142,221,615

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. **IDENTIFICATION AND PRINICIPAL ACTIVITY:**

The Credit Union is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act. Membership is limited to employees, ex-employees, pensioners of the Jamaica Public Service Company Limited, the Jamaica Energy Partners, Digicel (Jamaica) Limited, UC Rusal and Collector General, the staff of the Credit Union, spouse, children, parents, brothers, sisters, aunts, uncles, nieces and nephews of members and spouses of children.

The Credit Union's registered office is located at 65 ¾ Half Way Road, Kingston 10, Jamaica and has branches in Ewarton (St. Catherine), Kirkvine (Manchester), Ocean Boulevard (Kingston) and Port Esquivel (St. Catherine).

The Credit Union's main activities are:
- the promotion of thrift;
- the provision of loans to members exclusively for provident and productive purposes; and
- to receive the savings of its members either as payment on shares or as deposits.

The Credit Union is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

Membership in the Credit Union is obtained by the holding of members' shares, which should be at least one thousand (1,000) voluntary shares and one thousand (1,000) permanent shares. These shares are issued at par value of $1 each. Voluntary shares are deposits available for withdrawal on demand, while permanent shares are paid in cash and invested in risk capital. Individual membership may not exceed 20% of the total members' deposits.

Amounts paid for permanent shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Credit Union.

An individual ceasing to be a member of the Credit Union, shall be entitled to a redemption of any amount held as permanent shares. Permanent shares are redeemable only upon transfer to another member. To facilitate this, the Credit Union has established a Redemption Reserve Account.

2. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, prior year balances have been reclassified to conform to current year presentation.

(a) **Basis of preparation**

The financial statements are presented in Jamaica dollars which is the Credit Union's functional currency.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS). The financial statements have been prepared under the historical cost convention except for certain properties and financial assets that are measured at fair value and retirement benefit asset which is recognized as plan assets less the present value of the defined benefits obligations.

The financial statements are presented in Jamaican dollars which is the Credit Union functional currency.

The preparation of financial statements in conformity with IFRS 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Standards, interpretations and amendments to published standards effective in the current year.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Credit Union has assessed the relevance of all such new standards, amendments and interpretation and has concluded that there are no new standards, interpretations and amendments, which are relevant to its operations.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorization, there are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Credit Union has decided not to adopt early. The most significant of these are:

Amendments to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities (effective for accounting periods beginning on or after 1 January 2024). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectation of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment. The Credit Union is currently assessing the impact of this amendment.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted (cont'd)

Amendment to IAS 1, 'Practice statement 2 and IAS 8' (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Credit Union is assessing the impact of these amendments.

Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (effective for accounting periods beginning on or after 1 January 2023). This is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The Credit Union is assessing the impact of this amendment.

The Credit Union does not expect any other standards or interpretations issued by the IASB, but not yet effective, to have a material effect on its financial position.

(b) **Foreign currency translation**

Transactions entered into by the Credit Union in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur.

Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in surplus or deficit.

(c) **Financial assets**

A financial asset is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

In these financial statements financial assets comprise liquid assets resale agreements, financial investments and cash and bank balances.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Recognition and initial measurement

The Credit Union recognizes a financial asset when it becomes a party to the contractual terms of the instrument. The Credit Union initially recognizes loans on the date when they are originated. All other financial assets are initially recognised on the trade date.

At initial recognition, the Credit Union measures a financial asset at its fair value, plus or minus; in case of a financial assets not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in surplus or deficit.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income, which results in a reduction in surplus or deficit when an asset is newly originated.

Classification and subsequent measurement

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- The Credit Union's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Credit Union classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss (FVTPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described below. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Classification and subsequent measurement (cont'd)

Debt instruments (cont'd)

Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in surplus or deficit and presented in the surplus or deficit statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Non-interest income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model assessment

The business model reflects how the Credit Union manages the assets in order to generate cash flows. That is, whether the Credit Union's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Credit Union in determining the business model for a class of assets include:

i. Past experience on how the cash flows for these assets were collected;
ii. How the asset's performance is evaluated and reported to key management personnel;
iii. How risks are assessed and managed; and
iv. How managers are compensated.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Classification and subsequent measurement (cont'd)

Debt Instruments (cont'd)

Business model assessment (cont'd)

For example, securities held for trading are held principally for the purpose of selling in the near future or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Credit Union assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Credit Union considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through surplus or deficit. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Credit Union reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Credit Union subsequently measures all equity investments at fair value through profit or loss, except where the Credit Union's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The election is made on an investment-by-investment basis.

Gains and losses on equity investments at FVTPL are included in the 'Non-interest income' caption in the statement of surplus or deficit.

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NOTES TO THE FINANCIAL STATEMENTS

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2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Derecognition

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Credit Union neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in surplus or deficit.

Measurement, gains or losses

The 'liquid assets, resale agreements and financial investments' captions in the statement of financial position includes:

- Debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct costs, and subsequently at their amortised cost using the effective interest method;

- Debt investment securities designated at FVOCI, which are at fair value with changes recognised in other comprehensive income;

- Equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in surplus or deficit;

- Equity investment securities designated as FVOCI.

The Credit Union elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by instrument basis on initial recognition and is irrecoverable.

Gains and losses on such equity instruments are never reclassified to surplus or deficit and no impairment is recognised in surplus or deficit. Dividends are recognised in surplus or deficit unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to accumulated surplus on disposal of an investment.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Impairment of financial assets

The Credit Union recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments and that are not measured at FVTPL.

The Credit Union measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Credit Union considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Credit Union does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Credit Union expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn and the cash flows that the Credit Union expects to received.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Impairment of financial assets (cont'd)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Credit Union assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Credit Union on terms that the Credit Union would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Impairment of financial assets (cont'd)

Credit-impaired financial assets (cont'd)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Credit Union considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

- Loan commitments and financial guarantee contracts: generally, as a provision.

- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets are their fair values. However, the loss is recognised in surplus or deficit as a reclassification from OCI.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in " loan impairment losses" in the statement of surplus or deficit.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Financial assets (cont'd)**

Impairment of financial assets (cont'd)

Write-offs (cont'd)

Financial assets that are written-off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

Regulatory provisions

Regulatory provisions are established for loans to members as a result of a review of the carrying value of loans in arrears and are derived based on the requirements stipulated by the Jamaica Co-operative Credit Union League Limited (JCCUL) provisioning policy of making a full provision for loans in arrears over twelve (12) months. General provisions ranging from 10% to 60% are established in respect of loans in arrears for two (2) to twelve (12) months.

Regulatory provisions that exceeds the IFRS provision are dealt with in a non-distributable loan loss reserve as an appropriation of undistributable surplus (see note 7).

(d) **Financial liabilities**

Financial liabilities are initially recognised on the trade date at fair value, being their issue proceeds, net of transaction costs directly attributable to the issue of the instrument and are subsequently measured at amortised cost.

The Credit Union's financial liabilities comprise primarily voluntary shares, saving deposits, loan scheme funds and payables.

The Credit Union derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(e) **Resale agreements**

Securities sold under agreements to repurchase (repurchase agreements), and securities purchased under agreements to resell (reverse repurchase agreements), are treated as collateralized financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the lives of the agreements using the effective yield method. Resale agreements are classified and measured at amortised cost.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Liquid assets**

Liquid assets includes term deposits maturing within three (3) months from the reporting date. Liquid assets are classified and measured at amortised cost.

(g) **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at amortised cost and include cash and bank balances as well as liquid financial assets with original maturities of less than three (3) months, which are subject to insignificant risk of changes in their fair value and are held for the purpose of meeting short-term cash commitments, rather than for investment for other purposes.

(h) **Other assets**

Other receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

(i) **Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at fair value based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. Any accumulated depreciation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revaluation amount. Plant and equipment are carried at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost of the item can be measured reliably.

Increases in carrying amounts arising on revaluation are credited to the capital reserve in equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to surplus or deficit.

Depreciation is calculated on the straight-line method at annual rates estimated to write off the costs of the assets over the period of their estimated useful lives. Land is not depreciated. Annual rates are as follows:

Computer & other equipment	33.33%
Furniture & fixtures	10%
ATM	12.50%
Garden tools	33.33%
Building	2.5%
Software	33%
Equipment	20%

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Property, plant and equipment (cont'd)**

The assets residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining surplus. When revalued assets are sold, the amounts included in capital revaluation reserve are transferred to undistributed surplus.

Repairs and maintenance are charged to the surplus or deficit account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Credit Union. Major renovations are depreciated over the remaining useful life of the related asset.

(j) **Intangible assets**

Computer software is measured at cost, less accumulated amortisation and impairment losses, if any. Amortisation is charged on the straight-line basis over the estimated useful lives of the assets. The amortisation rate is 20% per annum. The amortisation method and useful lives are reassessed at each reporting date and adjusted where appropriate.

(k) **Investment property**

Investment property is held for long term rental yields and capital gains and is not occupied by the Credit Union. Investment property is initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment property. Subsequent to initial recognition, investment property is measured at fair value.

Fair value is determined every two years by an independent registered valuer, and in each intervening year by management. Fair value is based on current prices in an active market for similar properties in a similar location and condition. any gain or loss arising from a change in fair value is recognised in surplus or deficit after which amounts are transferred and accumulated in capital/revaluation reserve.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(l) **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

(m) **Employee benefits**

The Credit Union contributes to two separate pension funds on behalf of its employees a defined contribution plan and a defined benefit plan independently administered as follows:

Defined contribution plan

This is a money purchase plan whereby it pays contributions to a privately administered fund. Once the contributions have been paid, the Credit Union has no further obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

Defined benefit plan

This is a multi-employer defined benefit pension scheme. The pension is funded from payments from employee and by the Credit Union, taking into account the recommendation from independent qualified actuaries.

The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligations and fair value of plan assets at the reporting date.

Where a pension asset arises, the amount recognised is limited to the present value of any economic benefits available in the form of funds from the plan or reductions in the future contributions to the plan. The valuation is performed annually by independent actuaries using the projected unit credit method. Under this method, the cost of providing pensions is charged to net surplus so as to spread the regular cost of service over the service lives of the employees. The pension obligation is measured as the present value of the estimated future cash outflows using discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability. The pension plan assets are allocated based on the Credit Union's obligations as a proportion of the total obligations of the plan.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the undistributed surplus in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the surplus or deficit.

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NOTES TO THE FINANCIAL STATEMENTS

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2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(n) **Leave accrual**

The Credit Union's vacation leave policy allows a maximum of ten (10) days unused vacation leave to be carried forward for managerial and non-managerial staff. The charge for all outstanding leave is recognised in the surplus or deficit in the period to which it relates.

(o) **Saving deposits**

Savings deposits are recognised initially at the normal amount when funds are received. Deposits are subsequently stated at amortised cost.

(p) **Shares**

Permanent shares

Permanent shares may be transferred by a member to another member but are not available for withdrawal. Permanent shares are classified as equity.

Voluntary shares

Voluntary shares represent deposit holdings of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities as they are available for withdrawal at short notice. Interest payable on these shares are determined at the discretion of the Credit Union and reported as interest expense in the statement of surplus or deficit in the period in which they are approved.

(q) **Institutional capital**

Institutional capital includes the statutory reserve, as well as any other reserve established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union and, thereby, protect the interest of the members. These reserves are not available for distribution.

The Co-operative Societies Act provides that at least twenty percent (20%) of the annual net income before honorarium should be carried to a statutory reserve.

(r) **League fees and stabilization dues**

JCCUL has fixed the rate of League fees at 0.20% (2021: 0.20%) of total assets. Stabilization dues are fixed at a rate of 0.125% of total deposits (2021: 0.75%) of total savings.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(s) **Related party**

A party is related to the Credit Union, if:

(i) Directly, or indirectly through one or more intermediaries, the party:

(a) is controlled by, or is under common control with, the Credit Union;
(b) has an interest in the Credit Union that gives it significant influence over the entity; or
(c) has joint control over the Credit Union.

(ii) The party is a member of the key management personnel of the entity;

(iii) The party is a close member of the family of any individual referred to in (i) or (iv);

(iv) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (ii) or (iii).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The Credit Union has a related party relationship with its directors and key management personnel representing certain senior officers of the Credit Union.

