JPS & PARTNERS
CO-OPERATIVE CREDIT UNION LTD.
Your Financial Partner For Life

ANNUAL REPORT 2022

NAVIGATING THE Digital World

Our Mission

Through a competent and committed team and innovative technology, we provide a wide range of services of the highest quality to meet the financial needs and aspirations of our internal and external stakeholders across Jamaica and the Diaspora; Promote equal opportunity; Foster economic growth and stability while upholding our core values. We care for our members and our community.

Our Vision

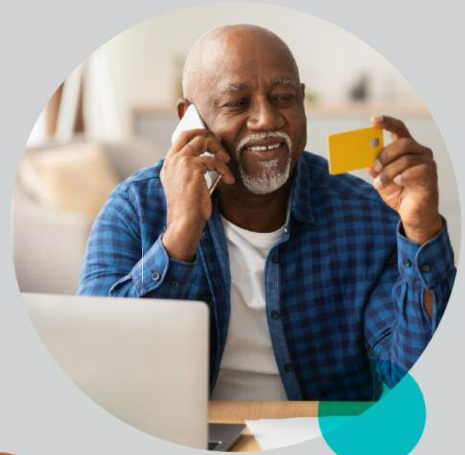
To be our members' premier financial partner for life.

Our Core Values

Integrity, Trust, Service, Accountability, Prosperity.

Securing your financial future

Enjoy competitive returns on savings, personalized service and a reservoir of products and services to suit your every financial need.



PRODUCTS AND SERVICES

SAVINGS PRODUCTS

- UGain Savers Account
- Ordinary Shares
- Special Deposits
- Fixed Deposits
- Partner Plan Savings
- Life Long Savings Account
- Youth Savers Account

LOANS PRODUCTS

- Motor Vehicle
- Education
- Mortgage
- Home Equity
- Air Conditioning
- Christmas Combo
- Pay Day
- Computer
- Vacation
- Father's Day
- Cash-On-Credit
- Mother's Day
- Insurance Premium
- Furniture & Appliance
- Salary Enhancer
- Valentine's Day

SERVICES

- Family Indemnity Plan (FIP)
- Health Plan
- Debit Card
- Standing Order Facility
- Payroll Deduction
- Financial Counselling
- Direct Deposit Facility
- Online Banking

FREE LIFE INSURANCE PROTECTION

- Up to $2,000,000 on loans
- Up to $1,000,000 on savings

JPS & PARTNERS
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Notice of Annual General Meeting

Notice is hereby given that the 68th Annual General Meeting (AGM) of the JPS & Partners Co-operative Credit Union will be held on Thursday November 09, 2023 at 1:00 p.m. in hybrid format, at the physical location of the Summit Kingston Hotel (formally Knutsford Court Hotel), 16 Chelsea Avenue, Kingston 5 and via livestream on Zoom.

AGENDA

1. **ASCERTAIN that a quorum is present**
2. **Call TO ORDER & NOTICE OF ANNUAL GENERAL MEETING**
3. **APOLOGIES FOR ABSENCE**
4. **APPROVAL OF THE MINUTES of the last Annual General Meeting and discussion of MATTERS arising**
5. **REPORTS**

   Board of Directors

   Treasurer and Auditor

   Credit Committee

   Supervisory Committee

   League Delegates
6. **DISTRIBUTION OF SURPLUS**
7. **RESOLUTIONS**

   Fixing of Maximum Liability
8. **NOMINATION COMMITTEE REPORT**
9. **ELECTION**

   Board of Directors

   Credit Committee

   Supervisory Committee
10. **ANY OTHER BUSINESS**
11. **ADJOURNMENT**

Kim Robinson
Board Secretary

Progress Report
2013 - 2022

YEARS	MEMBERS	SHARES Balance	DEPOSITS Balance	LOANS Balance	EARNINGS			ASSETS	DIVIDENDS/ INTEREST
					Gross Income	Expenses	Net Income before Honoraria		
		$M	$M	$M	$M	$M	$M	$M	%
2013	9,851	831	2,005	1,905	344,860	314,390	30.47	3,703,516	3
2014	10,249	894	1,902	1,957	423,447	381,629	41.82	3,675,189	3.25
2015	11,840	948	1,858	2,071	432,853	391,491	41.36	3,700,351	3.4
2016	13,796	1,209	1,915	2,445	440,946	410,337	30.61	4,110,374	3
2017	14,196	1,247	1,964	2,656	458,758	416,797	41.96	4,223,628	2
2018	14,947	1,263	1,941	2,652	460,278	390,979*	71.62	4,238,844	1.5
2019	13,946	1,319	2,014*	2,872*	458,035	388,659*	57.24	4,902,531*	1.35
2020	11,938	1,418	2,096*	2,740*	455,562	369,047*	86.51*	5,155,275*	1.35
2021	12,069	1,481	2,234*	2,694*	520,755*	370,515	150.239*	5,511,782*	1.35
2022	12,335	1,526	2,271	2,836	479,675	416,672	63	5,602,687	

*Restated

Minutes Of The 67th Annual General Meeting

of The JPS & Partners Co-Operative Credit Union Limited held at the Courtleigh Corporate Centre, (Courtleigh Auditorium), 8 St. Lucia Avenue, Kingston 5 on October 27, 2022.

Members registering at the 67th Annual General Meeting.

CALL TO ORDER

The meeting was called to order by Chairman Donovan Cunningham at 2:25 p.m.

PLAYING OF NATIONAL ANTHEM

The Chairman invited the members to stand for the playing of the National Anthem.

PRAYER

Mr. Paulstan Francis offered prayer, followed by the repeating of the Prayer of St. Francis of Assisi.

CONFIRMATION OF QUORUM

The Chairman asked the Assistant Secretary, Mr. Clive Segree to confirm whether a quorum had been reached. Mr. Segree stated that a quorum was reached, as there were 124 members both in-house and online.

NOTICE CONVENING THE MEETING

Having been asked by Chairman Cunningham, Mr. Segree read the Notice of the 67th Annual General Meeting.

Member, Audrie Gayle collecting her Annual Report from Emoya Love, Archivist

MOTION TO ADOPT AGENDA

The Chairman asked for a motion to adopt the agenda. The motion was moved by Mr. Derick Tulloch and seconded by Mr. Cebert Mitchell.

APOLOGIES FOR ABSENCE

Apologies were tendered for Director David Fleming and Secretary Tricia Robinson who would be late.

RECOGNITION OF BIRTHDAY CELEBRANTS

The Chairman recognised Mr. Earl Munroe, Ms Joydene Jarrett, Ms. Judith Umrah and Ms. Sonia Smith who were all celebrating birthday during the month of October. Members sang happy birthday to the celebrants.

MOMENT OF SILENCE

A moment of silence was observed for the deceased members who had passed during the prior year.

INTRODUCTION OF BOARD OF DIRECTORS/MANAGEMENT TEAM

The Chairman introduced himself as the President of the Credit Union, as well as the following Directors in attendance: Ms. Kim Robinson, Ms. Timain Campbell, Ms. Natalie Sparkes, Mr. Clive Segree. He noted that Directors Tricia Robinson and Patrick Davidson were online and that Director David Fleming would be joining the meeting soon. He went on to introduce the following persons: Ms Joydene Jarrett, General Manager, Mr. Carl Grant, Acting Credit Manager (online), Mr. David Harris, Manager Treasury and Finance, Mr. David Goodlitt, Operations Manager, Mrs. Marjorie Richards-Johnson, Ewarton Branch Manager; Mrs. Sandra Robinson-Brown, Risk and Compliance Manager, Mrs. Marie Young-McNamee, Branch Manager for Kirkvine, Mr. Kamoy Clarke, Information Technology Manager and Ms. Judith Umrah, Human Resource Manager.

WELCOME

Chairman Cunningham invited Director Kim Robinson to formally welcome the guests at the meeting on behalf of the Board of Directors and the Management of the Credit Union. Director Robinson extended warm welcome to the members and thanked them for taking their time to come out and joined the meeting, especially those members who journeyed from Ewarton, Kirkvine and other areas across the island. She also extended special welcome to the specially invited guests: Miss Melanie Campbell from the League, Mrs. Margaret Morris, wife of founding member Mr. Albert Morris (deceased), Mr. Dennis Richards, representative from Richards and Richards, Attorney-at-Law, Ms. Gerlyn Gray, former Board Director, Mrs. Jennifer Hibbert, BDO representative, External Auditor, Mr. Earl Munroe former Director, Mr. Derick Tulloch former Director, Mr. Edson Brown and Miss Nadia Byfield, representatives from the Department of Co-operatives and Friendly Societies, and Mr. Winston Fletcher, Director of the League.

MINUTES OF THE 66TH AGM

Chairman Cunningham invited the Assistant Secretary, Mr. Clive Segree, to take the meeting through the Minutes. The Minutes having previously been circulated, Mr. Segree asked for a motion that the Minutes be taken as read. The motion was moved by Mr. Cebert Mitchell and seconded by Ms. Joan Grant.

CORRECTIONS / AMENDMENTS / OMISISONS

Page 6: Under Suspension of Standing Orders, Miss Sonia Smith noted that there was no count stated, and that for there to be an amendment to the rules a count should have been taken. Mr. Derick. Tulloch stated that there was a count. Miss Smith said that the count was not stated in the Minutes and she noted that the practice throughout the minutes was for motions to be passed by mover and seconder, and that was not legal. She stated that the general membership needed to agree to the motion. The Assistant Secretary said that the point was taken.

Page 12: 3rd paragraph, 7th line down, Mr. Tulloch stated that with respect to Institutional Realignment, it was moved, seconded and a vote was taken that $5 Million be given as bonus shares on Permanent Shares. He noted that the $7.8 Million which was stated in the Minutes to be used to provide bonus shares was incorrect. Mr. Tulloch noted further that it was $10 Million that was initially agreed on and that Director Natalie Sparkes had asked for same to be half and as such the meeting agreed for the amount to be $5 Million. He asked that the records be corrected to reflect the $5 Million which was agreed by the meeting.

There being no other correction Mr. Clive Segree invited a motion for the approval of the Minutes. The motion was moved by Mr. Derick Tulloch and seconded by Mrs. Daffodil Bruce-Miller.

MATTERS ARISING FROM THE MINUTES

Ms. Sonia Smith enquired as to whether the surplus that was distributed to members' accounts was up to date. Chairman Cunningham answered in the affirmative.

MOTION FOR ACCEPTANCE OF MINUTES

The Assistant Secretary invited a motion for the acceptance of the Minutes. The motion was moved by Mrs. Daffodil Bruce-Miller and seconded by Ms. Gerlyn Gray.

RECOGNITION OF MEMBERS OF STATUTORY COMMITTEES

The Chairman recognized Mr. Cebert Mitchell, Chairman of the Credit Committee. Ms. Janet Morrison-Plummer chair of the Supervisory committee was unavoidable absent.

BOARD OF DIRECTORS REPORT

The Chairman directed the members to the Board of Directors Report contained at pages 18 to 25 in the Annual General Meeting Booklet. He stated that in

Past JPS & Partners Board Member, Earl Munroe shares warm greetings with JCCUL Board Member, Winston Fletcher.

Members of the Head Table listening attentively to a question posed by a member.

the interest of time he would be doing a summation.

Commencing his report, the Chairman stated that the year 2021 started with the COVID-19 pandemic creating havoc around the world with hope that the rapidly developed vaccine would bring much needed relief. He stated that the restrictions instituted under the Disaster Risk Management Order were mostly lifted by the second half of the year and noted that employment and consumption started to pick up and that both businesses and individuals began to breathe a sigh of relief. However, he noted that the supply chain problems remained causing difficulties in the sourcing of raw materials and finished goods, combined with rising price of petroleum on the international market.

Jamaica, the Chairman stated, recorded an inflation rate of 5.9% for the calendar year 2021, an increase of 0.7% over 2020 but still within the range of the 4% to 6% budgeted by the Bank of Jamaica. He said that the overall rate for accessing credit also began trending up, ending the year at 8% which is 2.1% above the previous year. The sharp rise in inflation rate was due to increases in housing, water, electricity, gas and other fuels, the Chairman noted.

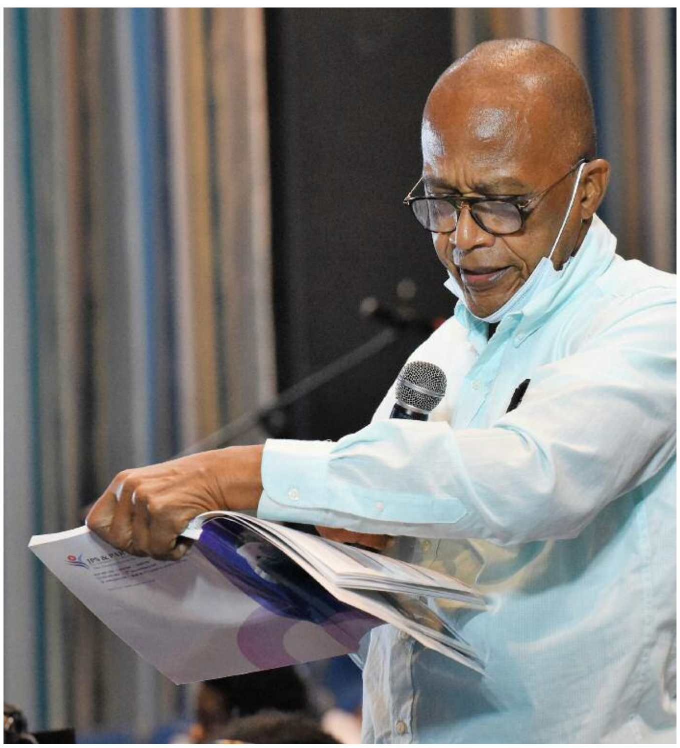
Chairman Cunningham stated that Jamaica's unemployment rate declined by 0.3% from 9.48% in 2020 to 9.18% in 2021. While a year-on-year decline was observed, the Chairman said that the level of decline was not sufficient to bring the rate below pre-COVID level of 7.2%.

