JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2023

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2023

I N D E X

BDO

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INDEPENDENT AUDITORS' REPORT

To: The Registrar of Co-operatives and Friendly Societies
Re: Jamaica Teachers' Association Co-operative Credit Union Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Teachers' Association Co-operative Credit Union Limited set out on pages 4 to 94, which comprise the statement of financial position as at 31 December 2023, 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 material 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 Co-operative as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) 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 Co-operative in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 the 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 Accounting Standards and with the requirements of 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Co-operative's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operative and Friendly Societies
Re: Jamaica Teachers' Association 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 Co-operative'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 Co-operative'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 Co-operative 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: Jamaica Teachers' Association 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

2 April 2024

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	Restated 2022 $'000
INTEREST INCOME:			
Loans		1,666,978	1,582,726
Liquid assets, resale agreements and financial investments		309,165	184,462
		1,976,143	1,767,188
INTEREST EXPENSE:			
Members' deposits		284,496	268,194
External credits		19,282	4,937
Members voluntary shares		218,002	271,177
Lease liabilities		5,391	4,673
Other finance cost		13,009	11,073
		540,180	560,054
NET INTEREST INCOME		1,435,963	1,207,134
Impairment gains on liquid assets, resale agreements and financial instruments		(1,821)	(139)
Impairment losses on loans, net of recoveries	12(c)	(103,407)	(146,400)
NET INTEREST INCOME AFTER IMPAIRMENT		1,330,735	1,060,595
Non-interest Income	7	58,364	65,945
		1,389,099	1,126,540
Operating expenses	8	(648,155)	(566,514)
Staff costs	9	(537,221)	(502,508)
		(1,185,376)	(1,069,022)
SURPLUS FOR THE YEAR		203,723	57,518
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that will never be reclassified to surplus:			
Remeasurement of employment benefits asset	19(g)	99,485	(66,909)
Items that may be reclassified to surplus:			
Valuation (loss)/gain on fair value through other comprehensive income		(21,678)	37,797
		77,807	(29,112)
TOTAL COMPREHENISIVE INCOME FOR THE YEAR		281,530	28,406

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

	Note	2023 $'000	Restated 2022 $'000	Restated 2021 $'000
ASSETS:				
EARNINGS ASSETS:				
Liquid assets	10	2,512,854	1,964,583	2,087,077
Resale agreements	11	1,404,436	1,420,904	1,696,736
Loans to members after provision for impairment	12	14,369,349	13,182,987	12,225,774
Financial investments	13	600,159	1,192,388	884,671
Investment property	14	4,265	5,744	5,947
		18,891,063	17,766,606	16,900,205
NON-EARNINGS ASSETS:				
Cash and cash equivalents	15	42,822	55,666	51,881
Other assets	16	261,894	142,339	178,862
Property, plant and equipment	17	485,066	476,390	152,236
Intangible assets	18	8,354	15,689	23,024
Employee benefits asset	19	167,179	57,813	127,201
Right-of-use assets	20	21,082	14,005	37,284
		986,397	761,902	570,488
TOTAL ASSETS		19,877,460	18,528,508	17,470,693
LIABILITIES:				
INTEREST BEARING LIABILITIES:				
Lease liabilities	20	32,516	23,159	40,557
Members' deposits	21	7,014,603	6,617,941	6,306,223
Members' voluntary shares	22	8,370,569	7,724,222	7,227,941
External credits	23	212,662	220,562	395
		15,630,350	14,585,884	13,575,116
NON-INTEREST BEARING LIABILITY:				
Payables	24	241,783	215,327	192,390
TOTAL LIABILITIES		15,872,133	14,801,211	13,767,506
EQUITIES:				
Institutional capital	25	2,983,050	2,786,851	2,712,055
Non-institutional capital	26	1,022,277	940,446	991,132
TOTAL EQUITIES		4,005,327	3,727,297	3,703,187
TOTAL LIABILITY AND EQUITIES		19,877,460	18,528,508	17,470,693

*Restated. See note 32

Approved for issue by the Board of Directors on 28 March 2024 and signed on its behalf:

Paul Adams President	Cyril Lebert Treasurer	Patrick Smith Secretary

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

		INSTITUTIONAL CAPITAL		NON-INSTITUTIONAL CAPITAL					
	Note	Permanent Shares $'000	Statutory Reserve $'000	Employee Benefit Reserve $'000	Accumulated Surplus $'000	Fair Value Reserve $'000	Revaluation Reserve $'000	Permanent Share Reserve $'000	Total $'000
BALANCE AT 31 DECEMBER 2021									
As previously reported		87,910	2,624,145	127,201	826,251	42,393	9,430	2,558	3,719,888
Prior year adjustments	32	-	-	-	(16,701)	-	-	-	(16,701)
As restated		87,910	2,624,145	127,201	809,550	42,393	9,430	2,558	3,703,187
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Surplus for the year									
As previously reported		-	-	-	75,665	-	-	-	75,665
Prior year adjustments	32	-	-	-	(18,147)	-	-	-	(18,147)
As restated		-	-	-	57,518	-	-	-	57,518
OTHER COMPREHENSIVE LOSS:									
Remeasurement of employee benefits asset	19	-	-		(66,909)	-	-	-	(66,909)
Change in fair value of debt instruments at FVOCI		-	-	-	-	37,797	-	-	37,797
Total other comprehensive loss		-	-	-	(66,909)	37,797	-	-	(29,112)
Total comprehensive income for the year		-	-	-	(9,391)	37,797	-	-	28,406
Issue of permanent shares		1,819	-	-	-	-	-	-	1,819
Transfer from permanent shares		(220)	-	-	-	-	-	220	-
Transfer from employee benefits asset reserve		-	-	(69,388)	69,388	-	-	-	-
Transfer to statutory reserve:									
From current year surplus	25 (b)	-	73,186	-	(73,186)	-	-	-	-
Entrance fees	25 (b)	-	11	-	-	-	-	-	11
Dividends	27	-	-	-	(6,126)	-	-	-	(6,126)
		1,599	73,197	(69,388)	(9,924)	-	-	220	(4,296)
BALANCE AT 31 DECEMBER 2022 as restated		89,509	2,697,342	57,813	790,235	80,190	9,430	2,778	3,727,297