(t) **Deferred credit**

Funds received from the stabilization fund are treated initially as deferred credit and transferred to the surplus or deficit when cost associated with the purpose for which it was received is incurred.

(u) **Interest expense**

Interest expense is recognised in surplus for all interest bearing liabilities using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

Interest expense presented in the statement of surplus and other comprehensive income includes interest expense on financial liabilities measured at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(v) Interest income

Interest income is recognised in surplus using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transactions costs and fees and amounts paid or received that are an integral part of the effective interest rate. Transactions costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cashflow of floating rate instruments to reflect movement in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the assets improves.

Interest income calculated using the effective interest rate method presented in the statement of surplus or deficit and other comprehensive income includes interest on financial assets measured at amortised cost.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(w) **Revenue recognition**

Revenue is generally recognised when the performance obligations are satisfied either at a point in time or over time as the services are provided based on the consideration specified in the contract with customers. Revenue comprises fees and commissions, dividends, rental and other income.

The nature and timing of the satisfaction of performance obligations in contracts with customers and the related recognition criterion are described below -

(i) **Fees and commission**

Fees and commission income from contracts with customers are measured based on the consideration specified in a contract with a customer. The credit union recognizes revenue when it transfers control over a service to a customer.

Fee and commission income that are integral to the effective interest rate on financial assets are included in the effective interest rate. Fees and commission arising from or participating in the negotiation of a transaction are recognized on a straight-line basis over the commitment period. These include loan origination fees.

Service/maintenance fees are charged on a monthly basis and based on a fixed rate determined by the Credit Union when the related services are performed.

(ii) **Dividend income**

Dividend income from equity financial investments is recognized at the point when the shareholder's right to receive payment has been established.

(iii) **Rental income**

Rental income from operating leases is recognised on a straight-line basis over the term, period of occupancy, of the relevant lease.

(iv) **Other income**

Other income is recognised on an accrual basis.

(x) **Provisions**

The Credit Union has recognised provision for liabilities of uncertain timing or amount. The provision is a measure of the best estimate of the expenditure required to settle the obligation at the reporting date.

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3. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgements and estimates 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 process of applying the Credit Union's accounting policies, management has made the following critical accounting estimates or judgements which it believes have a significant risk of causing a material misstatement in these financial statements.

(a) **Critical Accounting Estimate and Judgement Applied**

(i) **Classification of financial asset**

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal payment amount outstanding requires management to make certain judgements on its business operations.

(ii) **Impairment of financial assets**

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(b) **Key assumptions and other sources of estimation uncertainty**

(i) **Allowance for impairment losses on financial assets**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Management also estimate the likely amount of cashflows recoverable on the financial assets in determing loss given default. The use of assumptions make uncertainty inherent in such estimate. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4. The use of assumptions make uncertainty inherent in such estimate.

(ii) **Retirement benefit asset**

The amounts recognised in the statement of financial position and statement of surplus or deficit and other comprehensive income for pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised, include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D):**

(b) **Key assumptions and other sources of estimation uncertainty (cont'd)**

(ii) **Retirement benefit asset (cont'd)**

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Credit Union's obligations. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iii) **Fair value of financial instruments**

In the absence of quoted market prices, the fair value of the Credit Union's financial instruments are determined using a generally accepted alternative to quoted market prices. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(iv) **Depreciable assets**

Estimates of the useful life and residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Credit Union applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in surplus or deficit through impairment or adjusted depreciation provisions.

(v) **Valuation of investment property**

Investment property is measured at fair value. Given the infrequency of trades in comparable properties in some cases, and therefore the absence of a number of observable recent market prices, fair value is less objective and requires significant estimation, which is impacted by the uncertainty of market factors, pricing assumptions and general business and economic conditions (see note 9).

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT:**

The Credit Union's activities are principally related to the use of financial instruments, which involve analysis, evaluation and management of some degree of risk or combination of risks. The Credit Union manages risk through a framework of risk principles, organizational structures and risk management and monitoring processes that are closely aligned with the activities of the Credit Union. The Credit Union's risk management policies are designed to identify and analyze the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. The Credit Union's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Credit Union's financial performance.

The Credit Union has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In common with all other businesses, the Credit Union's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the Credit Union's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the Credit Union and the methods used to measure them.

(i) **Principal financial instruments**

The principal financial instruments used by the Credit Union from which financial instrument risk arises, are as follows:

- Financial investments
- Loan receivables
- Liquid assets
- Resale agreements
- Cash and bank balances
- Payables
- Voluntary shares
- Saving deposits
- Loan scheme funds

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(ii) **Financial instruments by category**

Financial assets

	Assets at amortised cost $	Assets at fair value through profit or loss $	Assets at fair value through other comprehensive income $	Total $
31 December 2022:				
Cash and bank balances	85,387,132	-	-	85,387,132
Liquid assets	440,171,551	-	-	440,171,551
Loan receivables	2,835,536,910	-	-	2,835,536,910
Resale agreements	1,050,238,794	-	-	1,050,238,794
Financial investments	133,297,840	106,968,997	234,470,030	474,736,867
	4,544,632,227	106,968,997	234,470,030	4,886,071,254
31 December 2021:				
Cash and bank balances	71,044,722	-	-	71,044,722
Liquid assets	83,406,623	-	-	83,406,623
Loan receivables	2,694,242,255	-	-	2,694,242,255
Resale agreements	1,111,133,973	-	-	1,111,133,973
Financial investments	77,721,164	468,851,167	245,418,178	791,990,509
	4,037,548,737	468,851,167	245,418,178	4,751,818,082

Financial liabilities

	Amortised cost 2022 $	Amortised cost 2021 $
Payables	66,885,368	45,384,653
Saving deposits	2,271,090,801	2,234,278,166
Voluntary shares	1,526,719,452	1,481,423,309
Loan scheme funds	14,358,732	12,542,667
	3,879,054,353	3,773,628,795

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iii) **Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and is best evidenced by a quoted market price, if one exists. Some of the Credit Union's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. In addition, market conditions at a specific point in time and may not be reflective of future fair values.

The fair value of liquid assets, resale agreements, cash and bank balances, other assets and payables maturing within one year is assumed to approximate their carrying value. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities.

The fair value of financial investments is based on quoted market bid prices, when available. Where quoted market bid prices are not available, other valuation techniques are used.

Saving deposits and loan scheme funds are carried at amortised cost, which is deemed to approximate their fair values, as these balances attract interest rates and terms comparable to market interest rates and terms for similar balances.

The fair value of voluntary shares and certain saving deposits, with no specific maturity are assumed to be the amount payable on demand at the reporting date.

The fair value of loan receivables could not be readily determined as the loans are generally unique to the Credit Union although they are at market comparable interest rates. Additionally, the carrying amount of the loans reflects the expected lifetime credit losses , value and quality collateral and interest rates on loans.

Financial instruments that are measured at fair value at the reporting date are grouped into levels 1, 2 and 3 of the fair value hierarchy based on the degree to which the fair value inputs are observable, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: Discounted cash flow techniques using a discount rate from observable market date, i.e., average of several brokers/dealers market indicative yields in active markets for identical assets or liabilities.
- Level 3: Valuation techniques using significant unobservable inputs.

There were no transfers between levels during the year.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iii) **Fair value of financial instruments (cont'd)**

The following table shows the fair values of financial assets including their levels in the fair value hierarchy. The tables does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair value.

	31 December 2022			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial investments measured at fair value (note 8):				
Unit trusts		22,264,809	-	22,264,809
Money market funds		28,810,003	-	28,810,003
Quoted equities	55,894,185	-	-	55,894,185
Government of Jamaica and Global Bonds	-	211,628,625	-	211,628,625
Unquoted shares	-	-	22,841,405	22,841,405
	55,894,185	262,703,437	22,841,405	341,439,027

	31 December 2021			
	Level 1 $	Level 2 $	Level 3 $	Total $
Financial investments measured at fair value (note 8):				
Unit trusts	-	74,954,946	-	74,954,946
Money market funds	-	337,723,747	-	337,723,747
Quoted equities	56,172,474	-	-	56,172,474
Government of Jamaica and Global Bonds	-	222,576,773	-	222,576,773
Unquoted shares	-	-	22,841,405	22,841,405
	56,172,474	635,255,466	22,841,405	714,269,345

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iii) **Fair value of financial instruments (cont'd)**

Valuation techniques

The valuation techniques used in determining fair value measurement of Level 1 financial instrument is the Jamaica Stock Exchange.

The valuation techniques used in measuring fair value in the level 2 and level 3 hierachy, as well as the significant unobservable inputs used are as follows:

Level 2 fair value measurement

Financial assets	Method
Government of Jamaica securities	Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids). Using this yield, determined price using accepted formula. Apply price to estimate fair value.
Government of Jamaica USS Global	Apply prices of bonds at reporting date as quoted by broker/dealer, where available.
Corporate bonds	Estimated using bid-prices published by major brokers/dealers.
Money Market funds	Net asset valuation method.
Investments in unit trusts	Obtain prices quoted by unit trust managers. Apply price to estimate fair value.

Level 3 fair value measurement

Unquoted equities —fair value through OCI

These shares represent investments that the Credit Union intends to hold long term for strategic purposes and are not actively traded. These shares were measured at fair value on initial recognition and subsequently where their value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably.

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iii) **Fair value of financial instruments (cont'd)**

Level 3 fair value measurement (cont'd)

Unquoted equities —fair value through OCI (cont'd)

Valuation techniques and inputs

Significant unobservable inputs used in the net assets valuation (NAV) method for unquoted equities include assets that do not have a quoted market price. Unquoted equities represents holdings in entities in the financial sector providing services mainly to credit unions. As these are financial entities, the NAV is considered an appropriate basis to fair value these equities.

The fair value of shares held in Jamaica Cooperative Credit Union League Ltd. and other related entities are determined using the net asset valuation method. There is no available market for these instruments. The Credit Union has no intention to dispose of these investments.

(iv) **Financial risk**

The Board of Directors is ultimately responsible for the establishment and oversight of the Credit Union's risk management framework. The Board has established committees for managing and monitoring risks.

The five key committees for managing and monitoring risks are as follows:

(a) **Supervisory Committee**

The Supervisory Committee oversees the Internal Audit function of the Credit Union and ensures that internal procedures and controls are adhered to. The Supervisory Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Supervisory Committee and the Board of Directors.

(b) **Credit Committee**

The Credit Committee oversees the approval of the credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

(c) **Finance Committee**

The Finance Committee is responsible for overseeing the management of the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Credit Union.

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

The five key committees for managing and monitoring risks are as follows (cont'd):

(d) **Risk and Compliance Committee**

The Risk and Compliance Committee monitors the Credit Union's exposure to business risks, primarily credit risk by ensuring that collaterals used to secure members' loans are adequate prior to loan approval. It is also responsible for monitoring the Credit Union's compliance to the rules and regulations governing the Credit Union as well as management's policies and procedures.

(e) **Delinquency Committee**

The Delinquency Committee is responsible for overseeing the management of the Credit Union's delinquency ratios and the recoverability of overdue loan balances. The committee also oversees the disposal of repossessed collateral with the assistance of the Risk and Compliance Committee.

These committees comprise persons inclusive of management; Supervisory, Finance and Risk and Compliance Committees reports to the Board monthly. The other committees reports through the General Manager to the Board of Directors.

The Credit Union's overall risk management programme seeks to minimize potential adverse effects on the Credit Union's financial performance. There have been no significant changes to the Credit Union's exposure to financial risks or the manner in which it manages and measures its risks.

(i) **Credit risk**

The Credit Union takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss by being unable to pay amounts in full when due. Credit exposures arise principally in lending activities. For loans, strategic decisions are primarily made by the Board of Directors, with some delegation of credit approval authority to the Credit Committee and certain members of executive management. The Credit Union's credit policy forms the basis for all its lending operations. The Policy aims at maintaining a high quality loan portfolio, as well as enhancing the Credit Union's mission and strategy. The policy sets the basic criteria for acceptable risk and identifies risk areas that require special attention.