He stated that the Jamaican dollar began trading the year at J$145.39 to US$1.00 and closed the year at $155.09 to US$1.00 and that fluctuations during the year ranged from a high of J$156.31 and a low of J$145.39 to the US$1.00. The Chairman told the meeting that the country's Net International Reserves totaled US$3,999.7 Million reflecting a slight increase of US$873.6 Million when compared to prior year total of US$3,126.1 Million. Referring to the Government of Jamaica treasury bills, the Chairman stated that the 90-day and 180-day treasury bills increased to 4.09% and 4.33% respectively in 2021 compared to 0.77% and 0.86% respectively.

Bank of Jamaica (BOJ) during the year, the Chairman noted, continued its oversight management of Co-operatives and Credit Unions by way of review and amendment to the Credit Unions (Special Provisions) Bill. He said that due to the impending supervision of Credit Unions by the BOJ, JPS & Partners Credit Union continued to review and revise its Standard Operating

Procedures to ensure that the Credit Union is compliant when the BOJ rules are implemented.

The Chairman informed the attendees that due to the uncertainties emanating from COVID-19, the League during the year advised Credit Unions of an extension to the reduction in the Liquid Asset Reserve ratio from 20% to 17% until the end of December 2021. He stated that the year saw JPS & Partners Credit Union operating at the most minimal cost to maximize on its return on profitability while ensuring that the needs of the internal and external stakeholders were met. He further stated that notwithstanding the noticeable financial fallout from COVID-19, the loan repayment moratorium which started in 2020 at the heights of the pandemic continued into 2021. The Chairman said that the Board was pleased to advise that all members



Mr. Derick Tulloch former President poses a question.

who sought assistance under the facility honoured the terms and conditions of their repayment obligations.

Looking at the performance of JPS & Partners Credit Union over the year, Chairman Cunningham stated that despite the varying challenges brought on by the pandemic the Credit Union performed creditably well in most areas as operational results represented a marked improvement over 2020. He highlighted the fact that members' shares and deposits recorded a growth of 4.4% and 6.6% respectively; total assets reflected growth of 6.69% over 2020 and ended the year at $5.53 Billion. However, he noted that the loans portfolio declined by 1.37% due to some early repayments emanating from job redundancy exercises, as well as the uncertainty from the pandemic.

Continuing, the Chairman stated that capital reserve stood at $861.44 Million at year end, which represented a 5.77% increase over 2020. The amount, he noted, also represented a strong position of 15.51% of total assets which was significantly above the regulatory compliance standard of 10%.

In the area of membership, the Chairman stated that the Credit Union grew by 1.1% over the past year. He stated further that the growth target set by the Credit Union was to increase membership by a minimum of 310 persons or 4%. However, he noted that the Credit Union only achieved a growth of 215 members or 69% of the budgeted amount due to marketing restrictions imposed by companies arising from the pandemic.

Reporting on the Credit Union's surplus for the year, he said that the organization recorded a growth of 80% over 2020 which amounted to $86.51 Million. The Chairman said that the Directors' recommendation to the meeting for the appropriation of the surplus after the required 20% deduction to Statutory Reserve was set out in the Treasurer's Report. The Chairman opined that the Credit Union continued to maintain an enviable track record of prudent delinquency management which had become ingrained in the culture of the organization. The Credit Union achieved a delinquency ratio of 1.45% which, he said, was well below the industry's standard of 5% and the organization's target of 3%. He commended the General Manager and her team for the performance and also for going the extra mile.

In concluding, the Chairman thanked the Almighty God for his steadfast guidance and assurance on the Credit Union, the management and staff of Jamaica Public Service, West Kingston Energy Partners, the

Jamaica Private Power Company, Jamaica Energy Partners, UC Rusal, Tax Administration Jamaica, Digicel Jamaica for their loyal and invaluable partnership. He also thanked the loyal members who have entrusted their financial well-being to the Credit Union in difficult times; the volunteers, committee members, as well as location representatives for their immeasurable support during the year 2021. Special thanks was expressed to the Credit Union League and its subsidiaries: Cuna Caribbean Jamaica Limited, Jamaica Co-operative Insurance Agency (JCIA), QNET and the Registrar and staff of the Department of Co-operatives and Friendly Societies for their continued support, as well as the External Auditors, BDO, and the Internal Auditors Smith and Associates and Attorneys Messrs Samuda and Johnson and Richards and Richards.

MOTION FOR ACCEPTANCE

At the end of the report, the Treasurer asked for a motion to accept the report. The motion was moved by Mr. Derick Tulloch and seconded by Mr. Carlton Francis.

Natalie Sparkes, Treasurer shares key details during her Report.

COMMENDATION

Mr. Derick Tulloch commended the staff and the volunteers for the results achieved and the performance of the Credit Union over the year.

TREASURER'S REPORT

Chairman Cunningham invited Treasurer Natalie Sparkes to take the meeting through the Treasurer's Report.

Treasurer Sparkes, before commencing her report, invited Mrs. Jennifer. Hibbert, the lead Auditor for BDO to read the audited statement. Mrs. Hibbert read an abridged version of the Auditors' Report.

In commencing her report, the Treasurer directed the members to the report on pages 28 to 30 of the Annual General Meeting (AGM) Booklet. She stated that it was a pleasure to take the members through the financial stewardship for the year 2021. Referring to Mr. Tulloch's earlier commendation, she stated that it was interesting given that the Credit Union had a number of volunteers who were elected from the floor and volunteers who were co-opted. She noted that one of the persons who helped to guide the ship financially was Mr. Derick Tulloch, as well as other persons attending the meeting. She added that while commendation was given to the Board and Volunteers, commendation should also be given to Mr. Vaughn McDonald who provided assistance on the Human Resource (HR) committee.

Reporting on the performance of the Credit Union for the year 2021, the Treasurer indicated that in 2021 the country was still in the throes of COVID-19 and that while the country was opening up, members saw the impact of COVID-19 on the global and local economy. She stated that there was continued devaluation of the Jamaican dollar by 8.7%, increased inflation from 6.2% to 7.3% and interest rate adjustments by the Bank of Jamaica to 2.2%. She noted that the Credit Union, despite all the happenings, was prudent in the management of the business and therefore was able to report improvement in some areas.

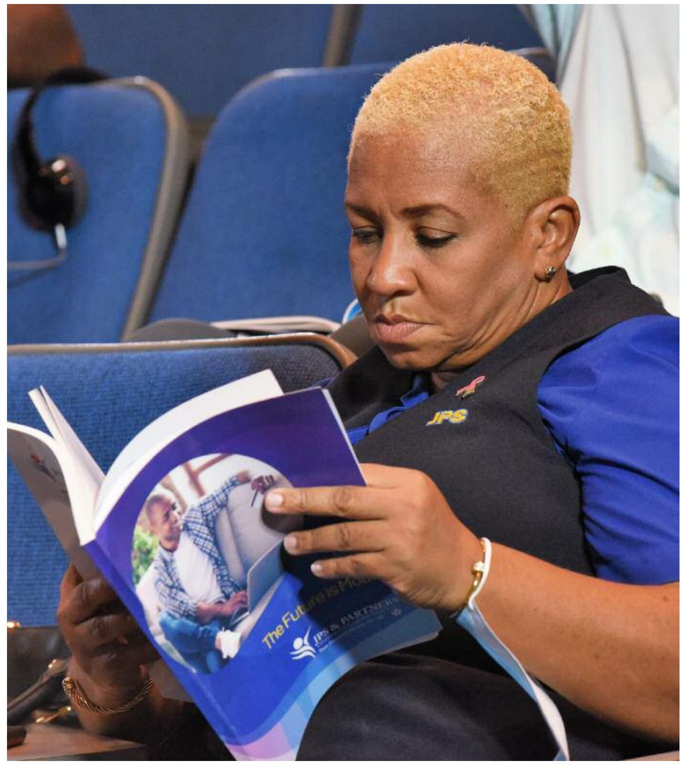
The Treasurer reported that the shares portfolio increased from $1.42 Billion to $1.48 Billion while deposits increased from $2.09 Billion to $2.34 Billion. However, she noted that the loan portfolio dipped slightly to $2.74 Billion. She told the meeting that the dip in the loan portfolio was as a result of curtailed employment activities and in some cases reduced employment due to the COVID pandemic. She stated that the Credit Union's asset base grew from $5.19 Billion to $5.53 Billion.

The Treasurer noted that for revenue and revenue sources, loan interest income accounted for 65%, fee income for 6.1% and investment for 11.16%. For marketing, the Treasurer stated that the expenditure moved from $4 Million to $8 Million due to the push in the marketing campaign to get younger and more members to join the Credit Union. Reporting on the expenses for the Credit Union during the year, she stated that 4% was spent on representation cost, 15% on interest expense, 21% on administration, 29% on personnel cost and the remaining 28% as surplus.

Commenting on the loan portfolio and total assets, the Treasurer stated that the graph showed that the figure for the Credit Union was a bit flat. She said that for the Credit Union to grow, the members would have to grow the loan portfolio. She noted that while there were significant movements in terms of total assets, the loan portfolio has been hovering around $2.5 Billion to $2.8 Billion. The Treasurer added that there was room for improvement in this area.

In terms of loan loss provision, Director Sparkes said that the Credit Union had to make some provisions for loan loss as some of the loans were not being repaid. She noted however that the provision decreased from $6.3 Million to $5.67 Million in 2021.

Turning to the PEARLS ratio, she stated that the ratio was used to assess and measure how well JPS & Partners Credit Union was doing as well as the Credit Union Movement overall. Looking at net loan to total assets, she said that the Credit Union was not where it ought to be as the standard required the Credit Union to be between 60% to 80% and the Credit Union was at 49.27%.   She highlighted the fact that the delinquency rate for the Credit Union was way below the standard of 5%, but noted that the operating



Denise Harrison-Sterling reviewing the Annual Report.

expense of 5.37% for the Credit Union was below the standard 8%.

Speaking to the revaluation exercise done by the Credit Union and the amount to be distributed as surplus, the Treasurer stated that even though the Credit Union made $154 Million in Surplus, only $65 Million would be distributed to the members. She noted that based on the Statutory Reserve requirement, 20% of the surplus was not available for distribution. She told the meeting that $55 Million was transferred to the Statutory Reserve and $3 Million to Retirement Benefit Reserve, leaving $65 Million to be distributed as Surplus.

In closing, the Treasurer thanked God for guiding the Credit Union through a very interesting 2021 to 2022. She told the members that the Credit Union had weathered the storm and that with their help and with the help of God she was confident the members would be able to overcome. She thanked the Assistant Treasurer, Ms. Timain Campbell, past Treasurer Deborah Campbell, Mr. Derick Tulloch, the Board of Directors, Miss Joydene Jarrett, General Manager, members of the Credit Union, Mr. David Harris, the new Financial and Treasury Manager, management, the Jamaica Co-operative Credit Union League, Mr. Edson Brown and Ms. Nadia Byfield from the Department of Co-operatives and Friendly Societies, the Credit Union's Supervisory and Credit Committees, Mr. Smith, Internal Auditor and Mrs. Jennifer Hibbert, External Auditor from BDO.

At the end of the report the Treasurer asked if there were any questions with regard to her report.

QUESTION AND ANSWER SESSION

Mr. Winston De La Haye enquired as to the reason for members having a Defined Benefit type pension and not a Defined Contribution. The Treasurer asked Mr. Derick Tulloch, a pension trustee, to respond to the question. Mr. Tulloch stated that a vote was done by the members in 2016 at a meeting to achieve the objective that the employer would not have to bear any liability. He added that all new employees after 2016 have been on the Defined Contribution (DC) Plan.

Member, Sonia Smith posing a question.

Mr. Derick Tulloch noted that the only funds that would be up for distribution was the dividend to Permanent Shares of $6.2 Million and the $11.17 Million for the Patronage Refund. He stated that the rest of the money would be going to reserves and remaining in the institution. He commended the Treasurer for presenting a good report and noted that as an engineer, she had done justice to the accounting field.

Mr. Norman Lee, attending online, enquired as to the number of members the Credit Union received from the $4 Million that was spent during the year under review. The Treasurer said that 215 members were added to the Credit Union's membership portfolio.

Ms. Carla Archer asked whether there was a committee set up to deal with residential assets. Treasurer Sparkes answered in the affirmative and stated that the Credit Union has an Infrastructure Committee.

Ms. Archer enquired as to whether there was a deadline to the Bank of Jamaica (BOJ) concern regarding the property owned by the Credit Union, as mentioned in the Treasurer's Report. The Treasurer stated that during 2023, the new Board of the Credit Union intends to hold discussions with a partner to assist the Credit Union as to the way forward in dealing with the property. She added that the Credit Union would not be selling the property.

MOTION FOR ADOPTION OF REPORTS

The motion for the adoption of the Treasurer's and Auditors' Report was moved by Mr. Vaughn McDonald and seconded by Mr. Cebert Mitchell.

APPROPRIATION OF SURPLUS

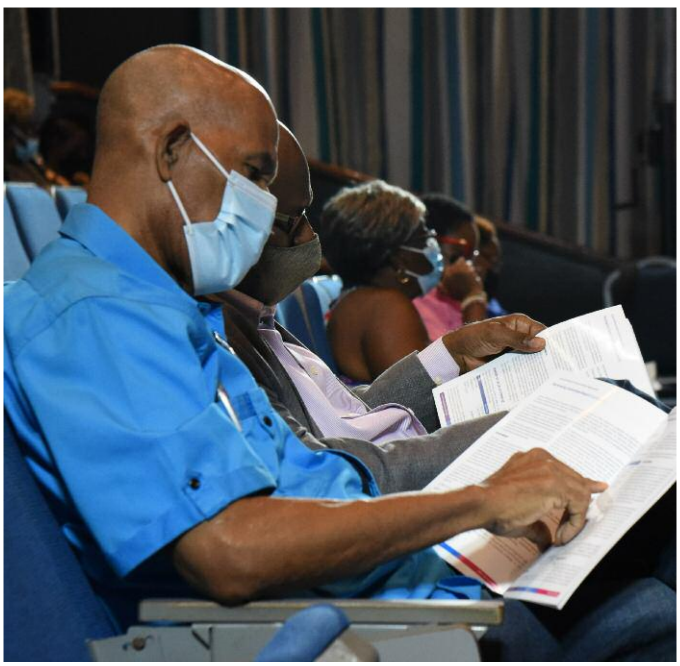
The Treasurer stated that after the Credit Union had set aside the required 20% for Statutory Reserve, transfer to Revaluation Reserve and the Retirement Benefit Reserve, an amount of $65,780,534 would be distributed to members. The amount was apportioned as follows: Dividend to Permanent Share (9%) $6,208,786; Patronage Refund, $11,171,748; Institutional Capital, $8 Million; Organizational Realignment, $2 Million; Honoraria, $3.6 Million;

Scholarship and Outreach Reserve, $2.8 Million; Software Upgrade and Technological Improvement, $30 Million, Infrastructure Upgrades, $2 Million.