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

		INSTITUTIONAL CAPITAL		NON-INSTITUTIONAL CAPITAL					
	Note	Permanent Shares $'000	Statutory Reserve $'000	Employee Benefit Reserve $'000	Accumulated Surplus $'000	Fair Value Reserve $'000	Revaluation Reserve $'000	Permanent Share Reserve $'000	Total $'000
BALANCE AT 31 DECEMBER 2022									
As previously reported		89,509	2,697,342	57,813	825,083	80,190	9,430	2,778	3,762,145
Prior year adjustments	32	-	-	-	(34,848)	-	-	-	(34,848)
As restated		89,509	2,697,342	57,813	790,235	80,190	9,430	2,778	3,727,297
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
Surplus for the year		-	-	-	203,723	-	-	-	203,723
OTHER COMPREHENSIVE INCOME:									
Remeasurement of employee benefits asset	19	-	-	-	99,485	-	-	-	99,485
Change in fair value of debt instruments at FVOCI		-	-	-	-	(21,678)	-	-	(21,678)
Total other comprehensive (loss)/income		-	-	-	99,485	(21,678)	-	-	77,807
Total comprehensive income for the year		-	-	-	303,208	(21,678)	-	-	281,530
Issue of permanent shares		2,741	-	-	-	-	-	-	2,741
Transfer from permanent shares		(257)	-	-	-	-	-	257	-
Transfer from employee benefits asset reserve		-	-	109,366	(109,366)	-	-	-	-
Transfer to statutory reserve:									
From current year surplus	25 (b)	-	193,700	-	(193,700)	-	-	-	-
Entrance fees	25 (b)	-	15	-	-	-	-	-	15
Dividends	27	-	-	-	(6,256)	-	-	-	(6,256)
		2,484	193,715	109,366	(309,322)	-	-	257	(3,500)
BALANCE AT 31 DECEMBER 2023		91,993	2,891,057	167,179	784,121	58,512	9,430	3,035	4,005,327

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	Restated 2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Surplus for the year		203,723	57,518
Adjustments for:			
Interest income		(1,939,693)	(1,746,639)
Interest expense		534,789	555,381
Interest expense on lease liabilities	20(iii)	5,391	4,673
Depreciation	14,17	33,987	23,074
Amortisation	18	7,335	7,335
Amortisation of right-of-use assets	20(i)	21,312	26,252
Impairment gain on liquid assets, resale agreements & financial investments		1,821	139
Realised losses/(gains) on investments		17,589	(554)
Employee benefits asset	19(f)	6,167	18,617
Impairment losses on loans, net of recoveries	12(c)	103,407	146,400
Operating cash flows before movements in working capital		(1,004,172)	(907,804)
Changes in operating assets and liabilities			
Loans		(1,289,769)	(1,103,613)
Other assets		(7,805)	77,121
Pension contributions	19(b)	(16,048)	(16,138)
Members' deposits		396,662	311,718
Members' voluntary shares		646,347	496,281
Payables		25,420	20,837
		(1,249,365)	(1,121,598)
Interest received		1,827,943	1,706,041
Interest paid		(533,753)	(553,281)
Net cash provided by operating activities		44,825	31,162
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	17	(41,184)	(347,025)
Liquid assets		(520,270)	134,476
Resale agreements		20,818	301,944
Financial investments		551,945	(269,615)
Net cash provided by/(used in) investing activities		11,309	(180,220)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Permanent shares (net)		2,741	1,819
External credit		(7,900)	220,167
Dividend paid	27	(6,256)	(6,126)
Entrance fees		15	11
Repayment of leases liabilities	20(iv)	(24,423)	(25,044)
Net cash (used in)/provided by financing activities		(35,823)	190,827
Net increase in cash and cash equivalents		20,311	41,769
Cash and cash equivalents at beginning of year		113,325	71,556
CASH AND CASH EQUIVALENTS AT END OF YEAR	15(a)	133,636	113,325

*Restated

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

1. **IDENTIFICATION AND PRINICIPAL ACTIVITY:**

Jamaica Teachers' Association Co-operative Credit Union Limited ("Co-operative") is incorporated and domiciled in Jamaica and is registered under the Co-operative Societies Act ("Act"), and has its registered office at 97a Church Street, Kingston, Jamaica.

The main activities of the Co-operative are to promote thrift among its members by affording them an opportunity to accumulate savings and to create for them a source of credit for provident or productive purposes at a reasonable rate of interest.

Membership in the Co-operative is obtained by the holding of members' permanent (note 25a) and voluntary shares which are deposits available for withdrawals on demand. Individual membership may not exceed 20% of the total of the members' shares of the Co-operative.

The Co-operative Societies Act requires, amongst other provisions, that at least 20% of the net surplus of the Co-operative be transferred annually to a reserve fund. The Co-operative is exempt from Income Tax under Section 59(i) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

2. **REPORTING CURRENCY:**

Items included in the financial statements of the Co-operative are measured using the currency of the primary economic environment in which the co-operative operates ("the functional currency").

These financial statements are presented in Jamaican dollars, which is considered the Co-operative's functional and presentation currency.

3. **MATERIAL 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. Amounts are rounded to the nearest thousands, unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and 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 as modified by the revaluation of certain properties and financial assets that are measured at fair value or revalued amounts.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

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

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Co-operative's accounting policies. Although these estimates are based on management's best knowledge of current events and action actual results could differ from those estimates. 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 4.

New standards, interpretations and amendments that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Co-operative has assessed the relevance of all such new standards, amendments and interpretation and has concluded that the following new standards, interpretations and amendments are relevant to its operations:

Amendment to IAS 1, 'Practice statement 2 and IAS 8' (effective for annual periods beginning on or after 1 January 2023). The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed.

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 Co-operative will assess the impact of future adoption of this amendment on its financial statements.

There was no significant impact on the financial statements from the adoption of this amendments.

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 Co-operative has decided not to adopt early. The most significant of these are:

3. **MATERIAL 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)

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 clarities what IAS 1 means when it refers to the 'settlement' of a liability.

The Co-operative 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**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the mid-point of the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in surplus or deficit.

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

Items of property, plant and equipment are initially measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the assets. The cost of self constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

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

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 Co-operative and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Depreciation is recognized in surplus or deficit on the straight line basis at such rates as will write down the carrying value of the assets over the period of their expected useful lives, to their residual values. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Buildings	2 ½%
Leasehold improvements	10%
Office furniture and equipment	10% - 25%

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining surplus or deficit.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

(d) **Intangible assets**

Intangible assets represent software rights and is measured at cost less accumulated amortisation and impairment losses. Amortisation method, useful life and residual value are reviewed at each reporting date and adjusted if appropriate with the effect of any changes in the estimate being accounted for on a prospective basis.