Additionally, the Credit Union is exposed to credit risk in its treasury activities, arising from financial assets that the Credit Union uses for managing its liquidity and interest rate risks, as well as other market risks.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

There is also credit risk in relation to financial items not included in the statement of financial position at year end such as loan commitments.

Credit review process

The Credit Union has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and loan repayment obligations.

The Credit Union assesses the probability of default of individual borrowers using internal ratings. The Credit Union assesses each borrower on four critical factors. These factors are the member's credit history, ability to pay linked to a debt service ratio of 60:40, character profile and the member's economic stability, based on employment and place of abode.

Borrowers of the Credit Union are segmented into two rating classes: performing and non-performing.

The credit quality review process allows the Credit Union to assess the potential loss as a result of the risk to which it is exposed and take corrective action. Exposure to credit risk is managed, in part, by obtaining collateral and personal guarantees.

Credit risk limits

The Credit Union manages concentrations of credit risk by placing limits on the amount of risk accepted in relation to a single borrower or group of related borrowers, and to product segments.

Borrowing limits are established by the use of the system described above. Limits on the level of credit risk by product categories and for investment categories, are reviewed and approved annually by the Board of Directors.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the borrower. With the exception of loans, debt securities are generally unsecured while reverse repurchase agreements are secured by portfolios of financial instruments. Guidelines are implemented regarding the acceptability of different types of collateral. The Credit Union's policy regarding obtaining collateral has 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 principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises;
- Bill of sale over motor vehicles; and
- Charges and hypothecations over deposit balances.

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its annual review of individual credit facilities as well as during its review of the adequacy of the provision for credit losses.

Repossessed Collateral

The Credit Union obtained assets by taking possession of collateral held as security, as follows:

	Carrying Amount	
	2022	2021
	$	$
Real estate	18,000,000	16,000,000
Motor vehicles	550,000	550,000
	18,550,000	16,550,000

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not utilise the properties for business use.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Financial investments and resale agreements

External rating agency grades are used to assess credit quality. These published grades are continuously monitored and updated. Default probabilities and recovery rates are assigned as published by the rating agency.

The Credit Union limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

Liquid assets and bank balances

All liquid assets and bank balances are held in financial institutions which management regards as strong and reputable and are therefore assessed as having low credit risk at reporting date. The strength of these financial institutions is constantly reviewed by the Finance Committee.

Impairment of financial assets

The Credit Union has three (3) types of financial assets that are subject to the expected credit loss model:

- Loan receivables,
- Debt investments carried at amortised cost, and fair value through other comprehensive income;
- Resale agreements.

While cash at bank and liquid assets are also subject to the requirements of IFRS 9, all balances are assessed to have low credit risk at each reporting date as they are held with reputable institutions. No impairment loss was recognized as the amount was immaterial.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables

The Credit Union applies the 'three stage' model under IFRS 9 in measuring the expected credit losses on loans, and makes estimations about the likelihood of defaults occurring, associated loss ratios, changes in market conditions and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for a portfolio of assets.

- Probability of Default - This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD) or over the remaining lifetime (Lifetime PD) of the obligation.

- Exposure at Default - This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.

- Loss Given Default - The LGD represents expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The 'three stage' model is used to categorize financial assets according to credit quality as follows:

- Stage 1 - If a financial asset is subject to low credit risk at the reporting date, an amount equal to 12 months expected losses would be recognised.

- Stage 2 - If the credit risk increases significantly from initial recognition, an amount equal to lifetime expected credit losses would be recognised. Interest revenue would be on the gross basis.

- Stage 3 - If the financial asset meets the credit impaired definition, an amount equal to lifetime expected credit losses would be recognised and interest revenue would be on the net basis, rather than on the gross amount.

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables (cont'd)

Transfer between stages

Loans, at any point in time, are either in stage 1, 2, or 3. At origination all loans are in stage 1 and a lifetime PD established based on the current risk score at that time. At future reporting dates, loans are again rated and another lifetime PD established based on the remaining term of the loan. This remaining lifetime PD is then compared with the expected remaining lifetime PD to determine if there is any significant increase in credit risk based on the difference, if any, of the two. If there are major differences, the loan moves to stage 2. Notwithstanding the above, loans on a watch list are placed in stage 2. Stage 2 loans are moved to stage 3, if the loan rating results in the borrower being rated as non-performing or in default.

If there is no significant increase in credit but the borrower is in default for more than 30 days past due, then the loan is placed in stage 2. Also, for those in arrears for more than 90 days past due, the loan is placed in stage 3. This rebuttable presumption is an after the fact measure. Stage 3 loans are said to be impaired and are subject to write-offs, cures, or debt consolidation. Transition means the ability to move from one stage (state) to the next.

Forward transition

By forward transition we mean moving from stage 1 to 2, stage 2 to 3, or stage 1 to 3 between reporting and measurement periods.

Backward transition

Backward transition means moving from stage 3 to 2, 2 to 1 but not directly from stage 3 to 1. All rehabilitated stage 3 loans, called "**cured**", will remain in stage 3 for 3-months in good standing before moving to stage 2 and will have to remain in stage 2 for another 3 months before going to stage 1. Before a backward transition is made all arrears must be fully paid.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables (cont'd)

Cured loans

A "cured" loan is a loan that was in default and has recovered through the following routes or a combination thereof.

- All past due payments have been made and the borrower has made 6 monthly payments on time.

- The loan has been restructured with due regard to a new payment plan which reduces the monthly payments by extending the maturity date.

Watch list

A "watch list" is a mechanism used to track and report on loans that management is of the opinion that they are or might be compromised in the future. The list also includes loans for which a significant increase in credit risk (SICR) has occurred using both quantitative and qualitative measures.

Significant increase in credit risk (SICR)

The Credit Union considers a financial asset to have experienced a significant increase in credit risk when one or more of the following qualitative criteria have been met:

- Deterioration in the Borrower's Risk Rating (BRR) below established threshold;
- Failure to comply with provisions of any statute under which the borrower conducts business;
- Actual or expected restructuring; or,
- Early signs of cash flow/liquidity problems.

Loan commitments are assessed along with the category of loan the Credit Union is committed to provide.

The assessment of SICR is performed for individual loans, taking into consideration the sector grouping of the individual exposures, and incorporates forward-looking information. This assessment is performed on an annual basis.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables (cont'd)

Significant increase in credit risk (SICR)

Backstop

Irrespective of the above qualitative assessment, the Credit Union presumes that the credit risk on a financial asset has increased significantly since initial recognition, when contractual payments are more than 30 days past due.

Non-performing

The Credit Union defines a financial instrument as non-performing, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on their contractual payments.

The borrower meets unlikeliness to pay criteria as outlined below, which indicates the borrower is in significant financial difficulty:

- Delinquency in contractual payments of principal and interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions, and;
- Initiation of bankruptcy proceedings.

The criteria above have been applied to all loans held by the Credit Union and are consistent with the definition of 'non-performing' used for internal credit risk management purposes.

Incorporation of forward-looking information

The Credit Union incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables (cont'd)

Quantitative criteria

Incorporation of forward-looking information

The Credit Union uses a forward-looking score card model to estimate the potential of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 30% probability of occurring, respectively. Each scenario considers the expected impact of inflation interest rates, unemployment rates and gross domestic product (GDP). The base case is aligned with information used by the Credit Union purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organisations and selected private-sector forecasters.

Measuring the ECL- Inputs, Assumptions and Estimation Techniques

The ECL is determined by projecting the PD, LGD, and EAD which are multiplied together and discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12 month PD is calculated by observing the rate of historical default within the first year of a portfolio of loans and adjusting it for the expected impact of forward looking economic information.

The lifetime PD is calculated by observing the rate of historical default over the life of a portfolio of loans and adjusting it for the impact of forward looking economic information.

Portfolio segmentation

Expected credit loss provisions are modelled on a collective basis, by grouping exposures on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Impairment - loan receivables (cont'd)

Portfolio segmentation (cont'd)

Exposures are grouped according to loan type (unsecured, mortgage, home equity, motor vehicle, line of credit, restructured and other). The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Committee.

Stage 3 loans are assessed on an individual basis for impairment.

Loss allowance – Loan receivables

The loss allowance recognised is analysed as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
At 1 January 2022	28,064,293	409,938	14,701,976	43,176,207
Movements with income statement impact:				
Transfer from stage 1 to 2	(27,851)	27,851	-	-
Transfer from stage 1 to 3	(8,033,246)	-	8,033,246	-
Transfer from stage 2 to 1	503,570	(503,570)	-	-
Transfer from stage 2 to 3	-	(10,263)	10,263	-
Transfer from stage 3 to 1	13,582	-	(13,582)	-
Transfer from stage 3 to 2	-	3,916,318	(3,916,318)	-
New financial assets originated	14,737,996	260,100	1,605,653	16,603,749
Changes in PDs/LGDs/EADs	(6,988,826)	(3,283,282)	(2,813,418)	(13,085,526)
Financial assets derecognised during the period	(1,149,166)	(33,217)	(715,765)	(1,898,148)
At 31 December 2022	27,120,352	783,875	16,892,055	44,796,282

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Impairment – loan receivables (cont'd)

	2021			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
At 1 January 2021	31,958,225	654,818	8,858,501	41,471,544
Movements with income statement impact:				
Transfer from stage 1 to 2	(150,854)	150,854	-	-
Transfer from stage 1 to 3	(26,217)	-	26,217	-
Transfer from stage 2 to 1	223,385	(223,385)	-	-
Transfer from stage 3 to 1	7,924,252	-	(7,924,252)	-
Transfer from stage 3 to 2	-	3,082,582	(3,082,582)	-
New financial assets originated	15,893,208	61,623	2,206,250	18,161,081
Changes in PDs/LGDs/EADs	(14,474,980)	(3,310,173)	20,187,848	2,402,695
Financial assets derecognised during the period	(13,282,726)	(6,381)	(5,570,006)	(18,859,113)
At 31 December 2021	28,064,293	409,938	14,701,976	43,176,207

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Maximum exposure to credit risk

Loan receivables at amortised cost

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Credit Union's maximum exposure to credit risk on these assets.

	2022			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Performing	2,815,019,769	57,682,981	-	2,872,702,750
Non-performing	-	-	48,745,326	48,745,326
Gross carrying amount	2,815,019,769	57,682,981	48,745,326	2,921,448,076
Impairment losses on loans	(27,120,352)	(783,875)	(16,892,055)	(44,796,282)
Carrying amount	2,787,899,417	56,899,106	31,853,271	2,876,651,794

	2021			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Performing	2,717,473,550	24,616,321	-	2,742,089,871
Non-performing	-	-	34,397,616	34,397,616
Gross carrying amount	2,717,473,550	24,616,321	34,397,616	2,776,487,487
Impairment losses on loan	(28,064,293)	(409,938)	(14,701,976)	(43,176,207)
Carrying amount	2,689,409,257	24,206,383	19,695,640	2,733,311,280

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Maximum exposure to credit risk (cont'd)

Loan receivables at amortised cost (cont'd)

The following table summarise the Credit Union's credit exposure for loans based on the purpose of the loan:

	2022 $	2021 $
Transportation	1,025,705,515	959,971,556
Agriculture	4,280,284	6,158,223
Construction & Real Estate	487,856,758	484,729,145
Education	79,232,110	77,806,734
Debt Finance	682,982,711	398,855,030
Financial	66,861,852	19,906,896
Personal	568,230,476	430,826,401
Other	6,298,370	398,233,502
	2,921,448,076	2,776,487,487

There were changes in the Credit Union's approach to credit risk during the year to reflect the current and projected future economic conditions, arising from the effects of the COVID 19 pandemic.

Loans are written off, in whole or in part, when the Credit Union has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there are no reasonable expectation of recovery, include ceasing enforceable activity, and where the Credit Union's recovery method is foreclosing on collateral, and the value of the collateral is such that there is no reasonable expectation of recovery in full.

At 31 December 2022, the fair value of collateral held in respect of non-performing loans is $50,090,704 (2021 - $24,818,153).