The Treasurer invited questions at this juncture in relation to the Appropriation of Surplus.

Mr. Cebert. Mitchell asked about the cumulative figure in relation to the software upgrade. The Treasurer stated that the figure was $25.5 Million.

Ms. Sonia Smith asked for the term Life Long Savings to be defined. Miss Jarrett stated that the Lifelong Savings Account is a tax free investment account and once members kept their money in the account for a minimum of five years the interest earned would be



Members reading through the Annual Report

tax-free. She further stated that members were allowed to withdraw at least 25% from the interest earned on the product.

Ms. Juliette Reeves asked how do members identify the special deposit part of the Patronage Refund in terms of the long savers. The Treasurer stated that members as at the end of December 31, 2021 would benefit. Miss Jarrett said that it would be straight across the board.

Mr. Derick. Tulloch asked the Treasurer what would be done regarding the $5 Million that should have been distributed to members based on recommendations from the previous AGM. He recommended that the current Institutional Capital be adjusted by the $5 Million to reflect the amount to be paid to the members. The Treasurer said she thought the amount was paid to the members. Mr. Tulloch asked that the matter be verified. Treasurer Sparkes said that the verification could be done.

At this juncture Treasurer Sparkes explained to the members that there were now two versions of what should happen with the Surplus. She noted that in the event that the $5 Million, as referred to by Mr. Tulloch, was not properly allocated, then the recommendation would be that Institutional Capital be reduced by $5 Million and the $5 Million would be readjusted and repositioned to the Permanent Shares accounts of the members. However, she noted that if the amount was paid everything else would remain as previously recommended by the Board.

APPROVAL FOR THE APPROPRIATION OF SURPLUS

The motion was moved by Mr. Earl Munroe and seconded by Mr. Derick Tulloch. The Treasurer asked if all members were in favour of the motion, there was a resounding aye from the members.

CURRENT MAXIMUM LIABILITY

The Treasurer stated that the motion for the Resolution was moved by the Board of Directors. She read the Resolution and then asked for a seconder. The motion was seconded by Mr. Derick Tulloch.

SUPERVISORY COMMITTEE REPORT

Chairman Cunningham read the Supervisory Committee Report and subsequently asked the meeting for a motion to adopt same. The motion was moved by Mr. Cebert Mitchell and seconded by Ms. Ingrid Grant.

General Manager, Joydene Jarrett conversing with Volunteers of the Credit Union Movement

CREDIT COMMITTEE REPORT

The Chairman invited Mr. Cebert Mitchell to marshal the Credit Committee Report. Mr. Mitchell, commenced his report by stating that total loans disbursed was $1.583 Billion. He noted that the categories were Motor Vehicle Loans, $276 Million, Salary Enhancer, $530 Million, Loans within shares, $260 Million and Other accounted for $293 Million. Mr. Mitchell said that for the total amount of loans disbursed the Credit Committee reviewed a total of $137.92 Million, given that only loans above $4 Million are reviewed by the Committee. In closing, he expressed thanks to the Board of Directors, the management team, Miss Joydene Jarrett, Mrs. Sharlene Chunnu-Brown, Miss Nastassia Dixon and Miss Nicole Goodin, who served with him over the year.

At the end of the Credit Committee Report Mr. Mitchell invited a motion for the adoption of the report. The motion was moved by Mr. Earl Munroe and seconded by Mrs. Margaret Morris.

LEAGUE DELEGATES REPORT

The Chairman invited Vice President David Fleming to present the League Delegates Report. Mr. David Fleming stated that the League Delegates Report could be found on pages 154 and 155 of the Annual Report. He subsequently asked for a motion to have the report taken as read. The motion was moved by Mr. Cebert Mitchell and seconded by Miss Deborah Campbell.

Vice President Fleming stated that the League Delegates and Alternate Delegates are members of the Board of Directors who represent the Credit Union as ambassadors to forums and conferences held by the Credit Union Movement. He added that the Delegates attended the 80th Annual General meeting of the Jamaica Co-operative Credit Union, as well as the Annual Credit Union Board Consultation meetings.

ADOPTION OF LEAGUE DELEGATES REPORT

The Vice President invited a motion for the adoption of the League Delegates Report. The motion was moved by Ms. Sonia Smith and seconded by Mr. Vaughn McDonald.

NOMINATING COMMITTEE REPORT

The Chairman invited Director Kim Robinson to marshal the report. Miss Robinson read the report and asked for a motion to have the report taken as read. The motion was moved by Mr. Derick Tulloch and seconded by Miss Deborah Campbell.

Miss Robinson advised the meeting that Mr. Paulstan Francis, Mr. Devon Wright, Miss Tricia Robinson, Mr. Clive Segree and Miss Timain Campbell were up for nomination for a period of two years. She noted that these members would be serving with the remaining Directors; Natalie Sparkes, Patrick Davidson, Kim Robinson and Donovan Cunningham.

With respect to the Supervisory Committee, Director Robinson advised that Sheryll Brown, Vashawn Burnett, Yannick Johnson, Tricia Dorman and Courtney Harrison were nominated to serve for a period of one year.

She stated that for the Credit Committee there were three vacancies to be filled. However, she said that four suitable candidates were identified, hence the members would have to vote. She thereafter invited Mr. Edson Brown from the Department of Co-operatives and Friendly Societies to conduct the elections.

ELECTIONS

Mr. Brown stated that the Nominating Committee recommended five persons to fill five vacancies which would arise at the end of the Annual General Meeting (AGM). He asked for a motion to have the nominations accepted as duly elected by the members of JPS and Partners Credit Union for the Board of Directors.

Carl Bryan applying for his new Access Plus Debit MasterCard

The motion was moved by Mr. Derick Tulloch and seconded by Mr. Earl Munroe. All members were in favour of the nominations to the Board of Directors.

For the Supervisory Committee he stated that five members were retiring and that there were five recommendations from the Nominating Committee. Mr. Brown invited a motion from the floor to accept the nominations. The motion was moved by Mr. Cebert Mitchell and seconded by Mrs. Sharlene Chunnu-Brown. All members were in favour of the nominations to the Supervisory Committee.

Mr. Brown stated that there were four nominations to the Credit Committee for three vacancies and therefore there would have to be a vote to select three persons from the four to serve on the Credit Committee. He stated that for those persons online a poll would be launched for them to select the three members and for those persons in the room ballots would be issued and at the end of the process, the votes would be tallied and the results announced thereafter.

SELECTION OF LEAGUE DELEGATES

The Chairman stated that, in the interest of time, he would be asking for a motion to allow the Board to select the League Delegates. The motion was moved by Mr. Vaughn McDonald and seconded by Miss Deborah Campbell.

ANY OTHER BUSINESS

Mr. Derick Tulloch noted that the members were aging and asked how the Credit Union can educate the members to prepare for the aging process. He also told the meeting that members were dying without any Last Will and Testament in place. He added that the Credit Union needed to do some Zoom conferences on the purpose of members making their Will.

He went on to inform the members that the Jamaica Co-operatives Insurance Agency (JCIA) had a group life insurance policy which provided coverage of $1 Million for an annual premium of $6,500.00. He said while he was not marketing the product for JCIA, he was begging the Credit Union to push the product in order to ensure that the members benefit from such a product.

The Chairman told Mr. Tulloch that his suggestions were well received. However, he advised Mr. Tulloch not to go out and buy any Will forms. The Chairman said he just had a recent training with the Minister of Justice where it was communicated that the Attorney General was now rejecting the forms persons purchased in the store due to a defect on the forms. He promised to email a copy of the correct form for same to be replicated. Mr. Mitchell told the meeting that forms were readily available at the Administrator General Department.

PRESENTATION

The Chairman invited Miss Joydene Jarrett, General Manager to make a presentation on behalf of the Credit Union to Mr. David Fleming who had retired from the Board.

SPOT PRIZES

The Chairman announced that there were four spot prizes to be won. Miss Juliette Reeves received a gift basket from Georgeous Flowers Company Limited for being the first member in attendance at the AGM. Trishana Palmer won a gift basket. Radcliffe Brown won the CUNA Wealth Management Prize.

RESULTS OF ELECTION

Mr. Edson Brown announced the results as follows: Mrs. Boothe-Brown, 62 votes, Mrs. Codner-Campbell, 57 votes, Mr. Nkrumah, 49 votes and Mr. Whyte, 56 votes. He stated that the serving members would be Mrs. Boothe-Brown, Mrs. Codner-Campbell and Mr. Whyte.

ADJOURNMENT

The Chairman invited a motion for the adjournment of the meeting. The meeting adjourned at 4:53 p.m. on a motion duly moved by Mr. Cebert Mitchell and seconded by Mr. Vaughn McDonald.

Kim Robinson
Secretary

Report Of **The Board Of Directors to the 68th Annual General Meeting**

Donovan Cummingham, President

If we are to have any hope for the future, those who have lanterns must pass them on to others.

Plato

Fellow Co-operators

I quote from the words of William Gibson who posits "The future is already here – it's just not evenly distributed."

The theme for this year's Annual meeting "Navigating the Digital World" comes from a recognition that innovation and digital transformation has completely redefined the way that we operate and do business globally.

The advent of the Covid -19 pandemic has intensely accelerated the rate of digital change in the financial landscape forcing the adoption of digital channels and compressing years of development into weeks of implementation thereby compelling players to adapt to the change or risk losing members to more digitally savvy competitors.

JPS & Partners Credit Union has always demonstrated adaptability, ensuring that its services reflects the ever-changing advances in technology as it plans to keep abreast of developments that will increase convenience to members, while simultaneously ensuring that the necessary security measures are in place to protect their investments.

Over the years, the Credit Union has adjusted to change by launching its mobile and online banking platform, but these efforts are not considered enough. To compete effectively, it will need to invest significantly in digital transformation to better engage with members, improve operational efficiency, and increase operating leverage.

Research has shown that one of the most significant disruption of digitization is its impact on the traditional brick and mortar. In the past, the Credit Union relied solely on the branches as the primary means of interacting with members. Today, with the shift in customer expectations, members are now expecting a seamless and efficient banking experience across all channels, including digital channels. Consequently, the Credit Union's Five Year Business Plan developed in 2022 was crafted to strategically assist the institution to pursue this path despite the tight and harsh economic environment within which it operates

ATMOSPHERIC CONDITIONS DURING THE REVIEW PERIOD

The Economy

The Jamaican economy continues to demonstrate positive recovery from the global Covid pandemic of the last three (3) years. The Bank of Jamaica (BOJ) 2022 Financial Stability Report indicated that the economy had recovered to its pre-pandemic level at the end of 2022. The Stability Report also showed that the economy in 2022 grew by an estimated 4.5% - 5.5%

higher than the prior year's growth of 4.4% and ahead of the global economic growth of 3.2%. This expansion is said to have resulted from the relaxation of the Disaster Risk Management orders. Improved levels of output in certain key goods producing and service industries such as agriculture, forestry, fishing, hotels and restaurants also contributed significantly to the recovery of the economy.

The BOJ reported that point-to-to point inflation rate was 9.4%, compared to 7.3% in 2021. The BOJ's most recent assessment indicates that annual headline inflation has started to decelerate and is expected to return to the 4% to 6% target in the last quarter of the calendar year 2023. During 2022, The BOJ also increased its policy rate by 450 basis points moving from 4.5% to 7%.

The unemployment rate declined by 2.58% to 6.6% in 2022, well below the pre-Covid level of 7.2%. The reduction in the unemployment rate in 2022 reflected a positive growth in the labour force.

Exchange rate represents the value of one nation's currency versus another currency. The Jamaican dollar appreciated against its major trading partner, USA. The Jamaica dollar began the trading year at a rate of J$155.64 to US$1.00, and closed the year at $152.05.

The country's Net International Reserve (NIR) ended the year at US$3,976.73M, showing a slight decrease of US$22.97M when compared to the prior year's total of US$3,999.7M.

The Government of Jamaica (GOJ) 90-day Treasury bill increased from 4.09% to 8.04% while the 180-day Treasury Bills moved from 4.33% to 8.18% during the review period.

REGULATIONS

The BOJ during the year continued its oversight management of Cooperative Societies and Credit Unions along with the review and amendment of the Credit Union (Special Provisions) Bill. The Bill as at December 31, 2022 was not yet enacted.

The amendment to the Co-operatives Societies Act will, among other things, bring Credit Unions and Cooperative Societies under the regulatory ambit of the Minister of Finance and the Public Service and the Bank of Jamaica. The review of the Bill is said to be at an advanced stage.

In preparation for this regulation, JPS& Partners continues to review and revise its standard operating procedures and to put in place new standards and measures to ensure that it remains compliant when the Regulations are implemented. We implore our members to be mindful of the impact these changes will have on the operations of the Credit Union and to work with us to ensure that we are fully compliant with all the Standards when the Regulation is implemented.

The Credit Union remains fully compliant to date with all other regulatory Acts to include the Financial Services Commission (FSC) and the Co-operatives Societies Amendment Bill.

THE CREDIT UNION MOVEMENT

The Credit Union Movement, consisting of a total of twenty-five (25) individual Credit Unions, experienced positive growth in its key performance indicators (KPI's) during the financial period of 2022. The financial performance of the League are detailed below.

PERFORMANCE			
	2022		*2021*
	Amount	*Growth*	*Amount*
Savings	$125.62B	7.62%	$116.72B
Loans	$108.68B	8.50%	$100.17B
Assets	$161.60B	7.45%	$150.40B
Membership	1,005,382	0.52%	1,000,157

In line with its mandate, the League continues to provide comprehensive support services, corporate branding, advocacy, and public relations to Credit Unions across the entire island.

JPS & PARTNERS CREDIT UNION PERFORMANCE

Commendable Financial Performance

The financial period of 2022 was impacted by various challenges, including geopolitical events such as the Russia/ Ukraine war, shipping and logistic challenges, rising cost of living and increased cost of doing business globally. These events drove up the rate of inflation, increased business operating costs, and underscored the importance of prudent cost management.