Amortisation is charged to surplus or deficit on the straight-line over the estimated useful life of the intangible asset, from the date it is available for use. The expected useful life of computer software is 10 years.

(e) **Financial instruments**

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

Financial assets comprise loans to members, liquid assets, resale agreements, financial investments, cash and cash equivalents and other assets.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

Financial liabilities comprise lease liabilities, bank overdraft, members' voluntary shares, members' deposits, external credits and other payables.

(i) **Recognition and initial measurement**

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

The Co-operative recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Co-operative initially recognises loans and deposits on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Co-operative becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

(ii) **Classification and subsequent measurement**

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt and equity investments; or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(ii) **Classification and subsequent measurement (cont'd)**

Financial assets (cont'd)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Co-operative may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Co-operative may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessments:

The Co-operative makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Co-operative's management;

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(ii) **Classification and subsequent measurement (cont'd)**

Financial assets (cont'd)

Business model assessments (cont'd)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Co-operative's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Co-operative's objective is achieved by both collecting contractual cash flows and selling financial assets.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Co-operative considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Co-operative considers the following:

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(ii) **Classification and subsequent measurement (cont'd)**

Financial assets (cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest (cont'd):

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and
- terms that limit the Co-operative's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Co-operative changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

Financial liabilities

The Co-operative classifies financial liabilities as measured at amortised cost.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(iii) **Derecognition**

Financial assets

The Co-operative derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when 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 if it neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred 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 OCI is recognised in surplus or deficit.

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in surplus or deficit on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Co-operative is recognised as a separate asset or liability.

Financial liabilities

The Co-operative derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(iv) **Measurement and gains and losses**

Financial assets at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in surplus or deficit in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;

- expected credit losses (ECL) and reversals; and

- foreign exchange gains and losses.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(iv) **Measurement and gains and losses (cont'd)**

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to surplus or deficit.

(v) **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Co-operative has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) **Specific financial instruments**

(1) Loans

Loans in the statement of financial position include loans measured at amortised cost. They are initially measured at fair value, plus incremental direct transaction costs and are subsequently measured at amortised cost less any expected credited loss allowance.

(2) Resale agreements

Resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are classified and measured at amortised cost.

The difference between the sale and repurchase consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

(3) Cash and cash equivalents

Cash and cash equivalents are classified and measured at amortised cost. They comprise cash and bank balances and short-term liquid deposits, where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments, rather than for investment purposes.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank deposits not held to satisfy statutory requirements, net of bank overdraft, if any.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(vi) **Specific financial instruments**

(4) Other assets

Other assets comprising sundry receivables, deposits and prepayments are classified and measured at amortised cost less impairment losses.

(5) Other liabilities

Other liabilities comprise other payables and are measured at amortised cost.

(6) External credits

External credits are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(vii) **Identification and measurement of impairment**

The Co-operative recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost; and
- debt instruments measured at FVOCI.

No impairment loss is recognised on equity investments.

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

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

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(vii) **Identification and measurement of impairment (cont'd)**

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a 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 ECLs

ECLs 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 Co-operative expects to receive); and

- *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.

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 ECLs 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.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(vii) **Identification and measurement of impairment (cont'd)**

Restructured financial assets (cont'd):

- 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 Co-operative assesses whether financial assets carried at amortised cost and debt instruments carried at FVOCI 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 Co-operative on terms that the Co-operative would not otherwise consider;

- 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.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(vii) **Identification and measurement of impairment (cont'd)**

Credit-impaired financial assets (cont'd):

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Co-operative 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 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, reflection 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

Loss 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.

- *debt instruments measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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 Co-operative 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.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

(vii) **Identification and measurement of impairment (cont'd)**

Write-off (cont'd):

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in surplus or deficit.

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

The guidelines stipulated by the Jamaica Co-operative Credit Union League ("JCCUL"), according to the PEARLS standard, require the allowance for loan losses be stipulated percentages of total delinquent loans, the percentages varying with the period of delinquency, without considering securities held against such loans.

The Co-operative's impairment loss provision requirements, as stipulated by JCCUL, that exceed the IFRS impairment provision are dealt with in a non-distributable loan loss reserve as an appropriation of accumulated surplus.

(f) **Employee benefits**

(i) General

Employee benefits are all forms of consideration given by the Co-operative in exchange for services rendered by employees. These include current or short-term benefits such as salaries, bonuses, National Insurance Scheme (NIS) contributions, annual vacation leave, and non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

Employee benefits are all forms of consideration given by the Co-operative in exchange for services rendered by employees. These include current or short-term benefits such as salaries, bonuses, National Insurance Scheme (NIS) contributions, annual vacation leave, and non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(f) **Employee benefits (cont'd)**

(i) General (cont'd)

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

(ii) Pension benefits

The employees of the Co-operative participate in a defined benefit multi-employer pension plan operated by The Jamaica Co-operative Credit Union League (JCCUL). Effective 31 December 2016, the defined benefit pension plan was closed to new members. New members to the plan participate in a defined contribution multi-employer pension plan operated by JCCUL [see note 9].

Obligations for contributions to the defined contribution plan are recognised as an expense in surplus or deficit as incurred.

Employee benefits asset included in the financial statements has been actuarially determined by a qualified independent actuary, appointed by JCCUL. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Co-operative's employee benefits asset as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The calculation of defined benefit obligation is performed annually using the projected unit credit method. When the calculation results in a potential asset for the Co-operative, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Co-operative determines the net interest expense (income) on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit asset, taking into account any changes in the net defined benefit asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in surplus or deficit.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(g) **Investment property**

Investment property comprised properties held to earn rentals and/or for capital appreciation, and are measured at cost less any accumulated depreciation and impairment losses.

The gain or loss arising on the disposal or retirement of an investment property is determined as the difference between the sales proceeds and the carrying amount of the property and is recognised in surplus or deficit.

Investment property, other than land, is depreciated on a straight-line basis over its estimated useful life at 2½%.

Rental income on the properties is recognised in surplus or deficit on a straight-line basis over the life of the lease agreement.

(h) **Leases**

At inception of a contract, the Co-operative assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Co-operative uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Co-operative allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Therefore, for leases of property, the Co-operative has elected to separate non-lease components and account for these separately.

The Co-operative recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Co-operative by the end of the lease term or the cost of the right-of-use asset reflects that the Co-operative will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(h) **Leases (cont'd)**

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Co-operative's incremental borrowing rate. Generally, the Co-operative uses its incremental borrowing rate as the discount rate.