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(i) **Credit risk (cont'd)**

Maximum exposure to credit risk (cont'd)

Debt Investments

The Credit Union used external credit ratings as published by established rating agencies in its assessment of the probability of default on debt investments. The PDs and LGDs for government bonds have been developed by the rating agencies based on statistics on the default loss and rating transition experience of government bond issuers.

The loss allowance on debt investments carried at amortised cost is measured using lifetime PDs. The credit ratings and associated PDs are reviewed and updated on an annual basis.

Based on available credit ratings for debt securities, they were classified in stage 1. As a consequence, management's expectation of default is low. Management did not recognise loss allowance on these assets because the amount was immaterial.

Resale agreements

The Credit Union used published external credit rating in assessing the probability of default on resale agreements. The credit ratings and associated PDs are reviewed and updated on an annual basis.

Based on available credit ratings, resale agreements were classified in stage 2 as they were below investment grade as defined by reputable rating agencies.

Other than exposure on Government of Jamaica securities, there is no significant concentration of credit risk related to resale agreements. As a consequence, management's expectation of default is low. No loss allowance was recognized by management because the amount was immaterial.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Credit Union is unable to meet its payment obligations associated with its 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 fulfil commitments to lend.

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(ii) **Liquidity risk (cont'd)**

The Credit Union's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Credit Union's reputation.

The Credit Union's liquidity management process, as carried out within the Credit Union, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investments;

Monitoring and reporting take the form of an analysis of the cash balances and expected investment maturity profiles for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

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 and exchange rates.

The Credit Union is subject to a liquidity limit imposed by JCCUL and compliance is regularly monitored. This limit requires that the Credit Union maintain liquid assets amounting to at least 10% of withdrawable saving deposits. The liquid asset ratio at 31 December 2022 was approximately 26.39% (2021: 21.51%) which is in compliance with the standard.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd)**

(ii) **Liquidity risk (cont'd)**

Voluntary shares and some types of saving deposits have no contractual maturity. The amounts have therefore been included in the earliest period payable. Management estimate that the expected cash flows on these instruments will occur much later as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures this risk.

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Credit Union's financial liabilities based on contractual repayment obligations. The Credit Union expects that many customers will not request repayment on the earliest date the Credit Union could be required to pay. The expected maturity dates of financial liabilities are based on estimates made by management and determined by retention history.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(ii) **Liquidity risk (cont'd)**

	Within 1 Month $	Between 1 and 3 Months $	Between 3 and 12 Months $	Between 1 and 5 Years $	Total Contractual Cashflows $	Total Carrying Value $
At 31 December 2022						
Payables	66,885,368	-	-	-	66,885,368	66,885,368
Saving deposits	1,647,889,095	360,864,428	220,032,492	44,163,886	2,272,949,901	2,271,090,801
Loan scheme funds	-	14,358,732	-	-	14,358,732	14,358,732
Voluntary shares	1,526,719,452	-	-	-	1,526,719,452	1,526,719,452
Total financial liabilities	3,241,493,915	375,223,160	220,032,492	44,163,886	3,880,913,453	3,879,054,353
At 31 December 2021						
Payables	45,384,653	-	-	-	45,384,653	45,384,653
Saving deposits	1,632,609,734	338,074,424	19,302,888	245,882,121	2,235,869,167	2,234,278,166
Loan scheme funds	-	-	12,542,667	-	12,542,667	12,542,667
Voluntary shares	1,481,423,309	-	-	-	1,481,423,309	1,481,423,309
Total financial liabilities	3,159,417,696	338,074,424	31,845,555	245,882,121	3,775,219,796	3,773,628,795

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(ii) **Liquidity risk (cont'd)**

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash and bank balances, liquid assets, short-term investments and resale agreements.

The voluntary shares are contractually on call except in cases where these balances are held as security for loans.

Items not carried on the statement of financial position

At 31 December 2022, the Credit Union did not commit to extend credit to members, in respect of loans approved but not yet disbursed $32,747,000 (2021: Nil).

(iii) **Market risk**

The Credit Union takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Finance Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

Currency risk

Currency or foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Credit Union manages this risk by ensuring that exposure in foreign assets is kept to an acceptable level by monitoring currency positions.

The Credit Union's exposure to foreign currency risk at statement of financial position date was as follows:

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Currency risk (cont'd)

	2022 $	2021 $
Resale agreements	41,925,389	41,575,054
Financial investments	23,121,814	27,113,481
Net financial asset	65,047,203	68,688,535

Foreign currency sensitivity

The following tables indicate the United States Dollar currency to which the Credit Union had significant exposure on its monetary assets and its forecast cash flows. The changes in currency rates below represent management's assessment of the possible change in foreign exchange rates.

	Change in Currency Rate 2022 %	Effect on Net Surplus 2022 $	% Change in Currency Rate 2021 %	Effect on Net Surplus 2021 $
Currency:				
USD	+4	2,601,888	+8	5,495,083
USD	-1	(650,472)	-2	(1,373,771)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

Equity price risk

Equity price risk is the risk that the value of a equity securities will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Credit Union is exposed to equity securities price risk arising from its holding of investments measured at fair value through surplus or deficit. Unquoted equities are considered insignificant for equity price risk.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Equity price risk (cont'd)

The following table indicates the possible impact on the Credit Union's surplus as a result of possible increase/decrease in the equity prices. There were no impact on other comprehensive income.

	Effects on Surplus	
	2022	2021
	$	$
Changes in equity prices:		
+ 6% (2021:5%)	3,353,651	2,808,624
- 6 % (2021:5%)	(3,353,651)	(2,808,624)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and arises mainly from investments, loans, saving deposits, loan scheme fund, resale agreements.

Floating rate instruments expose the Credit Union to cash flow interest risk, whereas fixed interest rate instruments expose the Credit Union to fair value interest risk.

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments as determined by the Finance Committee. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Finance Department.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Interest rate risk (cont'd)

The following tables summarize the Credit Union's exposure to interest rate risk. They include the Credit Union's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	2022					
	Up to 3 Months $	Between 3 and 12 Months $	Between 1 and 5 Years $	Over 5 Years $	Non-Interest Bearing $	Total $
Financial assets:						
Cash and bank balances	85,387,132	-	-	-	-	85,387,132
Liquid assets	96,360,583	343,310,826	-	-	500,142	440,171,551
Loan receivables	24,871,391	65,955,519	1,269,478,759	1,471,862,390	3,368,851	2,835,536,910
Resale agreements	1,004,096,120	34,921,658	-	-	11,221,016	1,050,238,794
Financial investments	114,749,752	27,500,000	183,789,267	12,255,832	136,442,016	474,736,867
	1,325,464,978	471,688,003	1,453,268,026	1,484,118,222	151,532,025	4,886,071,254
Financial liabilities:						
Payables	-	-	-	-	66,885,368	66,885,368
Saving deposits	1,067,461,704	220,032,492	44,163,886	-	939,432,719	2,271,090,801
Voluntary shares	1,526,719,452	-	-	-	-	1,526,719,452
Loan scheme funds	-	14,358,732	-	-	-	14,358,732
	2,594,181,156	234,391,224	44,163,886	-	1,006,318,087	3,879,054,353
Total interest rate sensitivity gap	(1,268,716,178)	237,296,779	1,409,104,140	1,484,118,222	(854,786,062)	1,007,016,901
Cumulative interest rate gap	(1,268,716,178)	(1,031,419,399)	377,684,741	1,861,802,963	1,007,016,901	-

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Interest rate risk (cont'd)

	Restated 2021					
	Up to 3 Months $	Between 3 and 12 Months $	Between 1 and 5 Years $	Over 5 Years $	Non-Interest Bearing $	Total $
Financial assets:						
Cash and bank Balances	71,044,722	-	-	-	-	71,044,722
Liquid assets	83,126,523	-	-	-	280,100	83,406,623
Loan receivables	26,569,220	57,153,055	1,012,209,468	1,595,681,415	2,629,097	2,694,242,255
Resale agreements	983,090,047	122,042,369	-	-	6,001,557	1,111,133,973
Financial investments	77,912,702	40,000,000	151,352,116	26,616,718	496,108,973	791,990,509
	1,241,743,214	219,195,424	1,163,561,584	1,622,298,133	505,019,727	4,751,818,082
Financial liabilities:						
Payables	-	-	-	-	45,384,653	45,384,653
Saving deposits	1,797,130,440	14,233,242	245,882,121	-	177,032,363	2,234,278,166
Voluntary shares	1,481,423,309	-	-	-	-	1,481,423,309
Loan scheme funds	-	12,542,667	-	-	-	12,542,667
	3,278,553,749	26,775,909	245,882,121	-	222,417,016	3,773,628,795
Total interest rate sensitivity gap	(2,036,810,535)	192,419,515	917,679,463	1,622,298,133	282,602,711	978,189,287
Cumulative interest rate gap	(2,036,810,535)	(1,844,391,020)	(926,711,557)	695,586,576	978,189,287	

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Interest rate risk (cont'd)

At the date of the statement of financial position, the Interest profile of the Credit Union's interest-bearing financial instruments with variable interest rates were as follows:

	Interest Rate %	2022 $	Interest Rate %	Restated 2021 $
Financial assets:				
Cash and bank balances	1.51	85,387,132	0.45 - 4.01	71,044,722
Liquid assets	1.5 – 7.75	439,671,409	0.45 - 4.00	83,126,523
Loan receivables	2.00 - 30.00	2,832,168,059	2.00 - 30.00	2,691,613,158
Resale agreements	4.3 – 8.25	1,039,017,778	1.75 – 4.50	1,105,132,416
Financial investments	1.61 - 11.00	41,500,000	1.61 - 11.00	117,912,702
		4,437,744,378		4,068,829,521
Financial liabilities:				
Saving deposits	0.85 – 4.00	2,039,837,806	0.85 – 2.10	2,057,245,803
Voluntary shares	1.35	1,526,719,452	1.35	1,481,423,309
		3,566,577,258		3,538,669,112

Interest rate sensitivity analysis

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables. Variables have to be on an individual basis. It should be noted that movements in these variables are non-linear.

The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk (cont'd)**

(iii) **Market risk (cont'd)**

Interest rate risk (cont'd)

	Effect on surplus			
	Change in basis point		Change in basis point	
	100 bp increase	50 bp decrease	300 bp increase Restated	50 bp decrease Restated
	2022 $	2022 $	2021 $	2021 $
JMD:				
Financial assets				
Cash and bank balances	853,871	(426,936)	2,131,342	(355,224)
Liquid assets	4,396,714	(2,198,357)	2,493,796	(415,633)
Loan receivables	28,321,681	(14,160,840)	80,748,395	(13,458,066)
Resale agreements	9,974,641	(4,987,321)	31,916,763	(5,319,460)
Financial investments	415,000	(207,500)	3,537,381	(589,564)
	43,961,907	(21,980,957)	120,827,677	(20,137,947)
Financial liabilities				
Savings Deposits	(20,398,378)	10,199,189	(61,717,374)	10,286,229
Voluntary Shares	(15,267,195)	7,633,597	(44,442,699)	7,407,117
	(35,665,573)	17,832,786	(106,160,073)	17,693,346

	Effect on surplus			
	Change in basis point		Change in basis point	
	100 bp increase	50 bp decrease	100 bp increase	100 bp decrease
	2022 $	2022 $	2021 $	2021 $
USD:				
Resale agreements	415,537	(207,768)	412,403	(412,403)

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(v) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Credit Union's operations.

The Credit Union's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Credit Union's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of control and procedures;
- Requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of a contingency plan;
- Risk mitigation, including insurance where this is effective.

Compliance with the Credit Union's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the department heads, with summaries submitted to senior management.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(vi) **Capital management**

The Credit Union's objectives when managing institutional capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

(i) To comply with the capital requirements set by JCCUL and the Bank of Jamaica for the financial sector in which the Credit Union operates;

(ii) To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for members;

(iii) To maintain a 10% ratio of institutional capital to total assets;

(iv) To maintain a strong capital base to support the development of its business through the allocation of 20% (minimum) of net surplus to institutional capital; and

(v) To increase the permanent share capital as the main focus of building institutional capital.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management, based on the guidelines in its Capital Asset Management Policy.