With the exception of the reporting year's net surplus, the results from our key operational areas represents an improvement over the previous year.

Shares

Members share capital increased by 3.06% moving from $1,481.42M to $1,526.72M. in 2022. Growth in new members coupled with the compulsory savings attached to some loan products accounts for the increase in this key performance indicator.

Deposits

Our deposits showed a slight increase of 1.65% moving from $2,234.28M to $2,271.09M in 2022. This increase was fuelled by our deposit promotion during the second half of the year.

Loans

Our loans portfolio grew by 5.24% moving from $2,694.24M to $2,835.54M in 2022. The introduction of several new loan products accounts for the growth. One such product was the Home Plan Loan, geared primarily towards members who were desirous of seeking real estate loan but did not have the finances for the initial requirements such as valuation report, surveyor report, legal fees and outstanding property taxes. Members also benefitted from a 60th Anniversary Loan to celebrate the country's years of independence. The Mega Mix loan package introduced in the second half of the year saw our members benefitting significantly from increases in loan amounts, reduction in interest rates, shares requirement, in some cases, no share requirement and the choice of having a fixed or variable rate of interest. You our loyal members availed of these benefits and for this, the Board and Management thank you.

The Credit Union also after careful analysis of its delinquency management acceded to members request for increase limits in unsecured loan amounts. The Board also gave careful consideration to management's request to review the composition of secured loans versus unsecured loans in the loans portfolio. Additionally, we continue to provide risk-based lending opportunities, enabling members with high debt ratios to access loans based on specific policy requirements.

Assets

Total assets surpassed its 2021 total of $5,511.78M by a conservative growth of 1.65%.

The table below shows our performance in the Key Performance Indicators Institutional Capital:

FINANCIAL PERFORMANCE			
	2022 $M	*2021 $M*	*Growth %*
Shares	1,526.72	1,481.42	3.06%
Deposits	2,271.09	2,234.28	1.65%
Loans	2,835.54	2,694.24	5.24%
Total Assets	5,602.69	5,511.78	1.65%
Net Surplus	63.00	150.24	-58.06%
Institution Capital	882.41	861.44	2.43%
Membership	12,335	12,069	2.20%

In addition to the aforementioned, these positive outcomes are also attributed to the effectiveness of our marketing strategies.

Surplus

Net Surplus experienced a decline of 58.06% during the period. This decrease was primarily influenced by the 2021 revaluation of the 'Fair value gain on Investment Property' of $55.1M which was recorded in the prior year. This reduction in non-interest income for the period accounts for the negative growth in the net surplus.

Institutional Capital

INSTITUTIONAL CAPITAL		
Institutional Capital	*2022*	*2021*
	$882.41M	$861.44M

Institutional Capital is the reserve set aside to cushion the Credit Union against any internal or external shocks. This account currently stands at $882.41M. The present position represent approximately 2.43% increase over the 2021 figure of $861.44M. It also represents a relatively strong position of 15.75% of total assets and is above the League requirement of 10%.

Membership

Membership growth of 2.2% was purely organic and was achieved through recruitment activities of staff, location representatives, Member Relations Committee members and other volunteers. Members recommendation of the Credit Union to family members also played a pivotal role.

Delinquency Control

DELINQUENCY CONTROL			
Delinquency Control	*2022*	*2021*	*Target for 2022*
	1.80%	1.45%	<3%

Despite the challenging economic climate, the Credit Union achieved a delinquency rate of 1.80% well below the industry standard of 5% and the internal target of <3%.

The employment of a number of strategies in this area of our operations ensured that the Credit Union ended the year with one of the lowest figures in the Movement. The following strategies collectively contributed to the ongoing exceptional performance in our delinquency management.

- Sound lending policies and detailed assessment of potential borrower's financial obligations and their ability to repay the loans.
- Debt consolidation which gave the members the relief that results from lower monthly repayments.
- Continued use of effective collection techniques.
- Financial counselling as an integral part of the loan assessment process.

COMPREHENSIVE PRODUCT LINE

Loan Products

The Credit Union continues to offer a wide variety of loan products all geared towards the satisfaction of our members' needs. Loans for acquisition purposes such as motor vehicles, mortgages, home repairs and education are available at very competitive rates. Unsecured loans to commemorate special events and other provident and productive purposes are equally available to qualified members at attractive rates.

Partner Plan

This product provides our members with the option of saving towards short term goals. Members are able to save weekly, fortnightly, or monthly depending on their goals. This product remains as one of our most popular short term savings vehicle for our members.

Ugain Savers Account

This investment vehicle affords our members with the option of saving towards their goals be it financial, educational, dream home, or otherwise was another popular investment choice by our members. This product carries an insurance component where the member's savings goal is insured at no cost to the member.

Standing Order

This service is offered to our members at a very minimal cost. Our members utilize this service to pay their external fixed regular payments at various financial and other entities (e.g NHT, insurance co's).

Family Indemnity Plan

We continue to provide our members with access to this cost-effective insurance product, through which they can gain access to benefits for the funeral expenses of their loved ones. The policy which is offered through CUNA Caribbean Insurance Jamaica Ltd covers the member and five (5) other relatives for one low monthly premium.

CUNA Caribbean now provides members with the option to purchase plans from A-H with death benefits up to a maximum of $2M. We encourage our members who do not have this plan to call or come in and speak with our Member Service Representatives.

Members Health Insurance

The Credit Union through Caribbean Assurance Brokers Limited offers health insurance coverage to our members through Canopy Insurance Company. The Credit Union performs all the administrative activities pertaining to the Plan on the behalf of our members. We encourage our members who are currently without a health insurance plan to call the Credit Union for information on the Plan.

REGULATORY COMPLIANCE AND RISK MANAGEMENT

Regulatory compliance and risk management refers to the obligations and the requirements implemented by our Regulators and the Board of Directors that the Credit Union must follow and or implement. Our continued monitoring and implementation of measures aimed at protecting our assets, and data integrity is even now more critical in today's technological world with its ever growing pool of emerging threats. Additionally, it also gives you our valued members the confidence to continue to allow us to be your financial partner for life knowing that the right decisions are made.

The Credit Union also has in place a Risk and Compliance Committee. The Committee which has a complement of Board, volunteer and staff is charged with the responsibility of providing strategic oversight and guidance in the area of risk management. The Committee also has the responsibility of the further review of policies and procedures and systems recommended by management to protect, detect and mitigate against all levels of risk exposure to the Credit Union and that these policies and procedures were sound and are being renewed in a timely manner. The Committee is also charged with the responsibility of ensuring that the Credit Union's readiness for the soon to be implemented Bank of Jamaica supervision as well as the continued strengthening of internal controls remains a priority.

Your credit union continues to ensure that the standards set are either met or exceed expectations. As such, we will constantly work at identifying areas we can improve on which will in turn provide the opportunity for management to make timely changes to our operating business model.

Enterprise Risk Management (ERM) Framework

Enterprise Risk Management (ERM) is a comprehensive, systematic and collaborative process to identify, manage and monitor the Credit Union's risk, review internal and external reports to ensure the achievement of strategic objectives and continued financial stability. In ensuring that all significant risks are covered, the Credit Union maintains a Risk Register which documents all significant risk areas across branches and departments. During the year, the management team documented and implemented mitigating actions to effectively control risk within the credit union.

Review of Internal Audit Reports

Internal audit functions are outsourced. Audits are undertaken monthly for the head office and bi-monthly for the branches. Reports on areas audited are submitted to the Board and members of the Supervisory and Risk and Compliance Committees for deliberations and subsequent implementation of the recommendations where necessary and beneficial to the Credit Union.

AML/CFT Compliance

The Credit Union was fully compliant with the requirements under the Anti-Money Laundering and Counter Financing of Terrorism applicable laws. All AML/CFT reports were submitted timely and as per regulatory requirements. The implementation of a transaction monitoring software geared at removing the manual operations from this critical operational area has allowed for the credit union to efficiently monitor all member transactions to ensure compliance with the Suspicious Transactions monitoring, Threshold Monitoring Transactions and the Know Your Customer (KYC) requirements as per the Proceeds of Crime Act.

Jamaica Co-operative Credit Union League Ltd

The PEARLS ratio is a standardised tool used world-wide to measure the financial health of Credit Unions, using a set of ratios to measure performance in key areas and thereafter set a path to improvement. During 2022 the Credit Union was not in compliance with two (2) of the required ratios, – Loans/Total Assets and Savings Deposit/Total Assets. Management is committed to the reversal/improvement of all non-compliant regulatory reporting ratios.

The Credit Union continue to submit monthly returns as required by the League. The Credit Union was also fully compliant with the payment of League and Stabilization dues for the year in review.

HUMAN CAPITAL

The Credit Union through a competent and committed team continues to provide our members with a wide range of services to meet their financial needs and aspirations, maintain the financial success of the Credit Union, employ corporate social responsibilities while at the same time upholding the core values of the Credit Union.

We recognize the importance of personal development through training and have committed significant expenditure towards staff training to guarantee an even greater level of service. During the year, employees at all levels were provided with training opportunities in over twenty (20) seminars/ webinars and workshops offered by the League and other training facilitators. All staff successfully completed the six (6) required modules of the Proceeds of Crime Act (POCA)/Anti-Money Laundering Act and the Terrorism and Prevention Act (TPA) administered via CPD Online.

The 2022-2024, salary and benefits negotiations for all levels of staff were successfully completed and implemented.

The Credit Union implemented a new human resource management system in 2022 with modules to include Personnel, Talent Management, Benefits, Time and Attendance and User Self-Service. The HR Software acquired through HRPlus Software Ltd. is designed to assist the Credit Union in the streamlining of its human resource processes and also to increase and enhance efficiency in the delivery of services to employees. Employees are now able to view their personal information and submit various requests to include changes to their personal data (address, beneficiary, etc.). The HR Software has so far proven to be very beneficial to the Credit Union and its full utilization will only serve to further improve the efficiency of the Human Resource Department.

We continue to build staff morale and camaraderie with our quarterly games and fun evenings, health talks, healthy shakes day, along with group competitive activities leading up to the annual team-building staff trip.

The Credit Union bade farewell to some team members during 2022 including our former branch manager - Carl Grant who retired. We extend welcome to the new staff members who joined the team.

BOARD TENURE, GOVERNANCE AND COMPOSITION

CATEGORY	NUMBER
Permanent - Management	7
Permanent – Line Staff	21
Contract	15
HEART Trainee	2

The Credit Union has the privilege to be guided by a team of dedicated volunteers comprising of nine (9) directors. All board meetings held during the reporting period were in the form of hybrid meetings. The organisation's robust information technology system facilitated this seamless transition. Attendance at these board meetings serves as an indicator of the availability of each volunteer to serve.

During the year, the Board provided oversight of the operations of the Credit Union through the following tools:

- Monthly Board meetings.
- Monthly/periodic reports from the Supervisory, Credit and other Board appointed committees.
- Review and introduction of policies to govern the operations of the Credit Union.

The Board of Directors is committed to high standards of governance in order to achieve and maintain sustained growth, protect the interest of members, employees and other stakeholders, while promoting integrity, transparency and accountability.

One of the main objectives of the governance framework is to ensure compliance with regulations and best practice as set out by the Jamaica Cooperative Credit Union League and other Regulators.

While the Board meets on a monthly basis to review matters relevant to the operations and performance of the Credit Union, additional meetings are held as required. The Board also meets with the management team to discuss matters of strategic importance to the Credit Union.

Risk Management and Proceeds of Crime Act (POCA) training is provided to staff and volunteers. All staff, Board members and Volunteers are required to annually sign a Code of Ethics. Conflict of Interest and Confidentiality Agreements are also signed by staff and Board members in keeping with the organization's trust on integrity confidentiality and transparency. Background checks are also undertaken prior to staff engagement. A clean Police Report is also a requirement.

A summary of the key functions of the board is outlined below:

- Approve the strategic direction and related objectives of the Credit Union
- Approve annual operational plans and budgets
- Monitor senior management performance in the implementation of strategic and business objectives and financial performance
- Approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management

MEETING ATTENDANCE

Attendance at Board Meetings for the period January to December 2022.

ATTENDANCE				
Directors	*Position*	*Possible*	*Actual*	*Excused*
Donovan Cunningham	President	14	14	-
Tricia Robinson	Vice President	14	13	1
Natalie Sparkes	Treasurer	14	14	-
Timain Campbell	Assistant Treasurer	14	13	1
Kim Robinson	Secretary	14	12	2
Clive Segree	Assistant Secretary	14	14	-
Patrick Davidson	Director	14	14	-
Paulstan Francis	Director	3	3	-
Devon Wright	Director	14	13	1
David Fleming	Vice President (demitted office September 2022)	11	11	-

INFORMATION AND COMMUNICATION TECHNOLOGY

In an era where technology drives innovation and transformation, management has stayed committed to ensuring the Credit Union's electronic infrastructure is safe, efficient, and future-ready.

Ensuring system stability and security were the top priority activities during 2022. The upgrading of our equipment and software allowed us to maintain a stable and resilient technologically safe environment. We successfully completed a thorough and rigorous penetration test of our information technology (IT) system. The undertaking of this critical activity serves as an, indication of our commitment to continuous improvement of our IT infrastructure's overall security. Thanks to this meticulous simulation testing, we were able to quickly recognise and address any possible threat. We strengthened our defences against possible attacks by actively resolving these problems with the help of our committed personnel.

Our Disaster Risk Management and Business Continuity Policy was also reviewed to ensure that your credit union continue business operation with little or no disruption in the event of a natural or man-made disaster.

Recognising the ever-changing nature of cyber threats, we began a full rebuilding of the Credit Union's whole network architecture. We strengthened our defences against both internal and external threats by employing modern security measures. This strategic initiative was geared solely at ensuring the protection, confidentiality, integrity of our sensitive member data and transactional information. Ensuring the availability of our network was paramount in all our activities.

The digitising of our workflow operations, aimed at increasing our operational efficiency to meet the requirements of our ever-growing membership base commenced. We started optimising our internal processes by embracing modern technology and reducing manual labour to increase efficiency. This digital transformation which will continue into 2023 will not only speed up our procedures but will also establish us as a contemporary and forward-thinking Credit Union.