The Co-operative determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Co-operative is reasonably certain to exercise, lease payments in an optional renewal period if the Co-operative is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Co-operative is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Co-operative's estimate of the amount expected to be payable under a residual value guarantee, if the Co-operative changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in surplus or deficit if the carrying amount of the right-of-use asset has been reduced to zero.

The Co-operative presents right-of-use assets that do not meet the definition of investment property in the statement of financial position.

Short-term leases and leases of low-value assets

The Co-operative has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Co-operative recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(h) **Leases (cont'd):**

As a lessor

At inception or on modification of a contract that contains a lease component, the Co-operative allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Co-operative acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Co-operative makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Co-operative considers certain indicators such as whether the lease is for the major part of the economic life of the asset. In the Co-operative's capacity as a lessor, all its leases are classified as operating leases.

If an arrangement contains lease and non-lease components, then the Co-operative applies IFRS 15 to allocate the consideration in the contract.

The Co-operative recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of non-interest income.

(i) **Members' shares**

(i) Permanent shares

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

(ii) Voluntary shares

Members' voluntary shares represent deposit holdings of the Co-operative's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities and are measured at amortised cost. Interest payable on these shares is reported as interest in surplus or deficit.

(j) **Provisions**

Provisions are recognised when the Co-operative has a present, legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(k) **Revenue recognition**

(i) **Interest income**

Effective interest rate

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Co-operative estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Amortised cost and gross carrying amount

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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount, 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.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. 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). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(k) **Revenue recognition (cont'd):**

(i) **Interest income (cont'd)**

Calculation of interest income (cont'd):

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.

Under the regulatory requirements, no interest is recognised on loans that are in arrears from 90 days or more, even if they are not credit-impaired (see also note 12).

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 the gross basis even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in surplus or deficit, includes interest on financial assets measured at amortised cost, and interest on debt instruments measured at FVOCI.

(ii) Fees and commission

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Co-operative recognises 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.

If a loan commitment is not expected to result in the draw down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Fee and commission income including account service fees are recognized as the related services are performed.

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3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(k) **Revenue recognition (cont'd):**

(ii) Fees and commission (cont'd)

A contract with a customer that results in a recognised financial instrument in the Co-operatives financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Co-operatives first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms.**	**Revenue recognition under IFRS 15.**
Service fees	Transaction-based fees such as credit bureau fees are charged to the customers' accounts when the transaction takes place.	Revenue from account services and servicing fees is recognised over time as the services are provided.
	Servicing fees are charged on a monthly basis and are based on fixed rate determined by the Co-operatives.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

3. **MATERIAL ACCOUNTING POLICIES (CONT'D):**

(k) **Revenue recognition (cont'd):**

(iii) Dividends

Dividend income from equity financial investments is recognised when the Co-operative's right to receive payment has been established.

(l) **Interest expense**

Interest expense is recognised in surplus or deficit using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of the the financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of surplus or deficit and OCI includes financial liabilities measured at amortised cost.

(m) **Institutional capital**

Institutional capital includes retained earnings reserve and other statutory and legal reserves as set out in article XIV rule 66 of the Co-operative Societies Act. These are set aside in order to strengthen the capital base of the Co-operative and thereby protect the interest of the members. These amounts are not available for distribution.

(n) **Statutory reserves**

The statutory and legal reserves are maintained in accordance with the provisions of the Co-operative Societies Act which require that a minimum of 20% of surplus before honoraria should be carried to a fund. A registered society may apply to the Registrar to allow the required percentage to be reduced. However, the reduction will not be granted below 10%.

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3. **MATERIAL ACCOUNTING POLICIES (CONT'D) :**

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

The carrying amounts of the Co-operative's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognised in surplus or deficit.

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of assets is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity, in this case the Co-operative").

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

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

3. MATERIAL ACCOUNTING POLICIES (CONT'D):

(p) Related party (cont'd):

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

(i) The entity and the Co-operative are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Co-operative or an entity related to the Co-operative.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Co-operative or to the parent of the Co-operative.

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

d. Related parties include directors and senior executives, all of whom are referred to as key management personnel. Also, entities closely connected to them are related parties.

(q) League fees and stabilization dues:

JCCUL has fixed the rate of league fees at 0.20% of total assets. Stabilization dues are fixed at a rate of 0.15% of total savings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY:

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 Co-operative'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.

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

(a) **Critical accounting estimate and judgement applied**

(i) **Classification of financial assets:**

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding requires management to make certain judgements about 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 methodology for incorporating forward-looking information into 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) **Impairment losses on financial assets**

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

(ii) **Employee benefits asset**

The amounts recognised in the statement of financial position and surplus or deficit for pension are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

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 Co-operative'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.

Judgement is also exercised in determining the proportionate share of the defined benefit obligation, plan assets and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions for each individual employer in the plan.

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

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

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

In the absence of quoted market prices, the fair value of the Co-operative'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 Co-operative 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.

5. **FINANCIAL RISK MANAGEMENT:**

The Co-operative'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 Co-operative 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 Co-operative. The Co-operative's risk management policies are designed to identify and analyze the risks faced by the Co-operative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. The Co-operative's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Co-opertaive's financial performance.

The Co-operative has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

In common with all other businesses, the Co-operative'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 Co-operative's and the methods used to measure them.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

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

(i) **Principal financial instruments**

The principal financial instruments used by the Co-operative from which financial instrument risk arises, are as follows:

- Financial investments
- Loan to members after provision for impairment
- Liquid assets
- Resale agreements
- Other assets
- Cash and cash equivalents
- Payables
- Members' voluntary shares
- Members' deposits
- Lease liabilities
- External credits

(ii) **Financial instruments by category**

Financial assets

	Assets at amortised cost $'000	Assets at fair value through profit or loss (surplus or deficit) $'000	Assets at fair value through other comprehensive income $'000	Total $'000
31 December 2023				
Cash and cash equivalents	42,822	-	-	42,822
Liquid assets	2,510,465	2,389	-	2,512,854
Resale agreements	1,404,436	-	-	1,404,436
Other assets	219,900	-	-	219,900
Loans to members after provision for impairment	14,369,349	-	-	14,369,349
Financial investments	122,732	53,987	423,440	600,159
	18,669,704	56,376	423,440	19,149,520
31 December 2022				
Cash and cash equivalents	55,666	-	-	55,666
Liquid assets	1,962,266	2,317	-	1,964,583
Resale agreements	1,420,904	-	-	1,420,904
Other assets	108,150	-	-	108,150
Loans to members after provision for impairment	13,182,987	-	-	13,182,987
Financial investments	121,384	626,880	444,124	1,192,388
	16,851,357	629,197	444,124	17,924,678

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

(ii) **Financial instruments by category (cont'd)**

Financial liabilities

	Amortised cost	
	2023	2022
	$'000	$'000
Lease liabilities	32,516	23,159
Members: deposits	7,014,603	6,617,941
External credits	212,662	220,562
Payables	215,506	215,327
Members' voluntary shares	8,370,569	7,724,222
Total financial liabilities	15,845,856	14,801,211

(iii) **Financial risk**

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

Three key committees for managing and monitoring risks are the Supervisory Committee, the Credit Committee and the Finance Committee.