The proposed Bank of Jamaica regulations require JCCUL to ensure that member co-operatives:

(i) Hold a minimum level of the regulatory capital of 6% of total assets; and
(ii) Maintain a ratio of total regulatory capital to risk–weighted at or above 10%.

The table below summaries the composition of regulatory capital and the ratios of the Credit Union as at 31 December 2022 and 2021. The total regulatory capital is comprised of institutional capital. During the year, the Credit Union complied with all externally imposed capital requirements to which they are subject.

	Actual 2022 $	Required 2022 $	Actual 2021 $	Required 2021 $
Total regulatory capital	882,411,723	456,563,462	861,438,891	444,379,440
Risk – weighted assets:				
Total risk-weighted assets	4,656,270,287		4,443,794,397	
Risk weighted capital adequacy ratio	19%	10%	19%	10%
Total capital ratio	16%	8%	16%	8%

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(vi) **Capital management (cont'd)**

In determining the Credit Union's capital base (Institutional Capital), the Institutional Capital of the acquired Credit Unions, (see below), which merged with JPS & Partners Co-operative Credit Union Limited was included. As at the dates of transfer of engagements/amalgamations, the relevant Credit Unions had Institutional Capital as stated below which comprised the following balances:

	Merger Date	Statutory Reserves $	Retained Earnings Reserves $
Kirkvine Co-operative Credit Union Limited	1 Aug 2013	60,752,660	34,745,029
Ewarton Co-operative Credit Union Limited	1 Sept 2013	109,323,595	-
Collector General Co-operative Credit Union Limited	1 Oct 2016	43,481,088	10,000,000
		213,557,343	44,745,029

5. **LIQUID ASSETS:**

	2022 $	2021 $
Deposits:		
JCCUL Cuets Settlements	22,128,822	9,938,223
First Heritage Co-operative Credit Union	59,986,867	59,017,000
National Commercial Bank	4,244,894	4,171,300
Jamaica National Building Society Mortgage Fund	10,000,000	10,000,000
	96,360,583	83,126,523
Interest receivable	500,142	280,100
	96,860,725	83,406,623
JCCUL Demand Deposits	59,041,740	-
JCCUL Liquidity Reserve	284,269,086	-
	440,171,551	83,406,623

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. **LIQUID ASSETS:**

(i) Jamaica National Building Society Mortgage Fund represents funds held with the institution to secure mortgage facilities which are extended to the members of the Credit Union.

(ii) JCCUL requires credit unions to hold a monthly minimum average of 8% liquidity reserves with the league as follows:

- 6% in a liquidity reserve. The credit union receives a 3% return on the amounts held in the liquidity reserve.
- 2% in a demand deposit account from which regular withdrawals may be made.

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6. **RESALE AGREEMENTS:**

	2022 $	2021 $
Principal	1,039,017,778	1,105,132,416
Interest receivable	11,221,016	6,001,557
	1,050,238,794	1,111,133,973

The Credit Union entered into resale agreements collateralized by Government of Jamaica Securities. At 31 December 2022, securities totaling $1,014,674,984 (2021: $1,223,647,938) representing Government of Jamaica Debt Securities and corporate bonds were held as collateral for resale agreements.

These agreements may result in a credit exposure in the event that the counter party to the transactions is unable to fulfill its collateral obligations.

For the purposes of the statement of cash flows an amount of $1,014,674,984 (2021: $987,770,270) is included in cash and cash equivalents (note 10).

These resale agreements have a maturity date 31 – 365 days (2021: 63-365 days).

The Credit Union did not recognize impairment losses on the resale agreements because the amount was immaterial.

Included in these investments is an amount for $2,644,298 (2021: $2,556,223) with respect to a Care-A-Bit reserve fund (note 22d).

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. **LOAN RECEIVABLES:**

		2022 $	Restated 2021 $
(a)	Balance at beginning of the year	2,776,487,487	2,815,165,456
	Loans granted	1,736,045,308	1,588,495,031
		4,512,532,795	4,403,660,487
	Repayments and transfer	(1,591,084,719)	(1,627,173,000)
		2,921,448,076	2,776,487,487
	Less impairment allowance (7(d))	(44,796,282)	(43,176,207)
	Balance at end of year	2,876,651,794	2,733,311,280
	Less loan fees:		
	At the beginning of the year	(41,698,122)	(37,026,725)
	Additions during the year	(29,551,080)	(27,131,919)
	Fees amortised during the year	26,765,467	22,460,522
	Unamortised loan fees at end of the year	(44,483,735)	(41,698,122)
		2,832,168,059	2,691,613,158
	Interest receivable	3,368,851	2,629,097
	Balance at end of year	2,835,536,910	2,694,242,255
	Maturity:		
	Due within 1 year	94,195,761	86,351,372
	Due after 1 year	2,741,341,149	2,607,890,883
		2,835,536,910	2,694,242,255

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. **LOAN RECEIVABLES:**

(a) Loan to members (cont'd)

The profile of the loan receivables is as follows:

	2022 $	2021 $
Loans not past due	2,868,722,113	2,736,185,518
Loans past due:		
1 month	11,091,342	13,188,066
2 – 3 months	15,513,359	11,994,011
4 – 6 months	18,769,828	8,916,823
7 - 12 months	5,032,235	6,203,069
Over 12 months	2,319,199	-
	2,921,448,076	2,776,487,487

(a) The aggregate amount of non-performing loans on which interest was not being accrued amounted to $41,634,621 (2021: $27,113,903). Uncollected interest not accrued in these financial statements on non-performing loans was estimated at $653,140 (2021: $704,351).

(b) The fair value of collateral held as security against impaired loans was $50,090,704 (2021: $16,678,617).

(c) The movement in the Impairment losses on loans under the requirements of IFRS is as follows:

	2022 $	2021 $
Balance at beginning of year	43,176,207	41,471,544
Increase in Impairment losses during the year	9,005,513	5,673,512
	52,181,720	47,145,056
Loans written off	(7,385,438)	(3,968,849)
Balance at end of year	44,796,282	43,176,207

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. **LOAN RECEIVABLES (CONT'D):**

(d) The impairment allowance required as per JCCUL regulatory requirements is as follows:

At 31 December 2022:

Months in arrears	Accounts in arrears	Loan amount outstanding $	Savings held against loans $	Portion not covered by Savings $	Level of allowances %	JCCUL allowance $
2 – 3 months	17	15,513,359	683,810	14,829,549	10	1,551,336
4 – 6 months	24	18,769,828	1,686,225	17,083,603	30	5,630,948
7 – 12 months	26	5,032,235	2,451,259	2,580,976	60	3,019,341
Over 12 months	2	2,319,199	-	-	100	2,319,199
Totals	69	41,634,621	4,821,294	34,494,128		12,520,824

As at 31 December 2021:

Months in arrears	Accounts in arrears	Loan amount outstanding $	Savings held against loans $	Portion not covered by Savings $	Level of allowances %	JCCUL allowance $
2 – 3 months	26	11,994,011	2,006,267	9,987,744	10	1,199,401
4 – 6 months	33	8,916,823	2,835,745	6,081,078	30	2,675,047
7 – 12 months	36	6,203,069	1,977,254	4,225,815	60	3,721,841
Totals	95	27,113,903	6,819,266	20,294,637		7,596,289

The impairment losses on loans under JCCUL regulatory requirement for 2022 (2021) was not in excess of the provision required under IFRS provisioning rules.

	2022 $	2021 $
Regulatory Impairment allowance on loans per above	12,520,824	7,596,289
Impairment allowance based on IFRS 9	44,796,282	43,176,207
Excess of regulatory Impairment losses over IFRS 9 impairment transferred to loan loss reserve	-	-

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. **FINANCIAL INVESTMENTS:**

	2022 $	2021 $
Fair value through profit or loss:		
Unit Trust:		
JMMB Optimum Capital (Real Estate) Fund	-	420,440
Scotia Premium fixed income fund	1,584,783	1,584,032
Proven High Yield Fund	4,981,726	4,673,446
Barita Unit Trust Money Market Fund	14,574,114	13,435,991
Sagicor Sigma JMD Principal Protector Fund	1,124,186	962,701
JCCUL Mortgage Fund (iii)	-	53,878,336
	22,264,809	74,954,946
Money market funds:		
CUMAX Money Market Fund	704,010	299,121,756
JMMB Giltedge Money Market Fund	17,361,248	16,850,422
Barita Money Market Fund	10,744,745	21,751,569
	28,810,003	337,723,747
Quoted shares:		
Cement Company Limited	1,020,600	1,178,888
National Commercial Bank Jamaica Limited	2,351,089	3,655,483
Community & Workers of Jamaica Co-operative Credit Union Deferred Shares	20,200,000	20,000,000
Barita Investments Limited	29,173,792	28,257,971
Sagicor Select Funds Limited	260,000	375,000
Jamaica Broilers Group Limited	2,888,704	2,705,132
	55,894,185	56,172,474
Total carried forward (page 68)	106,968,997	468,851,167

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. **FINANCIAL INVESTMENTS:**

	2022 $	2021 $
Total brought forward (page 67)	106,968,997	468,851,167
Fair value through other comprehensive income:		
Debt instruments:		
Government of Jamaica Bonds	185,609,002	192,764,818
Global Bonds	22,685,849	26,616,718
Interest receivable	3,333,774	3,195,237
	211,628,625	222,576,773
Unquoted shares:		
JCCUL (i)	13,106,842	13,106,842
Jamaica Co-operative Insurance Agency Limited (ii)	2,000,000	2,000,000
Cumax Wealth Management Limited	4,529,709	4,529,709
Quality Network Co-operative Limited (QNET)	3,202,075	3,202,075
First Heritage Co-operative Credit Union Limited	2,779	2,779
	22,841,405	22,841,405
	234,470,030	245,418,178
Amortised cost:		
Deferred shares:		
COK Co-operative Credit Union Deferred Shares	10,000,000	10,000,000
Corporate bonds:		
Sagicor Investments Jamaica Limited FR Unsecured 6.75% Bond	20,000,000	20,000,000
Barita Investments Limited FR Unsecured 5% Bond	20,000,000	46,500,000
Cornerstone Group Limited	30,000,000	-
NCB Financials 7.5% FR Bond	50,000,000	-
Interest receivable	3,297,840	1,221,164
	133,297,840	77,721,164
	474,736,867	791,990,509

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. **FINANCIAL INVESTMENTS (CONT'D):**

(i) The rules of JCCUL stipulates that a minimum of one million (1,000,000) shares, each with a par value of $1.00 must be held with the League for the Credit Union to retain membership status. The equivalent of amounts held in the statutory reserve (Note 20 (i) must either be used to purchase League shares or placed in League investments.

(ii) Investment in Jamaica Co-operative Insurance Agency Limited (JCIA) represents 1.67% ownership.

(iii) Investments in the JCCUL's Mortgage Fund Instruments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.

(iv) During the year the rules of JCCUL were amended and credit unions are no longer required to maintain a minimum of 8% of members' savings deposits in Cumax Mutual Fund. Credit unions are required to invest a minimum of 8% with JCCUL in the form of a demand deposit and liquidity reserve (See note 5); invest a minimum of 10% of members' savings deposits in short-term deposit instruments, and a maximum of 2% with any other financial institution.

9. **INVESTMENT PROPERTY:**

	Land $	Building $	Total $
Balance at 1 January 2021	256,000,000	21,000,000	277,000,000
Fair value gain during the year	45,100,000	10,000,000	55,100,000
Balance at 31 December 2021 and 2022	301,100,000	31,000,000	332,100,000

(i) Gross rental income from investment property is disclosed in note 25.

(ii) Property operating expenses during the year amount to $2,711,179 (2021: $3,462,998).

(iii) The property is located at 37 Lady Musgrave Road and was appraised as at 31 December 2021, by qualified independent valuators, CD Alexander Company Reality Limited. The fair value of the property amounted to $332,100,000. The valuation surplus was credited to the surplus or deficit and transferred to non-institutional capital revaluation reserve.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. **INVESTMENT PROPERTY (CONT'D):**

(iv) The fair value measurement for investment properties is classified as Level 3.