Brand recognition is critical for development and sustainability in today's digital era. Recognising the importance of reaching out to the younger audience, we worked on enhancing our brand visibility. We successfully increased our online presence and effectively interacted with our target audience by embracing digital media. This effort has not only brought in new members but also reinforced our bond with current ones.

Looking ahead to 2023 we are excited to share our vision for the future. Strategically we intend to improve our online member services even further while adhering to the soon to be implemented Data Protection Act. We aspire to deliver a smooth and safe digital experience to our members by using emerging technology and industry best practices. These enhancements will allow our members to access their accounts, do transactions, and connect with our credit union from any location. This digital transformation will position us as a progressive, member-centric credit union, committed to innovation and excellence. We are committed to remaining at the forefront of technological innovations in order to provide our members with cutting edge digital experience.

CORPORATE SOCIAL RESPONSIBILITIES

Despite the pandemic and its associated challenges, we continue to make budgetary provisions to assist our members and the wider communities within which we operate. Social responsibility took the form of assistance to both our internal and external stakeholders. As part of our outreach program, the Credit Union continues to make contributions in cash and kind to organizations in need.

The Care A Bit Fund continues to offer assistance to our members who are affected by major illnesses or natural disasters. The fund provides for a maximum grant of $30,000.00 per member. Members can only benefit once from the fund.

The COVID -19 protocols saw us having to place on hold our monthly health checks provided to members who visit the head office on the first working day of each month. Prior to the onset of the pandemic, your Credit Union provided members with free monthly health checks.

Commitment to Education

The JPS & Partners Credit Union takes very seriously its role in securing the future of Jamaica. That's why we focus on education and the youth. For over 20 years we have being investing tremendously in empowering students through partnerships, scholarships and bursaries. Annually, we seek to commit at least $2.5M from our surplus towards our Scholarship Fund Account. Our partnering schools are: The Queens School, Central Branch All Age School, Polly Ground Basic School, St. Mary the Virgin Basic School and St. John Bosco Career Advancement Institute.

Annually, we make a bursary award to fifty five (55) of our youth savers (called Treasure Chest savers) who sat the GSAT examination now known as PEP. Each Bursary is renewable for five (5) years at twelve thousand five hundred dollars ($12,500.00) per year as long as the child maintains a "B" average in each school year. Among this batch, there are special bursary recipients from the Central Branch All Age School and the Queens School, two institutions with which the Credit Union has formed alliances since 2008 and 2012 respectively. The Credit Union has worked closely with both Kingston-based schools, implementing programmes to empower students with life-long skills. At Central Branch, volunteers from the Credit Union assist teachers in improving the literacy levels among students through various reading initiatives inclusive of a weekly supply of 100 copies of the Gleaner's Children's Own newspaper.

High schoolers at the Queens School are encouraged to practice good financial habits through JPS & Partners' School Savers programme. Bi-annually, we also award a scholarship valued at $50,000.00 to a PEP student with an exceptional school average. This scholarship called the Carl Lyttle Scholarship is named in honour of one of the long serving members of the former CG Co-operative Credit Union. The scholarship is for a period of five (5) years.

Our partnership with the Polly Ground Basic School, St Mary's the Virgin Basic School and the St. John Bosco Career Advancement Institute takes the form of donations to assist with their various requested activities and school needs.

In addition to the bursaries presented, one high school graduate is awarded with the Albert 'Bertie' Morris Scholarship. The scholarship, named in honour of one of the founding fathers of the Credit Union, Albert Morris, proffers a $150,000 grant to a member or the child of a member to pursue studies at a recognized tertiary institution. The scholarship is renewable for three (3) years as long as the recipient maintains a "B" average. The Albert 'Bertie' Morris Scholarship was recently expanded to include all categories of study.

THE WAY FORWARD

The objectives for 2023 are designed to ensure the continued survival and ultimate success of the Credit Union. The areas of focus for the long-term objectives are:

- Improved Member Services.
- Improved marketing of services.
- Expanding members' access to products and services via an expanded physical network in Montego Bay and St. Catherine.
- Continue the implementation of our digitization project.
- Deepening market penetration of our partners - TAJ, Digicel and Customs.
- Improving communication by the effective use of digital channels to enhance member experience.
- Increase in the loan portfolio to meet the PEARLS standards.
- Increase mobilisation of savings and deposits to meet the PEARLS standards.
- Solid governance, risk management and compliance.

- Implement and maintain a culture of high performance that is align with our values through the continued training and development of our human capital.

ACKNOWLEDGEMENTS

We thank the Lord for blessing our credit union yet another year. It was only through His guidance and His gifts of knowledge and courage that we could employ the strategies we did.

We also thank the Lord for all the stakeholders within the organisation who consistently displayed the values of leadership, dynamism and teamwork. These are namely: our members who have always committed their financial well-being to us, even in difficult times; management for their commendable performance, the staff, who never fail to go the extra mile, and volunteers, who committed their time and energy.

Special thanks to the Credit Union League and its several subsidiaries, Cuna Caribbean Jamaica Ltd., Jamaica Co-operative Insurance Agency (JCIA), QNET and the Registrar of Co-operative and Friendly Societies for their continued support. BDO Chartered Accountants- external auditors and Smith and Associates - internal auditors, our attorneys-Messrs Samuda & Johnson and Richards and Richards and our many volunteers.

Our experience over the years has taught us that while the JPS& Partners Co-operative Credit Union is inherently financial, a resource centre, a service agent, an advisor, and members partner for life – it has transformed itself into an entity with the critical ability to combine leadership, dynamism and teamwork to achieve synergy. This ability is a necessary ingredient for the survival of any such organisation in today's fiercely competitive environment.

As we report on another successful year of operation, may I, on behalf of the Board of Directors, wish you God's richest blessings as we grow from strength to strength and remain 'Your Committed Financial Partner for Life"

Donovan Cunningham
President

Our Directors

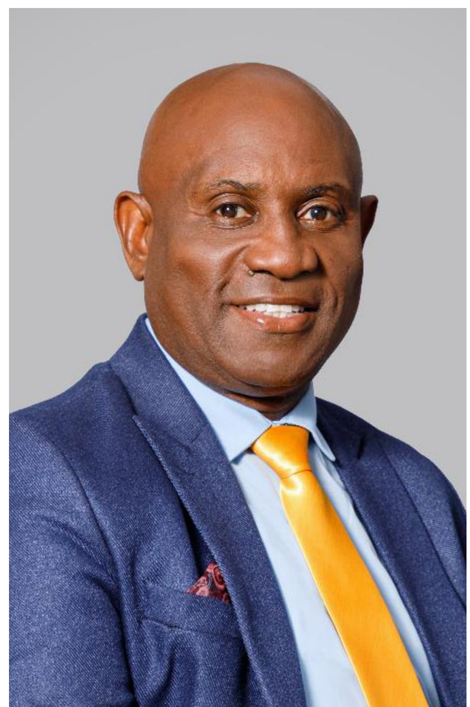
DONOVAN CUNNINGHAM
President

TRICIA ROBINSON
Vice President

NATALIE SPARKES
Treasurer

TIMAIN CAMPBELL
Assistant Treasurer

KIM ROBINSON
Secretary



CLIVE SEGREE
Assistant Secretary

Our Directors (Continued)

PATRICK DAVIDSON
Director

PAULSTAN FRANCIS
Director

DEVON WRIGHT
Director

Treasurer's Report

For the Year ended December 31,2022

NATALIE SPARKES, Treasurer

It is with pleasure that I present the Treasurer's Report for the year ended December 31, 2022, to this 68th Annual General Meeting of the JPS and Partners Co-operative Credit Union Limited (JPS&P).

ECONOMIC OVERVIEW

In 2022 economic variables that were impacted negatively by the global COVID-19 were significantly reduced. By the end of the year, many countries had returned to normal economic activity, and normal travel had resumed. This performance will provide the positive growth environment required as the Credit Union continues to meet the needs of its valued members.

Estimates from the Statistical Institute of Jamaica indicate that the Jamaican economy had growth of 4.40% in real Gross Domestic Product year over year for 2022 compared to 4.6% in 2021. The Jamaican Dollar appreciated against the United States Dollar by $8.72 in trading year over year, ending the year 2022 at US$1.00 : J$152.04. The revaluation was mainly due to significant increase in foreign exchange inflow stemming from a recovery in the tourism sector.

The point to point inflation rate for the calendar year ended at 9.41% which was above the Bank of Jamaica's (BOJ's) targeted 4% to 6% range. In response, the BOJ increased its policy interest rate from 4.5% at March 2022 up to 7% effective September 2022. This rate remained in place as at December 2022.

While the challenges continue, the Credit Union remains resilient, and during the past financial year our total assets increased by $91M to $5.60B. The Credit Union was able to take advantage of improved investment rates resulting from the monetary policy applied by the BOJ. We continue to be responsive to the challenges as they arise, and we are confident in our ability to positively navigate our way as we go forward.

The Financial performance of the Credit Union over the past five (5) years is outlined in the table below.

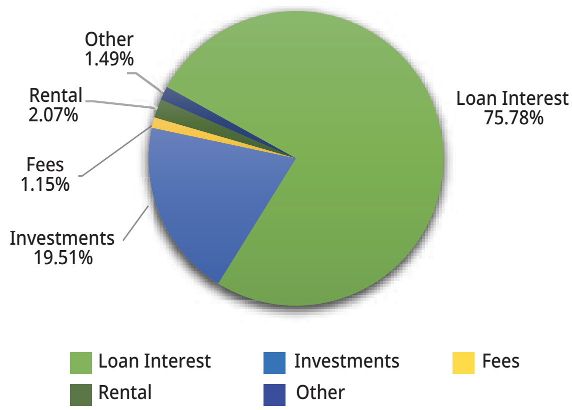
FIVE(5) YEAR FINANCIAL PERFORMANCE 2018 - 2022

	2022	*2021*	*2020*	*2019*	*2018*
Statement of Financial Position	*$M*	*$M*	*$M*	*$M*	*$M*
SHARES	1,526.72	1,481.42	1,418.38	1,318.62	1,262.52
DEPOSITS	2,271.09	2,234.28	2,094.08	2,009.07	1,941.13
LOANS	2,835.54	2,694.24	2,740.00	2,868.74	2,651.75
TOTAL ASSETS	5,602.69	5,511.78	5,155.28	4,882.83	4,238.84
INSTITUTIONAL CAPITAL	882.41	861.44	814.40	788.15	704.00

REVENUE

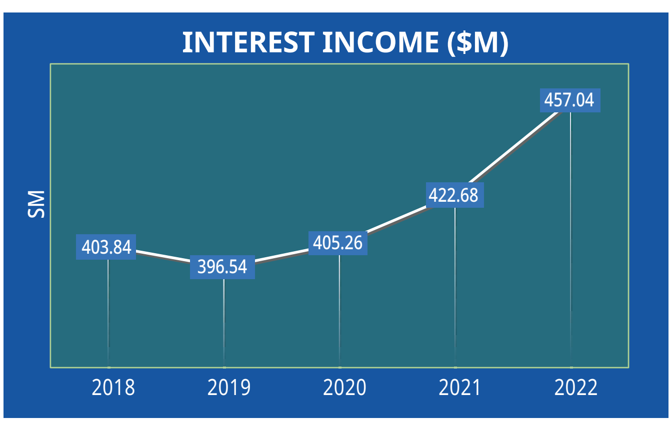
Total income was $480 Million for 2022 compared to $521 million for 2021. This performance represented a decrease of 7.8% compared to prior year. The 2021 performance was due to the revaluation of the investment property which accounted for $55million of the increase. Our operational income in 2022 was $457million compared to $423 million in 2021. This represents operational growth of 8%. Our income sources for 2022 is shown in the diagram below.

REVENUE SOURCES 2022



As shown in the diagram above

- Loan interest income remains our principal source of revenue and accounted for 75.78% of total revenue. This performance is an indication of our continued focus to provide loan products to meet the needs of our members.



EXPENSES

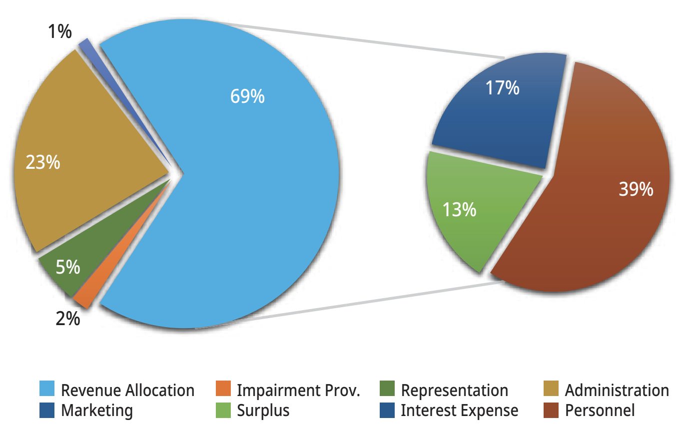
The social and economic effect of the pandemic on our members and our proactive response in the form of operational cost containment resulted in the ratio of expenses as a percentage of gross income being reduced from 69% in the previous year to 65% in 2022.

- Main expense area showing the greatest increase was the personnel expense.
- Personnel Expenses increased by $33.5M or from $151.25M in 2021 to $184.7M in 2022. The 22% increase was due mainly to:
  - Special Staff Salary adjustments applied retroactively.

ALLOCATION OF REVENUE

The chart below indicates how our revenue was utilized:

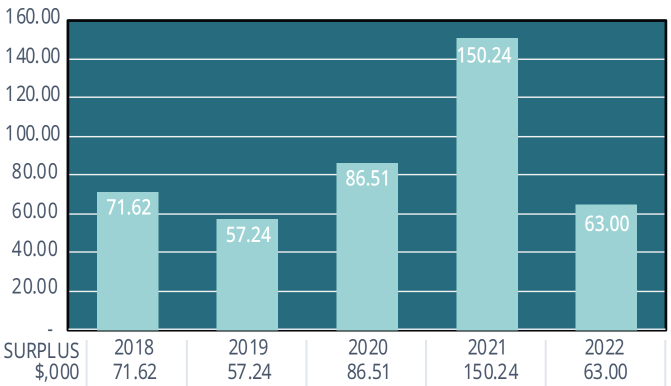
- 2% for impairment provisioning
- 1% for marketing,
- 5% for representational costs,
- 17% for interest expense,
- 23% for administration
- 39% for personnel costs, and
- 13% remaining as Surplus.