1. *Supervisory Committee*

The Supervisory Committee oversees the performance of personnel and systems within the Co-operative 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.

2. *Credit Committee*

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

3. *Finance Committee*

The Finance Committee is responsible for managing the Co-operative's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Co-operative.

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

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

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

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

(a) Credit risk

The Co-operative 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 and investment activities.

For loans, credit 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 Co-operative'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 Co-operative's mission and strategy. The policy sets the basic criteria for acceptable risk and identifies risk areas that require special attention.

Additionally, the Co-operative is exposed to credit risk in its treasury activities, arising from financial assets that the Co-operative uses for investing its liquidity and managing currency and interest rate risks, as well as other market risks. There is also credit risk in off-balance sheet items, such as loan commitments.

Credit review process

The Co-operative has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) **Loans**

Management of risk:

The Co-operative assesses the probability of default of individual borrowers using internal ratings. The Co-operative assesses each borrower on four critical factors. These factors are the member's credit history, ability to pay linked to the industry benchmarked debt service ratio of 75%, character profile and the member's economic stability, based on employment and place of abode.

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

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

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

Credit review process (cont'd)

(i) **Loans (cont'd)**

Management of risk (cont'd):

Borrowers are segmented into two rating classes: performing and non-performing.

The credit quality review process allows the Co-operative 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 quality

The following table sets out information about the credit quality of loans:

	2023			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	14,096,364	202,689	-	14,299,053
Non-performing	-	-	376,968	376,968
	14,096,364	202,689	376,968	14,676,021
Allowance for impairment losses	(48,305)	(4,481)	(195,220)	(248,006)
Carrying amount	14,048,059	198,208	181,748	14,428,015

	2022			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	12,942,098	206,173	-	13,148,271
Non-performing	-	-	294,568	294,568
	12,942,098	206,173	294,568	13,442,839
Allowance for impairment losses	(52,564)	(4,501)	(167,939)	(225,004)
Carrying amount	12,889,534	201,672	126,629	13,217,835

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

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

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

Credit review process (cont'd)

(ii) ***Investments and resale agreements***

Management of risk:

The Co-operative limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. These investments and other liquid securities are held mainly in Government of Jamaica securities and with counterparties that management regards as sound.

The Co-operative has documented policies which facilitate the management of credit risk on investment securities and resale agreements. The Co-operative's exposure and credit ratings of its counterparties are continually monitored.

Credit quality

The Co-operative identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Co-operative supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

Loss given default (LGD) parameters generally reflect an assumed recovery rate of percent except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table sets out information about the credit quality of investment securities and resale agreements, based on Moody's credit rating index.

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Credit review process (cont'd)

(ii) ***Investments and resale agreements (cont'd)***

Management of risk:

	2023 $'000 Stage 1	2022 $'000 Stage 1
Financial investments at FVOCI		
Non-Investment grade, being total gross carrying amount	423,440	444,124
Loss allowance	903	845
Financial investments at amortised cost		
Non-investment grade	124,019	121,712
Loss allowance	(1,287)	(328)
Carrying amount	122,732	121,384
Resale agreements at amortised cost		
Non-Investment grade	1,404,750	1,421,449
Loss allowance	(314)	(545)
Carrying amount	1,404,436	1,420,904

(iii) ***Liquid assets and bank balances***

Liquid assets and bank balances are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed by the Finance Committee.

Impairment has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The Co-operative considers that liquid assets and bank balances have low credit risk. No impairment allowances were recognised for cash and bank balances.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Credit review process (cont'd)

(iii) ***Liquid assets and bank balances***

The following table sets out the credit quality of liquid assets:

	2023 $'000 Stage 1	2022 $'000 Stage 1
Total gross carrying amount	2,511,799	1,962,565
Loss allowance	(1,334)	(299)
Carrying amount	2,510,465	1,962,266

(iv) ***Credit limits***

The Co-operative manages concentrations of credit risk by placing limits on the amount of risk accepted in relation to a single borrower or groups 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 bi-annually by the Board of Directors.

(v) ***Collateral held and other credit enhancements***

The most widely used practice for mitigating credit risk is the taking of security in the form of physical assets, netting agreements and guarantees. The amount and type of collateral required depend on an assessment of the credit risk of the borrower and guidelines are implemented regarding the acceptability of different types of collateral. The principal collateral types provided for loans and advances are charges over members' balances, real property and motor vehicles. There were no significant changes in the quality of collateral held during the year.

Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan (or other financial asset) is individually assessed as impaired. Collateral is not generally held against deposits and investment securities, except when the securities are held as part of resale agreements (note 11).

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

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

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

Credit review process (cont'd)

(v) ***Collateral held and other credit enhancements (cont'd)***

When a loan becomes credit impaired, the fair value of the collateral is updated and used in calculating the ECL, otherwise a proxy for the collateral value is generally used on a portfolio basis to compute the ECL throughout the year.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The table below shows the collateral and other security enhancements held against loans to borrowers.

Collateral held for loans

	2023 $'000	2022 $'000
Against past due not impaired financial assets		
Properties	109,396	176,283
Shares and deposits	42,811	43,163
Liens on motor vehicles	18,952	18,378
	171,159	237,824
Impaired financial assets		
Properties	429,483	224,402
Shares and deposits	52,525	99,277
Liens on motor vehicles	14,520	15,252
	496,528	338,931
Total	667,687	576,755

(vi) **Impairment**

Inputs, assumptions and techniques used for estimating impairment see accounting policy at note 3(e).

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Co-operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Co-operative's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Co-operative uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- the 30 days past due backstop indicator.

Credit risk grades

The Co-operative allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Credit risk grades (cont'd)

The Co-operative allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- information obtained during periodic review of customer files;
- data from credit reference agencies;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower;
- payment record – this includes overdue status as well as a range of variables about payment ratios; and
- existing and forecast changes in business, financial and economic conditions.