Valuation techniques and significant unobservable inputs:

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Sales comparison approach: The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed. A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.	Sales of similar properties	The estimated fair value would increase/(decrease) if: Sales prices of similar properties were higher/(lower)

10. **CASH AND CASH EQUIVALENTS:**

	2022 $	2021 $
Cash on hand	5,694,749	13,140,404
Current accounts	79,692,383	57,904,318
	85,387,132	71,044,722
Cash and cash equivalents in cash flows comprise:		
Cash and bank balances	85,387,132	71,044,722
Liquid assets (note 5)	96,860,725	83,406,623
Resale agreements (note 6)	1,014,674,984	987,770,270
	1,196,922,841	1,142,221,615

11. **OTHER ASSETS:**

	2022 $	2021 $
Prepayments	12,161,089	8,852,176
Withholding tax recoverable	3,046,269	3,009,283
Property, plant and equipment deposit	197,543	2,438,006
Other receivables	2,732,208	3,420,595
	18,137,109	17,720,060

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. **PROPERTY, PLANT AND EQUIPMENT:**

	Land & Buildings $	Leasehold Improvements $	Office Equipment Furniture & Fixtures $	Computer Equipment $	ATM $	Fence and Garden Tools $	Total $
At cost/ valuation:							
1 January 2021	276,800,000	21,651,628	64,148,220	52,898,347	3,353,073	109,470	418,960,738
Additions	-	-	1,594,513	2,573,934	-	-	4,168,447
Revaluation	46,800,000	-	-	-	-	-	46,800,000
31 December 2021	323,600,000	21,651,628	65,742,733	55,472,281	3,353,073	109,470	469,929,185
Additions	-	-	4,333,474	284,329	-	-	4,617,803
31 December 2022	323,600,000	21,651,628	70,076,207	55,756,610	3,353,073	109,470	474,546,988
Accumulated depreciation:							
31 January 2021	5,269,972	4,849,457	57,168,390	47,799,214	1,258,644	109,470	116,455,147
Charge for the year	5,232,500	541,291	2,105,611	3,800,308	419,134	-	12,098,844
Eliminated on revaluation	(10,502,472)	-	-	-	-	-	(10,502,472)
31 December 2021	-	5,390,748	59,274,001	51,599,522	1,677,778	109,470	118,051,519
Charge for the year	6,062,925	541,291	1,760,489	2,150,548	419,134	-	10,934,387
31 December 2022	6,062,925	5,932,039	61,034,490	53,750,070	2,096,912	109,470	128,985,906
Net Book Value:							
31 December 2022	317,537,075	15,719,589	9,041,717	2,006,540	1,256,161	-	345,561,082
31 December 2021	323,600,000	16,260,880	6,468,732	3,872,759	1,675,295	-	351,877,666

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

At 31 December 2021 the fair value of land and building was appraised by the C. D. Alexander Company Realty Limited an independent qualified valuator. The valuation surplus was credited to other comprehensive income and is shown in non-institutional capital (capital/ revaluation reserves).

The fair value measurement of the property, plant and equipment has been categorized as level 3 for fair value, based on inputs to the valuation technique relating to sales comparison approach (see note 9). A reconciliation to the closing fair value balance is as follows:

	2022 $	2021 $
Opening balance	323,600,000	271,530,028
Revaluation adjustments	-	57,302,472
Depreciation	(6,062,925)	(5,232,500)
	317,537,075	323,600,000

The historical carrying value of land and building was $22,959,047 (2021: $23,714,687).

13. **INTANGIBLE ASSET:**

	Computer Software $
At cost	
1 January 2021	79,915,950
Additions	3,741,328
31 December 2021	83,657,278
Additions	2,478,993
31 December 2022	86,136,271
Accumulated amortisation:	
1 January 2021	74,825,738
Charge for the year	2,119,368
31 December 2021	76,945,106
Charge for the year	2,447,196
31 December 2022	79,392,302
Net Book Value:	
31 December 2022	6,743,969
31 December 2021	6,712,172

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. **RETIREMENT BENEFIT ASSET:**

The Credit Union participates in a multi-employer, defined benefit pension scheme, which is open to all permanent employees and administered by CUMAX Wealth Management Limited. The plan provides benefits to members based on average earnings for their final 3 years of service, with the Credit Union and employees each contributing 8% and 5% (up to 12%) of pensionable salaries. The plan is valued annually by independent actuaries using the projected unit credit method. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding; the latest such valuation, being as at 31 December 2022, revealed that the plan was adequately funded as at that date.

The Board of the pension plan is composed of five (5) representatives from the various employers, two (2) representatives from employees and one (1) from pensioners. The Board of the plan is responsible for the investment policy with regards to the assets of the plan. The plan is managed by the Cumax Wealth Management Limited under a management agreement.

The plan was closed to new members effective 31 December 2016.

(a) The defined benefit asset recognised in the statement of financial position was determined as follows:

	2022 $	2021 $
Fair value of plan assets	220,311,000	218,422,000
Present value of funded obligations	(107,796,000)	(146,689,000)
Effects of asset ceiling	(98,441,000)	(20,178,000)
	14,074,000	51,555,000

(b) The movement in the amounts recognised in the statement of financial position:

	2022 $	2021 $
Balance at beginning of year	51,555,000	55,878,000
Contributions paid	3,965,000	3,945,000
Pension expense recognised in surplus	(1,822,000)	(897,000)
Re-measurement recognised in other comprehensive income	(39,624,000)	(7,371,000)
Balance at end of year	14,074,000	51,555,000

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. RETIREMENT BENEFIT ASSET (CONT'D):

(c) The movement in the present value of the defined benefit obligation during the year was as follows:

	2022 $	2021 $
Balance at beginning of year	146,689,000	128,070,000
Current service cost	5,150,000	5,404,000
Interest cost	11,535,000	11,402,000
Members' contribution	3,631,000	3,583,000
Benefits paid	(4,996,000)	(2,754,000)
	162,009,000	145,705,000
Re-measurement:		
(Gains)/losses from change in financial assumptions	(58,700,000)	4,599,000
Experience losses/(gains)	4,487,000	(3,615,000)
	(54,213,000)	984,000
Balance at end of the year	107,796,000	146,689,000

(d) The movement in the fair value of plan assets during the year was as follows:

	2022 $	2021 $
At beginning of year	218,422,000	203,959,000
Interest income on plan assets	17,578,000	18,571,000
Employer contributions	3,965,000	3,945,000
Employee contributions	3,631,000	3,583,000
Benefits paid	(4,996,000)	(2,754,000)
Administrative expenses re-measurement	(1,101,000)	(861,000)
Return on plan assets	(17,188,000)	(8,021,000)
	220,311,000	218,422,000

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. **RETIREMENT BENEFIT ASSET (CONT'D):**

(d) The movement in the fair value of plan assets during the year was as follows (cont'd):

The pension plan assets are allocated to the Credit Union based on its obligations as a proportion of the total obligations of the plan. Plan assets are comprised as follows:

	2022			
	Quoted $	Unquoted $	Total $	%
Equity securities	48,887,000	-	48,887,000	22.19
Real estate	-	48,938,000	48,938,000	22.21
Government of Jamaica securities	-	88,283,000	88,283,000	40.07
Resale agreements	-	20,783,000	20,783,000	9.43
Other	-	13,420,000	13,420,000	6.10
	48,887,000	171,424,000	220,311,000	100

	2021			
	Quoted $	Unquoted $	Total $	%
Equity securities	50,522,000	-	50,522,000	23.13
Real estate	-	49,832,000	49,832,000	22.81
Government of Jamaica securities	-	87,392,000	87,392,000	40.01
Resale agreements	-	19,518,000	19,518,000	8.94
Other	-	11,158,000	11,158,000	5.11
	50,522,000	167,900,000	218,422,000	100

(e) The movement in the asset ceiling is as follows:

	2022 $	2021 $
Effect of asset ceiling at beginning of period	20,178,000	20,011,000
Interest on effect of asset ceiling	1,614,000	1,801,000
Change in effect on asset ceiling	76,649,000	(1,634,000)
Effect of asset ceiling at end of period	98,441,000	20,178,000

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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14. **RETIREMENT BENEFIT ASSET (CONT'D):**

(f) The amounts recognised in the income statement are as follows:

	2022 $	2021 $
Current service cost, net of employee contributions	5,150,000	5,404,000
Interest cost	11,535,000	11,402,000
Interest income	(17,578,000)	(18,571,000)
Interest on effect of asset ceiling	1,614,000	1,801,000
Administrative expenses	1,101,000	861,000
Net pension expense included in staff costs (note 26)	1,822,000	897,000

The total charge was included in administration expenses in the statement of surplus or deficit.

Expected contributions to the plan for the year ending 31 December 2022 is $3,570,000 (2021: $3,770,000).

(g) Amounts recognised in other comprehensive income:

	2022 $	2021 $
Re-measured gain/(losses) on obligation	(54,213,000)	984,000
Re-measured losses on plan assets	17,188,000	8,021,000
Changes in effect of assets ceiling	76,649,000	(1,634,000)
	39,624,000	7,371,000

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. **RETIREMENT BENEFIT ASSET (CONT'D):**

(h) The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities are as follows:

	2022 $	2021 $	2020 $	2019 $	2018 $
Fair value of plan assets	220,311,000	218,422,000	203,959,000	185,798,000	163,204,000
Defined benefits obligation	(107,796,000)	(146,689,000)	(128,070,000)	(114,524,000)	(99,021,000)
(Deficit)/Surplus	(112,515,000)	71,733,000	75,889,000	71,274,000	64,183,000
Experience adjustments:					
Fair value of plan assets	(17,188,000)	(8,021,000)	(2,260,000)	4,894,000	(2,057,000)
Defined benefits obligation	4,487,000	(3,615,000)	(1,947,000)	(5,016,000)	(2,548,000)

(i) The principal actuarial assumptions used were as follows:

	2022 %	2021 %
Discount rate	13.00	8.00
Salary increase	7.50	5.50
Price Inflation	5.50	5.00
Future pension increases	5.50	3.75

(j) Sensitivity analysis on projected benefit obligation

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. **RETIREMENT BENEFIT ASSET (CONT'D):**

(j) Sensitivity analysis on projected benefit obligation (cont'd)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	2022		2021	
	+1% $'000	-1% $'000	+1% $'000	-1% $'000
Discount rate	(10,987,000)	(13,432,000)	(20,524,000)	26,460,000
Future salary increases	4,177,000	3,783,000)	8,613,000	(7,567,030)
Future pension increases	8,146,000	(7,034,000)	15,182,000	(12,707,000)

(k) Liability duration

	2022 Years	2021 Years
Active members	12.9	16.3
Deferred pensioners	16.1	19.7
Retirees	8.2	9.3
All participants	12.7	16.4

(l) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the defined benefit obligation of an increase of one (1) year in the life expectancy is approximately $1,948,000 (2021: $3,480,000).

Risks associated with pension plans

Through its defined benefit pension the Credit Union is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets under-perform this will create a deficit.

As the plan matures, the Credit Union intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14. RETIREMENT BENEFIT ASSET (CONT'D):

Asset volatility (cont'd)

The Credit Union believes that due to the long-term nature of the plan's liabilities, a level of continuing equity investment is an appropriate element of the Credit Union's long term strategy to manage the plans efficiently.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

15. VOLUNTARY SHARES:

	2022 $	2021 $
Balance at beginning of year	1,481,423,309	1,418,382,955
Shares deposited	825,482,686	1,108,157,074
	2,306,905,995	2,526,540,029
Shares withdrawn	(780,186,543)	(1,045,116,720)
Balance at end of year	1,526,719,452	1,481,423,309

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31 DECEMBER 2022

16. **SAVING DEPOSITS:**

		2022 $	2021 $
(a)	On call	38,736,485	39,096,804
	Easy access deposits	53,210,926	46,861,543
		91,947,411	85,958,347
(b)	Special deposits	790,323,929	770,118,447
(c)	Life long savings	309,219,790	312,726,001
(d)	Fixed deposits	938,303,645	927,479,680
(e)	Mortgage deposits	6,962,565	6,970,471
(f)	Partner plan savings	39,679,008	36,408,633
(g)	Golden Harvest savings deposits	43,493,794	46,921,675
(h)	Staff and Christmas savings	961,845	5,000
(i)	Motor saving	46,245,908	44,202,392
(j)	Members mortgage	1,962,464	1,867,162
		2,269,100,359	2,232,657,808
Interest accrued		1,990,442	1,620,358
		2,271,090,801	2,234,278,166
Maturity:			
Due within 1 year		2,226,926,915	1,988,396,045
Due after 1 year		44,163,886	245,882,121
		2,271,090,801	2,234,278,166

(a) On call and easy access deposits

	2022 $	2021 $
Balance at 1 January	85,958,347	88,565,135
Add deposits	1,223,476,386	1,131,709,653
	1,309,434,733	1,220,274,788
Less withdrawal & transfers	(1,217,487,322)	(1,134,316,441)
Balance at 31 December	91,947,411	85,958,347

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

16. **SAVING DEPOSITS (CONT'D):**

(a) On call and easy access deposits (cont'd)

These are regular or ordinary deposits used primarily for standing order payments or assisting members to gain access through the ATM Banking Facility. No interest is paid on these accounts.