SURPLUS

Surplus before honorarium of $63M was achieved. This performance is reflecting a reduction of 58% below the $150.2M reported in the prior year. Note that approximately $55M of the surplus in the prior year resulted from property revaluation in 2021.

SURPLUS $M



With the required 20% or $12.6M transfer to Statutory Reserves and $2.14M to Retirement Benefit Reserve, approximately $48.26M will be available for distribution. The major performance indicators from our financial statements are highlighted below:

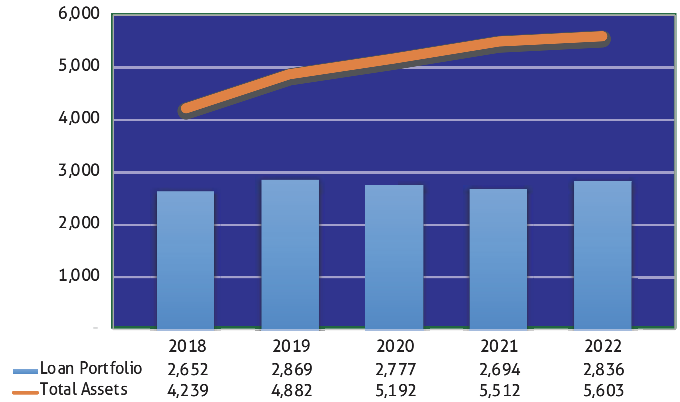
BALANCE SHEET

Total Assets increased by $90.91M or 1.6% moving from $5.51B in 2021 to $5.60B in 2022

The loan portfolio balance also recorded an increase for 2022. The portfolio balance stood at $2.84B in comparison to $2.69B in 2021. Loan disbursements outpaced loan repayments and transfers during the review period. The several loan promotions continue to serve as an incentive for our members and resulted in growth of the portfolio. Our motor vehicle loan portfolio continues to contribute significantly to the overall loan portfolio balance. Our new Megamix Loan promotion also was a major success in this area.

The graph below highlights the Loans and Total Assets for the five-year period - 2018 to 2022.

LOAN PORTFOLIO & TOTAL ASSETS



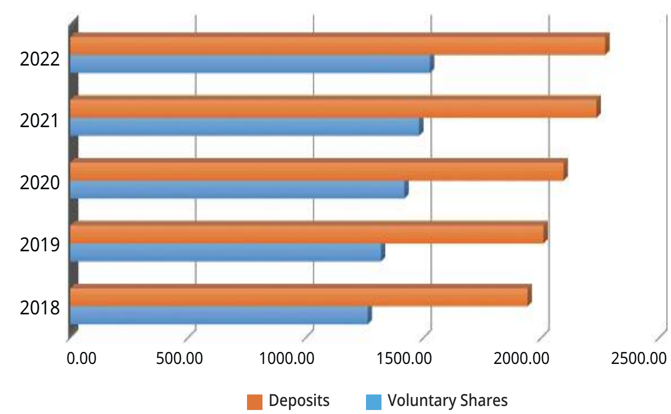
MEMBERS' SHARES AND DEPOSITS

At the end of the year, the savings portfolio of $3.80B was $82.1M higher than the $3.72B reported for 2021. The contributing factors for the growth in the members' shares and deposits portfolios were due to the:

(i) Compulsory savings requirement for both the Salary Enhancer and other loan products.

(ii) Amounts received and invested from redundancy payments

MEMBERS' DEPOSITS ($B)



PERMANENT SHARES

The Permanent Shares portfolio increased by 0.53% or $372k from $68.99M in 2021 to $69.36M in 2022. An increase in membership contributed to the growth.

PEARLS Ratios	*Standard*		*2022*	*2021*	*2020*	*2019*
	%	%	%	%	%	%
Net Loans /Total Assets	60-80	50.61	48.88	53.15	58.75	62.56
Savings Deposits & Voluntary Shares/ Total Assets	70-80	67.79	67.41	68.17	68.19	75.58
Institutional Capital/Total Assets (C)	>=10	15.75	15.63	15.80	16.14	18.08
Total Delinquency/Gross Loans Portfolio	<=5	1.80	1.45	1.90	1.30	1.51
Operating Expense/Average Assets	<=8	5.89	5.55	5.72	6.73	6.65
Gross Margin/Average Assets	C>=10	6.77	6.66	6.56	6.63	7.61
Non - Earning Liquid Assets/Total Assets	<1	1.52	1.29	1.23	1.12	0.73

PEARLS RATIO ANALYSIS

The Jamaica Co-operative Credit Union League Limited (JCCUL) continues to monitor our performance against International Credit Union Industry financial benchmark standards, for safety and soundness using the PEARLS ratios. Our performance is also compared to other prudential standards by the BOJ. As a specified financial institution, the BOJ continues to have oversight of our activities by reviewing our financial reports and the conducting of periodic audits. In anticipation of BOJ being our direct supervisor in the future, we continue to make the requisite preparation through procedural and policy reviews.

The results for the past five (5) years are referenced in the Table above.

LOANS DELINQUENCY

The loan delinquency ratio for 2022 was 1.80% of the loan's portfolio compared to 1.45% in 2021. This ratio remains well within the benchmark of 5% as shown in the PEARSL Standard above. The Credit Union was 100% compliant with the PEARLS standard of 5% as well as the provision required in accordance with the International Financial Reporting Standard (IFRS 9).

Management remains vigilant in its efforts to maintain low levels of delinquency whilst increasing the rate of growth of the loans portfolio. Our continued encouragement of members, who may be facing difficulties in meeting their loan obligations to dialogue with us for solutions to be agreed on, has been effective.

INSTITUTIONAL CAPITAL

Institutional Capital of $882.41M, (inclusive of permanent shares) is 15.75% of Total Assets. The Institutional Capital is an indicator of the Credit Union's ability to withstand any adverse economic fallout. This ratio is 5.60% above the PEARLS requirement of 10%.

CONCLUSION

We have seen the rebounding of the business after the pandemic. Access to our offices and branches is now regularized while we continue to ensure the highest quality of service to our members in a safe environment. Even during this uncertain period, the Credit Union was again able to record a surplus of over $60 million dollars in 2022 and continue to operate within the regulatory guidelines.

Given the current and projected environment, we expect that as a Credit Union, we will continue to face both local and external threats as well as opportunities for growth and development. With foresight and vision, we commit to the continued improvement of service delivery, the development of affordable, relevant products for our members and the prudent management of the resources of the Credit Union.

ACKNOWLEDGEMENTS

We give thanks to God for His continued guidance and protection during the year and the blessings He has bestowed on our Credit Union. The Treasury thanks and commends the Management and Staff for their hard work and dedication towards the continued success of the Credit Union.

I thank my fellow members of the Board of Directors and the Credit Union members, for having given me the opportunity to serve as your Treasurer. It has been an honor and a privilege to function in that capacity. Thank you, our members, for the continued business and support that you have given to your Credit Union, and entrusting your confidence in us, the Board of Directors and Management, in serving you and we hope to continue to be deserving of your confidence.

To all the stakeholders including the JCCUL, Department of Cooperative and Friendly and Societies, BOJ and volunteers, thank you for your support throughout the year.

I also thank both the Internal Auditors – Smith and Associates and our external auditors – BDO Chartered Accountants for their professionalism throughout the year.

APPROPRIATION OF 2022 SURPLUS

The Board of Directors is making the following recommendation to the Meeting with respect to the appropriation of the 2022 Surplus.

SURPLUS APPROPRIATION FOR AGM	$
Net Surplus after 20% Statutory Reserve Distribution	50,403,299.00
Transfer to Retirement Reserve	2,143,000.00
Net Income Before Distribution	**48,260,299.00**
Proposed Distribution	
Dividend on Permanent Shares 10 %	6,935,850.00
Patronage refund (2 %) Life Long savers	6,184,395.80
Institutional Capital	10,140,053.20
Business Strategy Development	2,500,000.00
Honoraria	4,000,000.00
Scholarship/Outreach Reserve	2,500,000.00
IT (Hardware & Software) Upgrade	9,000,000.00
Infrastructure Upgrades and Development	7,000,000.00
Sum of Proposed Distribution	**48,260,299.00**

INCOME & EXPENDITURE

	2022	2021	GROWTH/ REDUCTION
	$	$	$
OUR INCOME WAS EARNED FROM			
INTEREST ON MEMBERS' LOANS	363,479,173	364,059,470	(580,297)
INTEREST ON INVESTMENT	93,563,075	58,621,931	34,941,144
OTHER INCOME	22,633,453	98,073,725	(75,440,272)
	479,675,701	520,755,126	(41,079,425)
OUR COSTS TO OPERATE THE CREDIT UNION WERE:			
INTEREST ON MEMBERS' SAVINGS	63,417,250	60,466,473	2,950,777
OTHER FINANCIAL COSTS	17,203,954	16,028,058	1,175,896
REPRESENTATION & AFFILIATION	25,139,675	19,969,676	5,169,999
ADMINISTRATION	111,693,936	108,690,249	3,003,687
PROVISION FOR IMPAIRMENT	9,005,513	5,673,512	3,332,001
PERSONNEL	184,723,814	151,250,800	33,473,014
MARKETING & PROMOTIONS	5,487,429	8,437,088	(2,949,659)
	416,671,571	370,515,856	46,155,715
LEAVING A BALANCE OF	63,004,130	150,239,270	(87,235,140)
FROM WHICH WE SET ASIDE 20% STATUTORY RESERVE	12,600,831	30,982,133	(18,381,302)
TRANSFER TO REVALUATION RESERVE	0	55,100,000	(55,100,000)
TRANSFER TO RETIREMENT BENEFIT RESERVE	2,143,000	3,048,000	(3,048,000)
UNDISTRIBUTED HONORARIUM	4,000,000	3,600,000	400,000
NET SURPLUS REMAINING	44,260,299	57,509,137	(13,248,838)

CURRENT MAXIMUM LIABILITY

WHEREAS Credit Unions are required to obtain the approval of the General Meeting for the maximum liability they may incur in voluntary shares, loans and deposits and whereas the current limit approved by the last General Meeting was for this Board to borrow up to an amount not exceeding a ratio of sixteen (16) times of the Society's capital and reserve fund;

WHEREAS the Board of Directors is satisfied that the present functions of the JPS and Partners Co-operative Credit Union can be discharged within the limit of sixteen (16) times previously established;

BE IT RESOLVED THAT The Board of Directors may incur a liability in voluntary shares, deposits and/or loans from any source on such terms of payment or security provided that the total liability shall not exceed a ratio of sixteen (16) times of the Society's capital and reserve fund.

For and on Behalf of the Board of Directors

Natalie Sparkes
Treasurer

Our Managers

Joydene Jarrett
General Manager

Karleen Brown
Information & Communication Technology Manager

Nassalie Brown
Legal, Risk & Compliance Manager

Chad LaRonde
Credit Manager

Judith Umrah
Human Resource Manager

David Goodlitt -
Operations Manager

Marie McNamee
Acting Branch Manager, Kirkvine

Camille Archibald
Business Development Manager

Missing:
Marjorie Richards-Johnson
Branch Manager, Ewarton

Our Team Members
Half Way Tree Branch


KASHENA ALLEN
Receptionist


PETER ALLEN
Credit Officer


ROJA ALMAN
Marketing & Business Development Officer


JAVON ARMSTRONG
Clerical Assistant


MARK CAMPBELL
IT Administrator


RAHEEM CHAMBERS
Accounting Officer


KHARLA DAVIS
Member Services Representative


KEVIN EMBDEN
Member Service Representative


DAMARLEY FACEY
Delinquency Officer


STACEYANN GILLESPIE
Member Service Representative


JANET HILL
Office Attendant


SHOMNA JOHNSON
Accounting Officer

Half Way Tree Branch (Continued)


MARCIA LEWIS
Credit Officer


EMOYA LOVE
Archivist


TAVIA MANHERTZ-HUIE
Securities Officer


SUEANN MCANUFF
Marketing Officer


BEVANNY MCKENZIE
Credit Officer


FAYE SIMPSON
Accounting Officer


MICHELL TAFFE
Accounting Officer (Payables)


SHARON WALKER
Credit Officer


CHAVEZ WILLIAMS
IT Administrator


JOAN WILLIAMS
Office Attendant/Bearer

Kirkvine Branch


Beverly Allen
Member Service Representative


Anthony Brown
Clerical Assistant


Janet Holness-Williams
Accounts Relations Officer


Kenesha Sinclair
Credit Officer


Sharon Wilkinson
Office Attendant/Bearer

Ewarton Branch


TALISA HENRY
Clerical Officer


SONIA ROBINSON
Credit Officer


JANET RUSSELL
Office Attendant/Bearer

Our Location Representatives

Donna Johnson
JPS Bogue

Claudette Dixon
JPS Bogue

Denise Warren
JPS Bogue

Phillipa Whyte
JPS Ruthven Road

Donna Barrett
JPS Rockfort

Carol Aitcheson
JEP

Audley Richards
JPS Mandeville

Natoya Smith
JPS Morant Bay

Andrea Thomas
JPS New Kingston

Taundria Williams
JPS New Kingston

Sidoney Vassell
JPS New Kingston

Tricia Hay
JPS New Kingston

Hortense Hall
JPS Spanish Town Road

Althea Thorpe
JPS Spanish Town

Jullite Reeves
JPS Paradise/Black River

Debourne Martin
Digicel, Ocean Boulevard

Ricky Purkiss
Digicel, Montego Bay

Rose-Marie Blake
Digicel, Montego Bay

Hyacinth Mullings
Una Bailey
JPS Twickenham Park.

Shoneika Dalling
JPS St. Ann's Bay

Delmar Eccles
JPS White River

Haley Clarke
JPS Wilmic

Melville Mullings
JPS Savanna La Mar

Financial Statements

as at 31st December 2022

DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES
CHARITIES AUTHORITY, JAMAICA
Ministry of Industry, Investment and Commerce
2 Musgrave Avenue, Kingston 10
Jamaica, W. I.
Tel: (876) 927-4912 | 927-6572 | 978-1946
E-mail: info@dcfs.gov.jm **Website: www.dcfs.gov.jm**

ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO THE REGISTRAR AND THE FOLLOWING REFERENCE QUOTED:

S1
R160/955/08/23

August 9, 2023

The Secretary
JPS & Partners Co-operative Credit Union Limited
65 3/4, 10 Half Way Tree Road
Kingston

Dear Sir/Madam:

I forward herewith the Financial Statements of your Society for the financial year ended December 31, 2022.