The Co-operative assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security decreased four or more levels on the international credit rating scale since the rating at origination date or the issuer of the instrument is experiencing or is very likely to experience one or more adversities and where there are adverse changes in one or more of the credit risk drivers that could increase the likelihood of default since the origination of loans.

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Credit risk grades (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Determining whether credit risk has been increased significantly (cont'd)

As a backstop, the Co-operative considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Co-operative determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Co-operative monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;

- the criteria do not align with the point in time when an asset becomes 30 days past due;

- the average time between the identification of a significant increase in credit risk and default appears reasonable;

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Credit risk grades (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Determining whether credit risk has been increased significantly(cont'd)

The Co-operative monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that (continued):

- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and

- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Co-operative in full, without recourse by the Co-operative to actions such as realising security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Co-operative; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Co-operative considers indicators that are:

- qualitative: e.g. breaches of covenant;

- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Co-operative; and

- based on data developed internally and obtained from external sources.

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Credit risk grades (cont'd)

Definition of default (cont'd)

Inputs, assumptions and techniques used for estimating impairment (cont'd)

Determining whether credit risk has been increased significantly *(cont'd)*

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Co-operative for regulatory capital purposes.

Incorporation of forward-looking information

The Co-operative 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.

The Co-operative uses a forward looking scorecard model to estimate the potential impact 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, 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 Co-operative for other 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 and academic forecasters.

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Credit risk grades (cont'd)

Incorporation of forward-looking information (cont'd)

The economic scenarios used as at 31 December 2023 assumed no significant changes in key indicators for Jamaica within the next year.

Based on the economic scenario, proxies of 0.6, 1.1 and 1.6 times ECL were determined to be appropriate for positive, stable and negative outlooks respectively.

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Co-operative estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by properties, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

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31 DECEMBER 2023

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

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

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

Credit review process (cont'd)

(vi) **Impairment (cont'd)**

Measurement of ECLs

EAD represents the expected exposure in the event of a default. The Co-operative derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Co-operative measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Co-operative considers a longer period. The maximum contractual period extends to the date at which the Co-operative has the right to require repayment of an advance or terminate a loan commitment or guarantee.

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

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

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

(vi) **Impairment (cont'd):**

Loss allowance

The loss allowance recognised is analysed as follow:

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans				
Balances at 1 January	52,565	4,500	167,939	225,004
New financial assets originated or Purchased recognised during the year	21,968	1,078	4,634	27,680
Transfer from Stage 1	(2,931)	2,931	112,515	112,515
Transfer from Stage 2	-	-	44,500	44,500
Transfer from Stage 3	-	71	-	71
Financial assets derecognised during the period	(23,295)	(4,100)	(134,369)	(161,764)
Balances at 31 December	48,307	4,480	195,219	248,006

	2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans				
Balances at 1 January	55,917	4,164	108,331	168,412
New financial assets originated or Purchased recognised during the year	46,175	3,739	102,316	152,230
Transfer from Stage 1	-	139	81	220
Transfer from Stage 2	690	-	29	719
Transfer from Stage 3	-	3,056	-	3,056
Financial assets derecognised during the period	(50,217)	(6,598)	(42,818)	(99,633)
Balances at 31 December	52,565	4,500	167,939	225,004

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

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

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

(vi) **Impairment (cont'd)**

Loss allowance (cont'd)

	2023 $'000 Stage 1	2022 $'000 Stage 1
(i) **Financial investments:**		
(a) Amortised investments:		
Balance at 1 January	328	592
Recognised during the year	959	(264)
Balance at 31 December	1,287	328
(b) Fair value through other comprehensive income investments:		
Balance at 1 January	845	330
Recognised during the year	58	515
Balance at 31 December	903	845
(ii) **Resale agreements:**		
Balance at 1 January	545	623
Recognised during the year	(231)	(78)
Balance at 31 December	314	545
(iii) **Liquid assets:**		
Balance at 1 January	299	331
Recognised during the year	1,035	(32)
Balance at 31 December	1,334	299

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

(vii) ***Exposure to credit risk***

Maximum credit exposure to credit risk before collateral held or other credit enhancements.

The maximum credit exposure, the total amount of loss that the Co-operative would suffer if every counterparty to the Co-operative's financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position as at the reporting date.

Concentration of risk

The following tables summarise the Cooperative's credit exposure to financial assets at their carrying amounts and concentration of credit risk.

Loans:

	2023 $'000	2022 $'000
Construction and real estate	2,499,004	2,199,168
Personal	5,042,805	5,014,796
Motor vehicle	3,145,851	2,024,849
General	3,988,361	4,204,026
	14,676,021	13,442,839
Less: Allowance for impairment losses	(248,006)	(225,004)
	14,428,015	13,217,835

Liquid assets:

	2023 $'000	2022 $'000
Corporate	36,719	5,424
Financial institution	2,475,080	1,957,141
	2,511,799	1,962,565
Less: Allowance for impairment losses	(1,334)	(299)
	2,510,465	1,962,266

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

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

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

(vii) **Exposure to credit risk (cont'd)**

Concentration of risk (cont'd)

Debt securities:

	2023 $'000	2022 $'000
Government of Jamaica	493,507	515,452
Corporate	9,754	9,514
Financial institutions	1,439,617	1,453,647
	1,942,878	1,978,613
Less: Allowance for impairment losses	(1,601)	(873)
	1,941,277	1,977,740

(b) **Liquidity risk**

Liquidity risk is the risk that the Co-operative 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 consequences may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Co-operative's approach to managing liquidity risk 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 Co-operative's reputation.

The Co-operative is subject to liquidity limit imposed by JCCUL and compliance is regularly monitored. This limit requires that the Co-operative maintain liquid assets amounting to at least 10% of withdrawable savings and deposits. The liquid asset ratio as at 31 December 2023 was approximately 25.45% (2022: 24.10%) which is in compliance with the standard.

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

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

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

Liquidity risk management process

The liquidity risk management process, as carried out within the Co-operative, 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; and

(iv) Managing the concentration and profile of debt maturities

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, 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 Co-operative and its exposure to changes in interest rates and exchange rates.

There was no change in how the Co-operative measures and manages liquidity risk during the year.

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

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

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

Liquidity risk management process (cont'd)

The tables below present the undiscounted cash flows payable (both interest and principal cash flows) of the Co-operative's financial liabilities based on contractual repayment obligations.