(b) Special deposits

Special deposits are for varying periods up to 365 days on which interest is paid at rates between %0.85% and 1.85 % (2021: 2% and 3.85%) per annum.

(c) Life long savings

Life long saving deposits are for a minimum of five (5) years on which interest is paid at rates between 2% and 3.85 % (2021: 2% and 3.85%) per annum.

(d) Fixed deposits

These represents amounts placed for fixed period at fixed rates between 1.5 % and 3.75% (2021: 1.5% and 2.1%) per annum.

(e) Mortgage deposits

These represent deposits by members who access mortgage and home equity loans. They are required to make monthly deposits to this account until the loan is repaid. Payments are made on behalf of the members for peril insurance and life insurance when due.

(f) Partner plan savings

These are savings by members towards their short term goals. It ranges from a minimum period of 16 weeks to a maximum of 48 weeks. Bonuses are paid according to the period of the savings.

(g) Golden Harvest saving deposits

The Golden Harvest Savings Deposits account allows the member to save towards a goal while insuring the amount of their goal. Fixed amount deposits are made monthly and earn interest at rate of 3% (2021: 3.00%) per annum.

(h) Staff and Christmas savings

These are savings by members and staff towards Christmas expenses. Interest is paid at 3.5% per annum.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

16. **SAVING DEPOSITS (CONT'D):**

(i) Motor savings

These represent compulsory savings for members who have motor vehicle loans. Members are not permitted to access these funds until the loan is cleared and also works as a "cushion" to minimize the loss should the account fall in arrears.

(j) Members mortgage

These represent an escrow account for members who have received a mortgage through the Credit Union.

17. **LOAN SCHEME FUNDS :**

	JPS Housing Loan $	JPS Computer Loan $	JPS Education Loan $	JEP Loan Scheme $	Total $
2022					
Balance at 1 January 2022	130,292	4,000,000	5,564,286	2,848,089	12,542,667
Loan repayments with interest	-	-	481,443	9,272,122	9,753,565
Loans disbursed to members	-	-	(478,000)	(7,459,500)	(7,937,500)
Balance at 31 December 2022	130,292	4,000,000	5,567,729	4,660,711	14,358,732
2021					
Balance at 1 January 2021	130,292	4,000,000	5,202,467	2,808,946	12,141,705
Loan repayments with interest	-	-	942,289	4,257,643	5,199,932
Management fees	-	-	(40,470)	-	(40,470)
Loan disbursed to members	-	-	(540,000)	(4,218,500)	(4,758,500)
	-	-	(580,470)	(4,218,500)	(4,798,970)
Balance at 31 December 2021	130,292	4,000,000	5,564,286	2,848,089	12,542,667

17. **LOAN SCHEME FUNDS (CONT'D):**

The Credit Union manages the funds through the assessment, evaluation of loan applications from qualified members and the disbursement of the loans. The Credit Union is also responsible for the collection of loan payments and the investment of un-loaned funds. All expenditure incurred in the provision of the financial services are charged to the fund and interest earned on un-loaned funds are credited. The Credit Union earns a management fee for the provision of the various financial services provided in the management of the fund.

(i) JPS $2 million Housing Loan

This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to assist them in the acquisition of property, repairs and construction of homes. The maximum available to each employee is $200,000 at an interest rate of 12 % (2021: 12%).

(ii) JPS Computer Loan

This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to purchase computers. The maximum available is $100,000 at an interest rate of 12 % (2021: 12%) repayable over 24 months.

(iii) JPS Education Loan

This facility was entered into with the Jamaica Public Service Company Limited, for their employees who are members of the Credit Union, to assist with back to school expenses for their children.

(iv) Jamaica Energy Partners Loan Scheme

The Jamaica Energy Partners provided an initial $1,500,000 for this loan facility for its staff members. The maximum amount of loan available per member is $150,000 repayable over 24 months. Selection of persons eligible for this loan is done by the management of the company and sent to the Credit Union for evaluation and processing.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

18. PAYABLES:

	2022 $	2021 $
Dividend payable	17,701,257	316,690
Accounts payable	-	4,334,515
State – dated cheques	985,802	821,799
Commission payable	5,303,441	6,556,078
Accrued expenses	12,997,726	8,972,093
Decreased members' account	9,917,880	6,371,621
Honorarium payable	3,683,148	4,000,000
Audit and accounting fees	3,873,539	4,380,139
Cuets ATM Settlement	5,109,458	4,727,741
Other payables	7,313,117	4,903,977
Total financial liabilities measured at amortised cost	66,885,368	45,384,653
Withholding tax	6,248,214	9,309,427
Statutory contributions payable	2,447,276	4,899,763
Other	1,436,746	559,684
	77,017,604	60,153,527

Dividend payable includes amounts appropriated from the surplus not yet paid to members for patronage refund, amounting to $11,171,748, and dividends on permanent shares of $6,208,786. (See note 23).

19. DEFERRED CREDIT:

This represents an injection by JCCUL to offset the cost of IFRS 9 implementation. The Credit Union has continued to allocate funds to facilitate annual upgrades.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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20. INSTITUTIONAL CAPITAL:

		2022 $	2021 $
(i)	Statutory reserve -		
	Balance at beginning of year	437,903,863	396,921,730
	Movement during the year:		
	Appropriation during the year	8,000,000	10,000,000
	20% of net surplus before Honorarium	12,600,831	30,982,133
		20,600,831	40,982,133
	Balance at end of year	458,504,694	437,903,863
(ii)	Revenue reserve	56,938,043	56,938,043
(iii)	Permanent shares	69,358,509	68,986,508
(iv)	Business combination reserve	297,610,477	297,610,477
		882,411,723	861,438,891

Institutional capital forms a part of the permanent capital of the Credit Union and is not available for distribution.

(i) Statutory reserve

The statutory reserve is maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of the net income before honoraria be carried to a reserve fund. A Registered Society may apply to the Registrar to allow the required percentage to be reduced but not below 10%.

(ii) Revenue reserve

This reserve represent the appropriations by members at the annual general meetings to be set aside for strengthening the capital base of the Credit Union.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

20. **INSTITUTIONAL CAPITAL (CONT'D):**

(iii) Permanent shares

Permanent shares are paid in cash and are not redeemable, but may be transferred or sold to another member.

	2022 $	2021 $
Balance at beginning of the year	68,986,508	62,932,108
Additions during the year	372,001	182,572
Non-cash dividends	-	5,871,828
Balance at end of year	69,358,509	68,986,508

Permanent shares are issued at a par value of $1 per share and they form part of the permanent capital of the Credit Union [note 3(p)].

(iv) Business combination reserve

The business combination reserve is a reserve arising on the merger of two or more co-operatives and is not available for distribution. It is being retained to maintain the capital base of the Credit Union.

21. **NON-INSTITUTIONAL CAPITAL:**

	2022 $	Restated 2021 $
Unrealized fair value gains on property, plant and equipment	322,735,929	322,735,929
Unrealized fair value gains on Investment property	318,432,584	318,432,584
Capital/revaluation reserve	641,168,513	641,168,513
Investment reserve	8,099,919	17,171,603
Other non-qualifying reserves (Notes 22)	138,867,829	105,652,251
Retirement benefit reserve (Note 14)	14,074,000	51,555,000
Undistributed net surplus (Page 8&9)	23,711,864	41,232,076
	825,922,125	856,779,443

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

22. **OTHER NON-QUALIFYING RESERVES:**

		1 January 2022 $	Disbursements $	Appropriations $	31 December 2022 $
(a)	General reserve	11,866,364	(1,045,694)	-	10,820,670
(b)	Scholarship fund	1,611,805	(1,888,807)	2,800,000	2,522,998
(c)	Youth programme reserve	2,198,500	-	-	2,198,500
(d)	Care-A Bit reserve	4,087,000	-	-	4,087,000
(e)	Software reserve	25,524,782	-	30,000,000	55,524,782
(f)	Redemption reserve	2,735,671	(649,921)	-	2,085,750
(g)	60th Anniversary celebration	3,326,951	-	-	3,326,951
(h)	Building reserve	15,613,009	-	2,000,000	17,613,009
(i)	Organisational re-alignment	24,688,169	-	2,000,000	26,688,169
(j)	Branch office upgrade	14,000,000	-	-	14,000,000
		105,652,251	(3,584,422)	36,800,000	138,867,829

		1 January 2021 $	Disbursements $	Appropriations $	31 December 2021 $
(a)	General reserve	11,866,364	-	-	11,866,364
(b)	Scholarship fund	999,546	(1,887,741)	2,500,000	1,611,805
(c)	Youth programme reserve	2,198,500	-	-	2,198,500
(d)	Care-A Bit reserve	4,087,000	-	-	4,087,000
(e)	Software reserve	13,904,302	(379,520)	12,000,000	25,524,782
(f)	Redemption reserve	3,221,171	(485,500)	-	2,735,671
(g)	60th Anniversary celebration	3,326,951	-	-	3,326,951
(h)	Building reserve	15,613,009	-	-	15,613,009
(i)	Organisational re-alignment	54,409,522	(34,721,353)	5,000,000	24,688,169
(j)	Branch office upgrade	2,000,000	-	12,000,000	14,000,000
		111,626,365	(37,474,114)	31,500,000	105,652,251

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

22. **OTHER NON-QUALIFYING RESERVES (CONT'D):**

(a) General reserve

This reserve is used for any general assistance that the Credit Union approves.

(b) Scholarship fund

This fund was established to assist members children who qualified for assistance for education after successfully completing the Primary Exit Profile (PEP) examinations. The Albert Morris and the Carl Little Scholarships are also facilitated from this reserve to members or members' children who has been accepted to attend a recognised local university to pursue a course in business or computer studies etc. and covers tuition for the three years. The scholarship is also available to eligible persons selected to pursue an undergraduate degree in engineering at the University of Technology, Jamaica (UTECH).

(c) Youth programme reserve

This reserve is used to provide assistance for the advancement of the Credit Union's youth through the staging of various events.

(d) Care-A-Bit reserve

This is used to assist members who suffer major illnesses or are affected by natural disasters.

(e) Software reserve

This reserve is to be used for any major purchases or upgrade of software.

(f) Redemption reserve

This reserve is to be used for the purchase of sale of shares to or from members.

(g) 60th anniversary celebration

This amount was set aside from the surplus for the commemoration of the sixtieth (60) anniversary of the Credit Union.

(h) Building reserve

This reserve is intended to be used towards the construction of new office building at Lady Musgrave Road, in Kingston.

(i) Organisational re-alignment

This reserve will be used in organizational re-alignment, for staff cost.