The Annual General Meeting (AGM) must be convened under ***Regulation 19, 21*** **and 25 a-f** of the Co-operative Societies (Amendment) Regulations, 2021. At least seven (7) days' notice shall be given before the meeting is held.

A copy of your report, which you intend to present to the Annual General Meeting on the year's working of the Society as set forth in ***Regulation 35 (b)*** of the Co-operative Societies Regulations should be forwarded to this office.

Kindly advise the Department of the date of the Annual General Meeting, so that arrangements can be made for representation.

Yours truly,

....
Lavern Gibson-Eccleston (Mrs.)
(For) Registrar of Co-operative Societies
And Friendly Societies

Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

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 48 to 143, 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.

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.

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

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.

- 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.

BDO

<u>INDEPENDENT AUDITORS' REPORT (CONT'D)</u>

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

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.

BDO

Chartered Accountants

<u>25 July 2023</u>

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 20 July 2023 and signed on its behalf:

Donovan Cunningham - President

Natalie Sparkes - Treasurer

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(d)	(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

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

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

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	111,626,365	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

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

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)	(50,745,323)
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 provided by/(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 provided by/(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

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.

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.

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.

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.

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.

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.

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.

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.

Notes to the Financial Statements

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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%

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.

Notes to the Financial Statements

31 December 2022

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.

Notes to the Financial Statements

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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.

Notes to the Financial Statements

31 December 2022

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.

Notes to the Financial Statements

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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).

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

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

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.

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

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.

Notes to the Financial Statements

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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.

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.

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.

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.

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.

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.

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.

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.

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

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

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 loans	(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

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.

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)**

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.

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.

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

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:

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.

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.

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	-

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	

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.

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	50 bp decrease
			Restated	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	(21,980,954)	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)

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.

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%

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

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.

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 $1,135,931,248 (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).

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 unamortised 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
	Balance 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

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

Notes to the Financial Statements

31 December 2022

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	-	-

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 69)	106,968,997	468,851,167

Notes to the Financial Statements

31 December 2022

8. FINANCIAL INVESTMENTS:

	2022 $	2021 $
Total brought forward (page 68)	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

Notes to the Financial Statements

31 December 2022

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.

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 and bank balances -		
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:

	2022	2021
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

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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

Notes to the Financial Statements

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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).

Notes to the Financial Statements

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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

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

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

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

Notes to the Financial Statements

31 December 2022

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

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.

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.

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

Notes to the Financial Statements

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

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.

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

Notes to the Financial Statements

31 December 2022

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.

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.

Notes to the Financial Statements

31 December 2022

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.

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

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

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.

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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

Notes to the Financial Statements

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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 93	142,321,021	137,097,014

26. OPERATING EXPENSES (CONT'D):

	2022 $	2021 $
Balance brought forward from page 92	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.

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).

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)	-

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

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

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 COSTS	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

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

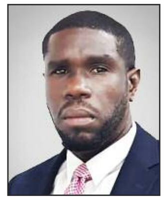
Supervisory Committee
Report


Tricia Dorman


Vashawn Burnett


Sheryll Brown


Courtney Harrison


Yannick Johnson

On behalf of the Supervisory Committee, I am pleased to present our report for the year ended December 31, 2022. The report outlines how the Committee discharged its responsibilities during the year in relation to oversight of financial reporting, internal controls and the risk management process and the Internal Audit function.

The Supervisory Committee is an oversight body of the Credit Union, that is elected for the purpose of audit and supervision. The Committee is comprised of five (5) volunteers, duly elected by members at the Credit Union's Annual General Meeting.

The Committee's roles and responsibilities are governed by the Cooperative Societies Act (1950), Regulation 40(3) (c) and guided by the Jamaica Cooperative Credit Union League (JCCUL) Supervisory Committee Guide (2000) as well as Article X Rules 48-51 of the Rules of the JPS & Partners Co-operative Credit Union.

The Supervisory Committee oversees the operation of the Internal Audit function which is executed by the Audit firm, Smith and Associates.

ELECTION OF OFFICERS

The term of service is one (1) year. Members may however serve three (3) consecutive years. The following volunteers served on the Supervisory Committee for the financial year 2022.

The members who served up to October 27, 2023 retired as stipulated by the Rules of the Credit Union.

A new Committee was elected at the Annual General Meeting on October 27, 2022. The first official meeting of the new Committee was held on November 3, 2022 where the members elected the persons to serve in the various offices as detailed below.

OFFICE	PERIOD OF SERVICE	
	January 1 - October 27, 2022	October 28 – December 31, 2022
Chairperson	Mrs. Janet Morrison-Plummer	Ms. Tricia Dorman
Vice Chair	Mrs. Althea Whyte-Sutherland	Mr. Vashawn Burnett
Secretary	Mr. Courtney Harrison	Ms. Sheryll Brown
Assistant Secretary	Ms. Cheryl Hall	Mr. Courtney Harrison
Member	Ms. Sheryll Brown	Mr. Yannick Johnson

ATTENDANCE

During the period under review, the Committee held ten (10) meetings. The number of meetings and the members' attendance were as follows:

NAME	MEETINGS HELD	MEETINGS ATTENDED
Ms. Tricia Dorman	2	2
Mr. Vashawn Burnett	2	2
Mr. Yannick Johnson	2	2
Mrs. Janet Morrison-Plummer	10	8
Mrs. Althea Whyte-Sutherland	10	6
Ms. Cheryl Hall	10	8
Ms. Sheryll Brown	10	7
Mr. Courtney Harrison	10	7

YEAR IN REVIEW

The Supervisory Committee, through the internal audit function monitored the Credit Union established controls to determine whether they were operating effectively and the inherent risks were being managed appropriately. The internal auditor (Smith and Associates) is required to provide regular reports to the Committee on the results of all audit reviews conducted throughout the year for the Head Office and Ewarton and Kirkvine branches.

After each committee meeting, the Chair of the Committee reports to the Board on the key issues discussed.

Some of the key audit areas reviewed during the period included:

- Policies and Procedures
- Proceeds of Crime Act (POCA)
- Loan Delinquency
- Internal Control over Cash
- Liquidity Management
- Loans Disbursed to Members
- IT Backup and Retrieval
- Bank Reconciliations
- Charged off Loans

During the period, no significant matter of concern was identified nor were there any instances of suspected fraud or unethical behaviour noted from the reviews conducted by the internal audit team.

Where weaknesses were identified by the Internal Auditor, recommendations for improvements were given and the management of the Credit Union indicated the actions to be taken to ensure the matters were resolved. The Committee will continue to closely monitor their implementation.

TRAINING

Members of the Supervisory Committee participated in the following training sessions facilitated by the Jamaica Co-operative Credit Union League and JPS & Partners Co-operative Credit Union during the period.

- Proceeds of Crime Act (POCA)
- Enterprise Risk Management (ERM)

CONCLUSION

The Supervisory Committee is satisfied that the Credit Union is compliant with its policies and procedures and that its systems of internal controls remain robust. Maintaining robust internal controls is a key focus for the Committee. As such, the Committee is committed to ensuring that management practices and procedures are adequate to safeguard members' assets.

Looking ahead to 2023, our primary focus will remain as providing effective oversight of the Credit Union's financial reporting, risk management and internal control processes. The Committee will also take a proactive approach in anticipating and preparing for legislative and regulatory changes particularly surrounding the protection of personal data under the Data Protection Act.

ACKNOWLEDGEMENT

The Supervisory Committee takes this opportunity to thank our Internal Auditors, Smith & Associates for their services during the year. We also express our appreciation to the management and staff of the JPS and Partners Co-operative Credit Union for their invaluable support to the Committee as well as their cooperation throughout their engagements with the internal audit team. Our sincere gratitude is also extended to the membership of the Credit Union for the confidence displayed by electing us to serve in this capacity during the period.

I trust you will find this report useful in understanding the operation and activities of the Committee during the year.

Tricia Dorman
Chair, Supervisory Committee

Credit Committee
Report


Cebert Mitchell


Courtney Whyte


Deidre Codner-Campbell


Nerine Brown


Tricia Hay


Nicole Goodin


Sharlene Chunnu-Brown


Nastassia Dixon

INTRODUCTION

Despite the unique challenges faced during 2022 on the heels of a pandemic, the Committee remained focussed on its mandate to diligently execute the review and approval of loan requests from our members.

We are pleased that our combined efforts have yielded positive results, with the loan portfolio having grown by $0.21M . Looking ahead, the committee remains focussed on delivering service of the highest quality, thus ensuring that our members have access to the widest range of products at nominal rates.

PREMIER FINANCIAL PARTNER

Despite competing in a market with an unlevel playing field, the institution has retained the enviable record of efficient and effective delivery of service to its members. Together we are stronger. It is with this in mind that we urge the membership to continue to support their credit union.

COMMITTEE MEMBERSHIP

The members were nominated to serve on the Credit Committee at the 67th Annual General Meeting. Subsequently, the Committee met and elected Cebert Mitchell as Chairman and Tricia Hay as Secretary.

COMMITTEE MONTHLY MEETING ATTENDANCE

Members	Possible Members	Actual	Excused
Cebert Mitchell	12	12	-
Tricia Hay	12	10	2
Nicole Goodin	10	9	1
Sharlene Chunnu-Brown	10	10	-
Nastassia Dixon	10	10	-
Nerine Brown-Boothe	2	2	-
Courtney Whyte	2	2	-
Diedre Codner-Campbell	2	1	1

TOTAL LOANS DISBURSED

TOTAL LOANS APPROVED JANUARY 2022 TO DECEMBER 2022

LOAN CATEGORY	COUNT	TOTAL $M	%
MOTOR VEHICLE	90	319,186,388	18.32%
HOME EQUITY LOAN	19	84,604,023	4.86%
MORTGAGE	2	18,796,815	1.08%
SALARY ENHANCER	415	309,275,313	17.75%
WITHIN SHARES	747	338,607,404	19.44%
CHRISTMAS	534	74,788,189	4.29%
CASH ON CREDIT	545	49,576,280	2.85%
EDUCATION	336	70,355,680	4.04%
OTHERS	7084	476,930,109	27.38%
TOTAL	**9772**	**1,742,120,199**	**100.00%**

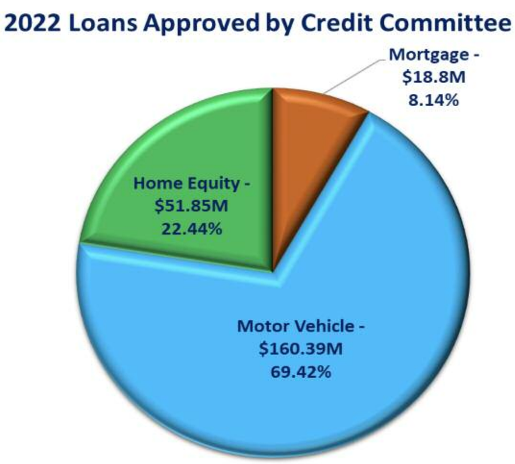
Loans disbursed by the Credit Union totaled 9772 new loans valued at $1.74B.

This reflects an increase of $0.21M when compared to 2021 disbursement of $1.53B.

The most popular category of loans applied for and disbursed were Salary Enhancer (unsecured), within Shares and Other. Other categories include a combination of short term secured and unsecured loans.

LOANS APPROVED BY CREDIT COMMITTEE

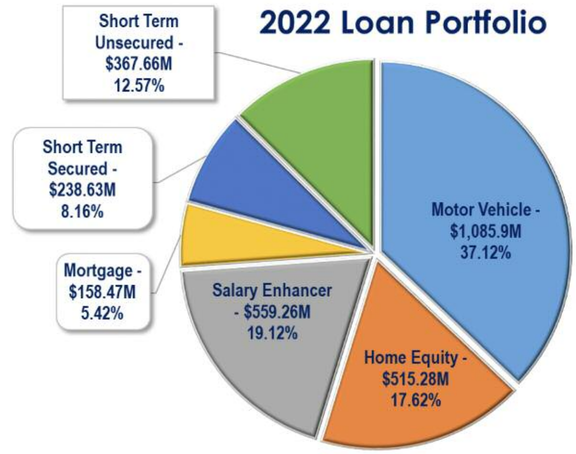
The Credit Committee approved loans totaling $231.03M for 2022. This reflects an increase of $93.11M when compared to 2021 loans that totaled $137.92M.



LOAN PORTFOLIO

The loan portfolio consist of a combination of secured and unsecured loan facilities. The secured portfolio totaled 69% and unsecured totaled 31%.

The chart shows a pictorial view of the diverse portfolio as of December 31, 2022.



EXPRESSION OF GRATITUDE!

The Credit Committee expresses gratitude to our valued members, who have entrusted us with the awesome responsibility of providing oversight over their loan portfolio.

The Regulators and other partners who have provided guidance, training and advice.

SPECIAL THANKS:

The Board of Directors for providing an enabling environment.

The management and staff for their dedication.

The Committee members who have supported their chairman.

Cebert Mitchell
Chairperson

League Delegates
Report


Donovan Cunningham


Natalie Sparkes


Tricia Robinson


Kim Robinson

League Delegates and Alternate Delegates are members of the Board of directors who represent the Credit Union as ambassadors to forums and conferences held by the Credit Union Movement's umbrella organizations both locally and internationally.

During 2022, Messrs Donovan Cunningham (President) and Natalie Sparkes (Treasurer) were appointed in the capacity of League Delegates, while Tricia Robinson (Vice President) and Kim Robinson (Secretary) represented the Credit Union as Alternate Delegates.

Annual calendar meetings such as the League Annual General Meeting, Caribbean Confederation of Credit Unions and the World Council of Credit Union meetings were once again held in a hybrid format.