	Within 3 months $'000	3 to 12 months $'000	2 to 5 years $'000	Over 5 years $'000	Total cashflows $'000	Total carrying amount $'000
31 December 2023						
Lease liabilities	6,724	19,621	18,555	450	45,350	32,516
Members' deposits	5,059,614	498,080	1,595,318	157,507	7,310,519	7,014,603
Members' voluntary shares	8,370,569	-	-	-	8,370,569	8,370,569
External credits	7,078	21,235	113,253	245,382	386,948	212,662
Other liabilities	215,506	-	-	-	215,506	215,506
Total financial liabilities	13,659,491	538,936	1,727,126	403,339	16,328,892	15,845,856
31 December 2022						
Lease liabilities	183	9,802	11,037	5,259	26,281	23,159
Members' deposits	4,817,379	447,472	1,467,385	167,280	6,899,516	6,617,941
Members' voluntary shares	7,724,222	-	-	-	7,724,222	7,724,222
External credits	6,230	18,689	99,672	240,875	365,466	220,562
Other liabilities	210,524	-	-	-	210,524	210,524
Total financial liabilities	12,758,538	475,963	1,578,094	413,414	15,226,009	14,796,408

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

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

(c) **Market risk**

The Co-operative 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 risks mainly arise 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.

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currency giving rise to this risk is the US$.

The Co-operative's exposure to foreign currency risk at the reporting date was as follows:

	2023 $'000	2022 $'000
Liquid assets – earning	24	8
Resale agreements	196	174
Financial Investments	568	568
	788	750

The exchange rate of the US$ to the J$ at the reporting date was US$153.59 to J$1.00 (2022: J$152.7521).

Foreign currency sensitivity

The effect of a 4% (2022: 4%) strengthening of the United States dollar against the Jamaica dollar at the reporting date would, all other variables held constant, have resulted in an increase in surplus for the year of J$4,841,000 (2022: J$4,498,000). A 1% (2022: 1%) weakening in the exchange rate would, on the same basis, have resulted in a decrease in surplus of J$1,211,000 (2022: J$1,124,000).

5. **FINANCIAL RISK MANAGEMENT (CONT’D):**

(iii) **Financial risk (cont’d)**

(c) **Market risk (cont’d)**

(ii) **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 and deposits.

Floating rate instruments expose the Co-operative to cash flow interest risk, whereas fixed interest rate instruments expose the Co-operative to fair value interest risk.

The Co-operative’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. Management estimates that expected cashflows on these instruments will occur much later as demonstrated by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

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

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

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

(ii) **Interest rate risk (cont'd)**

The following tables summarise the exposure to interest rate risk. They include the financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2023					
	Within 3 months $'000	3 to 12 months $'000	2 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets						
Cash and bank balances	-	-	-	-	42,822	42,822
Liquid assets	395,204	2,117,650	-	-	-	2,512,854
Resale agreements	1,295,500	108,936	-	-	-	1,404,436
Financial investments	-	33,580	153,110	413,469	-	600,159
Loans	6,553	127,611	5,810,697	8,424,488	-	14,369,349
Other assets	-	-	-	-	219,900	219,900
Total assets	1,697,257	2,387,777	5,963,807	8,837,957	262,722	19,149,520
Liabilities						
Lease liabilities	5,662	14,208	12,376	270	-	32,516
Members' deposits	4,882,401	472,138	1,510,394	149,670	-	7,014,603
Members' voluntary shares	8,370,569	-	-	-	-	8,370,569
External credits	1,893	5,962	40,292	164,515	-	212,662
Other liabilities	-	-	-	-	215,506	215,506
Total liabilities	13,260,525	492,308	1,563,062	314,455	215,506	15,845,856
Total interest sensitivity gap	(11,563,268)	1,895,469	4,400,745	8,523,502	47,216	3,303,664
Cumulative interest rate sensitivity gap	(11,563,268)	(9,667,799)	(5,267,054)	3,256,448	3,303,664	

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

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

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

(ii) **Interest rate risk (cont'd)**

	2022					
	Within 3 months $'000	3 to 12 months $'000	2 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
Assets						
Cash and bank balances	-	-	-	-	55,666	55,666
Liquid assets	998,356	966,227	-	-	-	1,964,583
Resale agreements	349,326	1,071,578	-	-	-	1,420,904
Financial investments	-	112,198	29,860	414,778	635,552	1,192,388
Loans	42,523	123,293	5,346,314	7,705,705	-	13,217,835
Other assets	-	-	-	-	108,150	108,150
Total assets	1,390,205	2,273,296	5,376,174	8,120,483	799,368	17,959,526
Liabilities						
Lease liabilities	1,481	9,802	5,824	6,052	-	23,159
Members' deposits	4,645,898	424,305	1,388,855	158,883	-	6,617,941
Members' voluntary shares	7,724,222	-	-	-	-	7,724,222
External credits	-	-	-	220,562	-	220,562
Other liabilities	-	-	-	-	210,524	210,524
Total liabilities	12,371,601	434,107	1,394,679	385,497	210,524	14,796,408
Total interest sensitivity gap	(10,981,396)	1,839,189	3,981,495	7,734,986	588,844	3,163,118
Cumulative interest rate sensitivity gap	(10,981,396)	(9,142,207)	(5,160,712)	2,574,274	3,163,118	

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

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

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

(ii) **Interest rate risk (cont'd)**

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables being held constant.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net income based on the floating rate financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate financial assets classified and measured at FVOCI for the effect of the assumed changes in interest rates. 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 variable, they have to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Surplus 2023 $'000	Effect on Equity 2023 $'000	Effect on Surplus 2022 $'000	Effect on Equity 2022 $'000
Change in basis points:				
2023: -25 (2022: -5)	(9,947)	5,390	(12)	22
2023: +25 (2022: +300)	9,947	(10,512)	682	(6,677)

	2023				
	Within 3 months %	3 to 12 months %	2 to 5 years %	Over 5 years %	Weighted average %
Loans	16.82	11.49	12.33	11.15	12.95
Liquid assets	8.26	4.40	-	-	6.33
Resale agreements	9.33	9.10	-	-	9.22
Financial investments	-	8.10	6.45	9.66	8.07
Members' deposits	3.63	5.49	5.62	5.24	4.99
External credits	7.50	-	-	9.75	8.63

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

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

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

(ii) **Interest rate risk (cont'd)**

Interest rate sensitivity

	2022				
	Within 3 months	3 to 12 months	2 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%
Loans	14.50	10.84	12.22	12.37	12.09
Liquid assets	3.90	22.24	-	-	3.90
Resale agreements	7.76	8.36	-	-	8.12
Financial investments	-	10.23	0.06	3.52	3.30
Members' deposits	3.71	5.46	5.65	5.29	4.27
External credits	-	-	-	7.50	7.50

(d) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Co-operative'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 Co-operative's operations.