(j) Branch office upgrade

This reserve will be used to upgrade the aesthetic of the branches.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

23. APPROPRIATION OF SURPLUS:

	2022 $	2021 $
Scholarship fund	2,800,000	2,500,000
Software reserve	30,000,000	12,000,000
Branch office upgrade	2,000,000	12,000,000
Organizational re-alignment	2,000,000	5,000,000
Dividends on permanent shares	6,208,786	13,256,820
Loan rebate on interest paid	-	5,334,981
Patronage refund	11,171,748	-
Institutional capital	8,000,000	10,000,000
	62,180,534	60,091,801

24. OTHER FINANCIAL COSTS:

	2022 $	2021 $
Life savings & loan protection insurance	12,670,444	11,920,307
Bond insurance	2,894,863	2,469,104
Bond premium amortisation	1,638,647	1,638,647
	17,203,954	16,028,058

25. NON-INTEREST INCOME:

	2022 $	Restated 2021 $
Fees:		
- Processing fees	3,185,162	2,592,423
- Other fees & charges	2,344,500	2,397,904
Dividends income	3,931,622	4,167,766
Fair value (loss)/gain on investments	(278,289)	2,606,671
Fair value gains on investment property	-	55,100,000
Rental income (note 9)	9,944,990	9,558,034
(Losses)/gain on foreign exchange	(1,006,893)	5,812,669
FIP Income	3,265,255	3,180,668
Loan recoveries	638,820	8,990,502
Miscellaneous	608,286	3,667,088
	22,633,453	98,073,725

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. **OPERATING EXPENSES:**

	2022 $	2021 $
Administrative:		
Depreciation & amortisation	13,381,583	14,218,212
Auditors' remuneration	4,255,000	4,255,000
Electricity	6,676,608	5,903,970
Repairs & maintenance	7,831,296	8,770,545
Telecommunications	3,329,455	3,208,570
Printing, statutory & supplies	5,217,850	3,856,081
Insurance premiums	7,079,856	6,112,068
Easy access expense	2,777,919	4,324,758
Professional & consulting fees	4,192,052	4,686,550
Postage	425,556	368,142
Security	11,030,829	10,911,378
Subscriptions	266,768	225,994
Computer	35,813,132	31,681,277
Rental	1,945,885	1,822,635
Other administrative	2,900,958	2,807,469
Internal audit	3,199,917	2,845,399
COVID-19	312,184	1,249,466
Members' refreshment	1,057,088	1,442,736
	111,693,936	108,690,250
Marketing & Promotion:		
Publicity & promotion	4,855,964	7,934,893
Public relations	631,446	502,195
	5,487,410	8,437,088
Representation & Affiliation:		
League & other dues	14,294,488	11,794,820
Seminars & meetings	5,551,332	4,760,517
Annual general meeting	5,293,855	3,414,339
	25,139,675	19,969,676
Balance carried forward to page 92	142,321,021	137,097,014

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. OPERATING EXPENSES (CONT'D):

	2022 $	2021 $
Balance brought forward from page 91	142,321,021	137,097,014
Personnel:		
Employee salaries		
& allowances – current year	141,705,236	116,873,657
- prior year over provision	-	(5,755,341)
Employee benefits	29,192,318	27,865,584
Education & training	1,492,813	2,306,673
Gratuity	682,108	1,276,630
Lunch subsidy	7,357,480	6,588,908
Staff travel & related expenses	2,471,859	1,197,697
Retirement benefit expenses (note 14 (f))	1,822,000	897,000
	184,723,814	151,250,808
	327,044,835	288,347,822

The number of persons employed at 31 December

	2022	2021
Full time	32	30
Part time	16	15
	48	45

27. RELATED PARTY TRANSACTIONS:

The Credit Union entered into the following transactions with related parties:

	2022 $'000	2021 $'000
(a) Loan balances (including accrued interest) -		
Board and committee members	30,788,480	23,445,459
Relatives of connected parties	26,524,681	21,302,679
Members of staff	62,362,775	77,320,752

As in the prior years, all loans owing by directors, committee members, staff and their relatives were being repaid in accordance with their loan agreements.

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

27. **RELATED PARTY TRANSACTIONS:**

The Credit Union entered into the following transactions with related parties (cont'd):

(b) Deposits (including interest) (cont'd) -

	2022 $'000	2021 $'000
Board and committee members	13,371,560	34,740,150
Relatives of connected parties	9,629,622	16,316,979
Members of staff	16,780,954	23,749,625

(c) Compensation of key management personnel -

The remuneration of key members of management during the year was as follows-

	2022 $'000	2021 $'000
Salaries and other short-term benefits	46,967,030	53,009,106
Post employment benefits	2,525,576	2,611,954
	49,492,606	55,621,060

Their remuneration is determined by the Board of Directors, having regard to their performance and prevailing macro-economic factors. The remuneration of key members of management is subject to review annually.

Post employment benefits represent employee's contribution to the pension scheme.

28. **INSURANCE:**

(a) Fidelity Insurance Coverage -

During the year, the Credit Union had fidelity insurance coverage with British Caribbean Insurance Company Limited. The total premium for the year was $2,831,937 (2021: $2,445,183).

(b) Life Savings and Loan Protection Coverage -

During the year, the Credit Union had life savings and loan protection coverage with Cuna Caribbean Insurance Company Limited. Total premium for the year was $12,670,444 (2021: $11,90,307).

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

28. **INSURANCE (CONT'D):**

(c) Golden Harvest Premium Insurance Coverage -

During the year, the Credit Union had insurance coverage with Cuna Caribbean Insurance Company Limited. The total premium for the year was $62,925 (2021: $75,420). These policies remained in force throughout the year with all premiums being paid promptly.

29. **COMPARISON OF LEDGER BALANCES:**

	Loans to member $	Savings Deposits $	Voluntary Share $	Permanent Share $
2022				
Balance as per general ledger	2,925,168,763	2,269,100,359	1,526,719,452	69,358,509
Balance as per members ledger	2,925,198,211	2,269,100,507	1,526,719,452	69,358,509
Differences	(29,448)	(148)	-	-
2021				
Balance as per general ledger	2,778,701,196	2,232,657,808	1,481,423,308	68,986,508
Balance as per members ledger	2,778,728,904	2,232,657,808	1,481,424,754	68,986,508
Differences	(27,708)	-	(1,446)	-

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. **PRIOR YEAR ADJUSTMENTS:**

The Credit Union changed how it accounted for loan origination fees, which was previously recognized under IFRS 15 instead of IFRS 9. The loan origination fees were recognized in surplus or deficit as the services were provided, however IFRS 9 requires these fees to be added to the loans and amortised over the life of the loans. As a consequence, fee income and loans to members were overstated while interest income was understated. The correction has been made by restating each of the affected financial statement line items for prior periods.

The impact on statement of financial position for the entity for 2020 and 2021 are as follows as:

	2021 As previously reported $	Adjustments $	2021 As restated $
ASSETS:			
EARNINGS ASSETS:			
Liquid assets	83,406,623	-	83,406,623
Resale agreements	1,111,133,973	-	1,111,133,973
Loan receivables	2,735,940,377	(41,698,122)	2,694,242,255
Financial Investment	791,990,509	-	791,990,509
Investment property	332,100,100	-	332,100,000
	5,054,571,482	(41,698,122)	5,012,873,360
NON-EARNINGS ASSETS	498,909,620	-	498,909,620
TOTAL ASSETS	5,553,481,102	(41,698,122)	5,511,782,980
LIABILITIES:			
INTEREST BEARING LIABILITIES	3,728,244,142	-	3,728,244,142
NON-INTEREST BEARING LIABILITY	65,320,504	-	65,320,504
TOTAL LIABILITIES	3,793,564,646	-	3,793,564,646
EQUITY:			
Institutional capital	861,438,891	-	861,438,891
Non-institutional capital	898,477,565	(41,698,122)	856,779,443
TOTAL EQUITY	1,759,916,456	(41,698,122)	1,718,218,334
TOTAL LIABILITIES AND EQUITY	5,553,481,102	(41,698,122)	5,511,782,980

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. **PRIOR YEAR ADJUSTMENTS (CONT'D):**

The impact on statement of financial position for the entity for 2020 and 2021 are as follows as (cont'd):

	2020 As previously reported $	Adjustments $	2020 As restated $
ASSETS:			
EARNINGS ASSETS:			
Liquid assets	42,345,882	-	42,345,882
Resale agreements	845,490,132	-	845,490,132
Loan receivables	2,777,129,097	(37,026,725)	2,740,102,372
Financial Investment	810,417,174	-	810,417,174
Investment property	277,000,000	-	277,000,000
	4,752,382,285	(37,026,725)	4,715,355,560
NON-EARNINGS ASSETS	439,919,982	-	439,919,982
TOTAL ASSETS	5,192,302,267	(37,026,725)	5,155,275,542
LIABILITIES:			
INTEREST BEARING LIABILITIES	3,526,435,682	-	3,526,435,682
NON-INTEREST BEARING LIABILITY	52,931,444	-	52,931,444
TOTAL LIABILITIES	3,579,367,126	-	3,579,367,126
EQUITY:			
Institutional capital	814,402,358	-	814,402,358
Non-institutional capital	798,532,783	(37,026,725)	761,506,058
TOTAL EQUITY	1,612,935,141	(37,026,725)	1,575,908,416
TOTAL LIABILITIES AND EQUITY	5,192,302,267	(37,026,725)	5,155,275,542

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. PRIOR YEAR ADJUSTMENTS (CONT'D):

The impact on the restatement of the loan origination fees on the statement of surplus or deficit and other comprehensive income for 2021 is as follows:

	2021 As previously reported $	Adjustments $	2021 As restated $
INTEREST INCOME:			
Loan receivables	341,598,957	22,460,522	364,059,479
Liquid assets	4,983,529	-	4,983,529
Resale agreements	32,168,160	-	32,168,160
Financial investments	21,470,242	-	21,470,242
	400,220,888	22,460,522	422,681,410
INTEREST EXPENSE & OTHER FINANCIAL COST	76,494,531	-	76,494,531
NET INTEREST INCOME	323,726,357	22,460,522	346,186,879
Impairment allowance on loans	(5,673,512)	-	(5,673,512)
NET INTEREST INCOME AFTER IMPAIRMENT ALLOWANCE ON LOANS	318,052,845	22,460,522	340,513,367
Non-interest income	125,205,644	(27,131,919)	98,073,725
	443,258,489	(4,671,397)	438,587,092
Operating expenses	(288,347,822)	-	(288,347,822)
SURPLUS BEFORE HONORARIUM	154,910,667	(4,671,397)	150,239,270
Honorarium	(4,000,000)	-	(4,000,000)
SURPLUS AFTER HONORARIUM	150,910,667	(4,671,397)	146,239,270
OTHER COMPREHENSIVE INCOME	46,082,163	-	46,082,163
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	196,992,830	(4,671,397)	192,321,433

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. PRIOR YEAR ADJUSTMENTS (CONT'D):

The restatement of the fee income had the following impact on the statement of cashflows:

	Presented 2021 $	Adjustments $	Restated 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net surplus	150,910,667	(4,671,397)	146,239,270
Adjustments for:			
Depreciation	12,098,844	-	12,098,844
Amortisation	2,119,368	-	2,119,368
Fair value movement in investment property	(55,100,000)	-	(55,100,000)
Unrealised fair value gains on FVTPL	(2,606,671)	-	(2,606,671)
Pension expense	897,000	-	897,000
Impairment losses on loans	5,673,512	-	5,673,512
Interest income	(400,220,888)	(22,460,522)	(422,681,410)
Interest expense	60,466,473	-	60,466,473
	(225,761,695)	(27,131,919)	(252,893,614)
Changes in operating assets and liabilities			
Other assets	(4,889,208)	-	(4,889,208)
Retirement benefit assets	(3,945,000)	-	(3,945,000)
Loan scheme funds	400,962	-	400,962
Saving deposits	138,580,701	-	138,580,701
Voluntary shares	63,040,354	-	63,040,354
Payables	12,389,060	-	12,389,060
Decrease in reserves	(37,474,114)	-	(37,474,114)
Loan receivables	29,374,139	4,671,397	34,045,536
	(28,284,801)	(22,460,522)	(50,745,323)
Interest received	399,363,563	22,460,522	421,824,085
Interest paid	(60,680,030)	-	(60,680,030)
Net cash provided by operating activities	310,398,732	-	310,398,732
Net cash used in investing activities	(112,426,038)	-	(112,426,038)
Net cash used in financing activities	(7,202,420)	-	(7,202,420)
INCREASE IN CASH AND CASH EQUIVALENTS	190,770,274	-	190,770,274
Cash and cash equivalents at beginning of year	951,451,341	-	951,451,341
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,142,221,615	-	1,142,221,615