HIGHLIGHTS OF MEETINGS ATTENDED BY YOUR DELEGATES

Jamaica Co-operative Credit Union Ltd (JCCUL) 81st Annual General Meeting

Caribbean Confederation of Credit Unions (CCCU) 51st Annual General Meeting

The Jamaica Co-operative Credit Union League (JCCUL) held its first fully in person annual convention and 81st Annual General Meeting since the start of the pandemic. The venue was the Ocean Coral Spring Hotel in Trelawny from June 17-22, 2022. The convention was held jointly with the Caribbean Confederation of Credit Unions (CCCU), celebrating their 50th year anniversary at their 64th annual international convention. The convention attracted attendees from credit unions across seventeen (17) Caribbean countries. The theme for the joint convention was "Innovation, Integration, Next Generational Leadership" The schedule of activities for the joint convention included an opening ceremony, a trade show, reception and workshops. The following activities took place:

JCCUL ANNUAL GENERAL MEETING

Approximately one hundred and forty five (145) Delegates and Alternate delegates attended the 81st Annual General Meeting.

President Lambert Johnson chaired the meeting. He extended welcome to all attendees. He thereafter presented a summary of the Board report for the year 2021. All other reports including that from the Treasurer, the Supervisory and Nominating Committees, as well as the audited financial statements were presented.

DISTRIBUTION OF SURPLUS

The Delegates agreed to the distribution of the surplus of $217.9M.

The Delegates voted for the Maximum Liability of the League to be set at $5B.

ELECTION OF OFFICERS

The meeting voted to accept the nominations for the following persons to serve on the JCCUL Board.

NAME	CREDIT UNION	
Martin Blackwood	Portland	Credit Union Managers Rep.
Andrea Messam	Broadcast & Allied	Small
Alexander Bourne	Manchester	Medium
Patrick Smith	JTA	At Large
Winston Fletcher	EduCom	At Large
Ryan Muir	Lascelles Employees & Partners	At Large
Bornette Donaldson	C&WJ	Large

Resolutions

Seven (7) resolutions were passed at the meeting.

LEAGUE'S PERFORMANCE 2022

	PERFORMANCE 2022		PERFORMANCE 2021
	AMOUNT	GROWTH	AMOUNT
SAVINGS	$125.62B	7.62%	$116.72B
LOANS	$108.68B	8.50%	$100.17B
ASSETS	$161.60B	7.45	$150.40B
MEMBERSHIP	1,005,382	0.52%	1,000,157

Rule Change

There were no rule changes.

AWARDS

Several Credit Unions were presented with awards for achievements in 2021

Large Peer Group

- EduCom Co-operative Credit Union won the award. First Heritage Co-operative Credit Union was the runner-up.

Medium Peer Group

- Portland Co-operative Credit Union copped the award. Palisadoes Co-operative Credit Union was declared the runner-up.

Small Peer Group

- Lascelles Employees and Partners Co-operative Credit Union won the award. BJ Staff Co-operative Credit Union took the runner- up spot.

ANNUAL CREDIT UNION BOARD CONSULTATIONS

The annual Board Consultations were held on April 30, 2022 and November 19, 2022. Both conference was held via the Zoom platform. At these meetings delegates were provided with updates on the following:

- AccessPLus Mastercard Project and initiatives for improved usage.
- Credit Union (Special Provision Act).
- Critical Strategies to pave the Movement's Way Forward.
- Proposed BOJ Fit and Proper guidelines.
- Simplified Due Diligence member onboarding.

CONCLUSION

We are pleased to have served you as delegates and alternate delegates, proud to be members of this great Movement, and grateful for the confidence you have placed in us.

On behalf of the Delegates and Alternate Delegates

Natalie Sparkes (Ms.)
Delegate

Nominating Committee
Report


Tricia Robinson


Allentia Brown


Vaughn McDonald

The JPS & Partners Nominating Committee was appointed by the Board of Directors in accordance with rule 65(1) and comprised the following persons:

Tricia Robinson	Chairperson
Allentia Brown	Member
Vaughn McDonald	Member

The Committee considered all retiring members from the Board of Directors, Supervisory and Credit Committees and hereby submit nominations for the positions that will become vacant at the 68th Annual General Meeting.

The Committee wishes to thank all volunteers both returning and those retiring for their invaluable contribution over the years.

MEMBERS OF THE BOARD OF DIRECTORS

Retiring	Nominated	Term in Office
Donovan Cunningham	David Fleming	Two (2) years
Natalie Sparkes	Natalie Sparkes	Two (2) years
Patrick Davidson	Patrick Davidson	Two (2) years
Kim Robinson	Kim Robinson	Two (2) years

Based on the term limits for Board members – three (3) consecutive terms – Mr. Donovan Cunningham will not be eligible for re-election.

The following Directors will continue to serve

Name	Remaining Term in Office
Timain Campbell	One (1) Year
Paulston Francis	One (1) Year
Tricia Robinson	One (1) Year
Clive Segree	One (1) Year
Devon Wright	One (1) Year

PROFILE OF NOMINEES

Patrick Davidson

Patrick is an avid sports enthusiast and is currently the Accountant in the Payroll Department of the Jamaica Public Service Company Limited.

Volunteerism is innate in Patrick. He first served as a member and later as Chairman of the Supervisory Committee of JPS& Partners Co-Operative Credit Union. Patrick's spirit of volunteerism also extends to his community of Morris Meadows where he has served on various committees

Patrick firmly believes that education is the key to success. He currently holds a Diploma in Business Administration from the University of Technology, a Bachelor of Science majoring in Finance from Northern Caribbean University and a Masters of Science in Accounting from the University of the West Indies, Mona.

Patrick is married with four children.

David Fleming

Mr. David Fleming is a practising Attorney-at-Law who was called to the Jamaican Bar in 2010. David is currently a Legal Counsel at the Jamaica Public Service Company Limited. He previously held the position of Vice President of JPS & Partners Co-operative Credit Union.

Natalie Sparkes

Natalie is Past President of the JPS & Partners Co-Operative Credit Union and is a Justice of the Peace. She is an accomplished Management Executive with over 16 years' experience in leading and implementing improved efficiency and productivity systems to deliver performance driven results oriented workplace best practices.

Natalie is employed to JAMALCO and is currently the Production and Maintenance Manager. She was previously employed to UC Rusal – WINDALCO formerly Alcan Jamacia for eighteen (18) years. She holds a MBA in Engineering Management from the University of Manchester, a Bachelor of Sciences in Chemical and Process Engineering from the University of the West Indies, Diploma in Education, Certificate in Project Management and is a certified Project Manager. Natalie is a licensed Professional Engineer. She is also a Council Member of the Jamaica Institution of Engineers, member of the American Society of Chemical Engineers and a member of the Canadian Society of Chemical Engineers. She is also a certified Lean Six Sigma Yellow Belt.

Natalie never fails to give back to her community. Over the years she has held many positions in various organizations and was awarded the Volunteer of the Year in the Jamaica Credit Union Movement. She is a past Director on the Board of Southern Regional Health Authority, Past President of the PTA, Mount St Joseph Kindergarten and Prep. School.

She is the proud mother of one son.

Kim Robinson

Kim Robinson is a practicing Attorney-at-Law who was called to the Jamaican Bar in 2006. Kim is currently Legal Counsel & Assistant Company Secretary at the Jamaica Public Service Company Limited. She is presently the Secretary on the Board of Directors of the Credit Union.

Kim is a member of the Jamaican Bar Association.

MEMBERS OF THE SUPERVISORY COMMITTEE

Volunteers on this Committee are elected to serve for one (1) year up to a maximum of three (3) consecutive terms. All members of this Committee will retire at this meeting.

The following persons have indicated their willingness to serve for one year.

Retiring	Nominated	Term in Office
Sheryll Brown	Sheryll Brown	One (1) year
Vashawn Burnett	Vashawn Burnett	One (1) year
Tricia Dorman	Tricia Dorman	One (1) year
Yannick Johnson	Yannick Johnson	One (1) year
Courtney Harrison	Courtney Harrison	One (1) year

PROFILE OF NOMINEES

Sheryll Brown

With over nineteen (19) years of experience in professional executive assistant positions and a track record of strong performance in high-volume, high-pressure environments, Sheryll has skilfully managed administrative duties for various divisions within the Jamaica Public Service Company Limited. Ms. Brown is a sitting member on the Supervisory Committee of the JPS & Partners Cooperative Credit Union.

Sheryll holds a Bachelor of Science in Professional Management from Nova Southeastern University, Florida. From 2012 to 2016 she held the post of Secretary at the JPS Foundation and is currently Secretary to the JPS DC Pension Plan Board of Trustees and Investment Committee.

Sheryll is active in the community and volunteers her time as a member of the Fusion Optimist Club of New

Kingston and sits on the Board of Trustees for the Youth for Sustainable Development.

Courtney Harrison

Courtney has being employed to the Jamaica Public Service Company Limited from December 2017 as an Accounting Clerk.

Courtney currently provides support to his outreach programs at his alma mater and his residential community. From 2018 he has been providing voluntary services to his community football program since 2018. Mr. Harrison is a sitting member of the Supervisory Committee of the JPS & Partners Cooperative Credit Union.

Courtney enjoys playing football and provides voluntary accounting services to his family business.

Tricia Dorman

Ms. Dorman is an experienced and knowledgeable Accounting professional with over ten (10) years professional and leadership experience in Accounting, Taxation and Internal Controls. She has extensive experience in applying International Financial Reporting Standards (IFRS), and leading the Accounting and Internal Control functions in a large organization. She is also proficient in research, data collection, financial reporting and analyses. Over her career, Ms. Dorman consistently demonstrated the ability to successfully design and lead large financial and operational audits with the objective of improving internal controls.

A creative and strategic thinker with effective planning and execution skills, Ms. Dorman is currently the Manager - Financial Reporting at Jamaica Public Service Company Limited where she previously held the roles of Accountant-Tax Compliance and Bank Reconciliations and Accounting Assistant. She has also served an Assistant Manager, Financial Control at Pan Caribbean Merchant Bank Limited, Senior Officer, Financial Control at Manufacturers Sigma Merchant Bank Limited, Finance Officer at The Jamaica Fire Brigade and Assistant Accountant at KPMG.

Ms. Dorman's qualifications include Masters of Science – Accounting from the University of the West Indies, and Bachelors of Science – Management Studies and Accounting also from the University of the West Indies.

Vashawn Burnett

A versatile and results-oriented engineer who is committed to achieving the goals of any organization to which he offers time, Mr. Vashawn Burnett has over six (6) years experience in Power Systems engineering and planning. He is presently the Plant Engineer – Generation Operation, Planning and Performance at Jamaica Public Service Company Limited where he previously assumed the role of Plant Engineer – Operations and Maintenance. Mr. Burnett was also the Assistant Safety and Maintenance Officer at Nutrition Products Limited.

His qualifications include a Bachelors of Engineering in Industrial Systems from the Caribbean Maritime University and Associate of Applied Science Degree in Industrial Systems Operations and Maintenance.

Mr. Burnett is a member of the Kiwanis Club of Portmore and Dynamic Speakers Toastmaster and was previously entrusted with the responsibility of leading both associations in the capacity of President. He is also an active volunteer with the JPS Foundation.

Yannick Johnson

Mr. Johnson has over ten (10) years in field of Engineering. He is presently the Technician Engineer-Generation Operation, Planning and Performance Group of the Jamaica Public Service Company Limited where he previously held the position of Demin Plant & Gas Turbine Operator. Over the life of his career, Mr. Johnson assumed the roles of Junior Maintenance Engineer with the Wisynco Group Limited, Maintenance Technician wat Sweet Craft Limited, and Assistant Project Engineer at Rich's Construction & Equipment Company Limited.

Mr. Johnson's qualifications include a Diploma in Mechanical Engineering and Bachelor of Engineering in Civil Engineering from the University of Technology.

MEMBERS OF THE CREDIT COMMITTEE

Volunteers are normally elected to serve on this Committee for two (2) years. The following persons will retire from the Committee at this meeting:

Retiring	Nominated	Term in Office
Cebert Mitchel	Anthony Cameron	Two (2) Years
Tricia Hay	Caphanne March	Two (2) Years

The following Committee members will continue to serve:

Name	Remaining Term in Office
Deidre Codner-Campbell	One (1) Year
Nerine Brown-Boothe	One (1) Year
Courtney Whyte	One (1) Year

PROFILE OF NOMINEES

Anthony Cameron

Mr. Anthony Cameron has over twenty-six (26) years of experience of tax audit and investigations. He is presently a Senior Special Investigator in the Tax Fraud Intelligence & Investigation Unit of the Taxpayer Audit and Assessment Department.

A member of the Kiwanis Club of Montego Freeport and Lieutenant Governor Kiwanis Club Division 25 Cornwall, Mr. Cameron has a Master in Business Administration with HR Emphasis and a BSc in Business Administration, with accounting emphasis, both from the Northern Caribbean University, Mandeville Jamaica.

Caphanne March

Ms. Caphanne March is the Corporate Services Manager at National Road Operating & Constructing Co. Ltd. (NROCC). Her past professional life has seen her assume the role of Manager, Expansion Administration at the Jamaica Public Service Company Limited.

She holds a Master of Science Degree in Human Resource Development and a Bachelor of Science in Management Studies (Hons.) with Majors in Management and Accounting.

Tricia Robinson
Chairperson

Notes

National Anthem

Eternal Father, bless our Land
Guard us with Thy mighty hand
Keep us free from evil powers
Be our light through countless hours
To our leaders, Great Defender,
Grant true wisdom from above
Justice, truth be ours forever
Jamaica, Land we love.

Chorus:

Jamaica, Jamaica, Jamaica,
Land we love.

Teach us true respect for all
Stir response to duty's call
Strengthen us, the weak to cherish
Give us vision, lest we perish
Knowledge send us, Heavenly Father
Grant true wisdom from above
Justice, truth be ours forever
Jamaica, land we love

Prayer of St. Francis of Assisi

Lord, make me an instrument
of Thy peace;
Where there is hatred,
let me sow Love,
Where there is injury, Pardon,
Where there is doubt, Faith,
Where there is despair, Hope,
Where there is darkness, Light, and
Where there is sadness, Joy.

O Divine Master, grant that I may not
So much seek, to be consoled as to console,
To be understood as to understand
To be loved, as to love,

For it is in giving that we receive,
It is in pardoning that we are pardoned,
and it is in dying
that we are born to Eternal Life.

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