The Co-operative's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Co-operative'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 controls 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.

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31 DECEMBER 2023

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

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

(d) **Operational risk (cont'd)**

Compliance with the Co-operative'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.

(e) **Capital management**

The Co-operative'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 the JCCUL for the financial sector in which the Co-operative operates;

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

(iii) To maintain an 8% ratio of institutional capital to total assets; and

(iv) To maintain a strong capital base to support the development of its business through the allocation of at least 20% of surplus to institutional capital.

Capital adequacy and the use of regulatory capital are monitored by management, based on the guidelines in its Capital Asset Management Policy. The JCCUL currently requires member co-operatives to maintain a minimum level of institutional capital at 8% of total assets. At the reporting date, this ratio was 14% (2022: 15%) which is in compliance with the requirements.

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 assets at or above 10%.

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Co-operative as at the reporting date. During the year, the Co-operative complied with all externally imposed capital requirements to which it is subject.

	2023		2022	
	Actual $'000	Required $'000	Actual $'000	Required $'000
Total regulatory capital	2,983,050	1,590,197	2,786,851	1,482,281
Total capital ratio	15%	8%	15%	8%

6. **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 at the measurement date and is best evidenced by a quoted market price, if one exists. Many of the Co-operative's financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and the values may not necessarily be indicative of the amounts realizable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The fair values of liquid assets, resale agreements, cash and cash equivalents, other assets and other liabilities are assumed to approximate their carrying values due to their short-term nature.

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.

External credits, members' voluntary shares, members' deposits and loans to members are carried at amortised cost, which is deemed to approximate their fair values, as these balances attract rates and terms comparable to market rates and terms for similar instruments.

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

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6. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D):**

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

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

(i) Level 1: Fair values are quoted prices (unadjusted) in active markets for identical instruments;

(i) Level 2: Fair value measurements are those derived from valuation techniques based on inputs other than quoted market prices included within level 1, that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Fair value measurements are those derived from valuation techniques using significant inputs for the instrument that are not based on observable market data (unobservable inputs).

Accounting classification and fair values

The following table shows the carrying amount of financial assets measured at fair value, their classification and their levels in the fair value hierarchy. There were no transfers between levels during the year. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximately of fair value.

	Carrying amount			Fair Value		
	FVOCI $'000	FVTPL J$'000	Total $'000	Level 2 J$'000	Level 3 J$'000	Total J$'000
			2023			
Financial assets measured at fair value:						
Unit Trust Funds	-	44,032	44,032	44,032	-	44,032
Unquoted equity	9,331	-	9,331	-	9,331	9,331
Jamaica Co-operative Credit Union League Limited JCCUL	-	9,955	9,955	-	9,955	9,955
Global bonds	103,624	-	103,624	103,624	-	103,624
Benchmark investment note	310,485	-	310,485	310,485	-	310,485
Money Market Funds	-	2,389	2,389	2,389	-	2,389
	423,440	56,376	479,816	460,530	19,286	479,816

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6. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D):**

Accounting classification and fair values

	Carrying amount			Fair Value		
	FVOCI $'000	FVTPL J$'000	Total $'000	Level 2 J$'000	Level 3 J$'000	Total J$'000
			2022			
Financial assets measured at fair value:						
Unit trust funds	-	616,925	616,925	616,925	-	616,925
Unquoted equity	8,672	-	8,672	-	8,672	8,672
Jamaica Co-operative Credit Union League Limited JCCUL	-	9,955	9,955	-	9,955	9,955
Global bonds	120,638	-	120,638	120,638	-	120,638
Benchmark investment note	314,814	-	314,814	314,814	-	314,814
Money Market Funds	-	2,317	2,317	2,317	-	2,317
	444,124	629,197	1,073,321	1,054,694	18,627	1,073,321

There were no transfers between levels during the year.

Valuation techniques

The valuation techniques used in measuring fair value in the level 2 and level 3 hierarchy are as detailed below. Significant unobservable inputs used in the Net Asset Valuation (NAV) method for unquoted equities include assets and liabilities that do not have a quoted market price. Unquoted equities represent 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.

6. **FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D):**

Valuation techniques

Financial assets	Methods
Government of Jamaica J$ securities	• Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids); • Using this yield, determine price using accepted formula; • Apply price to estimate fair value.
Government of Jamaica US$ Global bonds	• Prices of bonds at reporting date as quoted by broker/dealer
Units in unit trusts	• Obtain prices quoted by unit trust managers • Apply price to estimate fair value
Unquoted equities	• Net asset valuation method

7. **NON-INTEREST INCOME:**

	2023 $'000	Restated 2022 $'000
Fees	25,216	24,512
Bad debt recovery	39,122	40,896
Exchange gains/(losses) on foreign currency deposits	2,662	(403)
Dividend income	398	675
Operating lease income (note 14)	1,014	1,016
Realised (losses)/gains on investments	(17,589)	554
Unrelaised gains/(losses) on unit trust investments	1,242	(4,463)
Miscellaneous income	6,299	3,158
	58,364	65,945

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8. **EXPENSES BY NATURE:**

	2023 $'000	2022 $'000
Administrative		
ABM	8,089	8,883
Advertising and publicity	56,467	57,887
Amortisation	7,335	7,335
Annual general meeting	9,394	9,203
Auditors' remuneration (inclusive of GCT)		
Current year	7,857	7,475
Prior year	-	1,118
Board and committee meetings	12,498	8,713
Board and committee travelling	13,131	10,402
Ceremonies	3,562	2,532
Consultancy fees	5,592	5,255
Data processing	76,847	58,393
Depreciation and amortisation	55,299	49,326
Entertainment	147	84
General office	9,392	8,912
Insurance	11,365	8,765
Motor vehicle upkeep for travelling officers	39,039	34,787
Motor cycle repairs	372	264
Postage and telegrams	4,986	4,110
Repairs and maintenance	16,393	11,231
Security	37,309	27,128
Stationery and printing	19,023	12,165
Staff and board retreat	3,630	-
Travelling	17,182	11,670
Donations	6,087	6,351
	420,996	351,989
Affiliation		
League fees	31,718	29,574
League and other meetings	10,659	4,032
Stabilization dues	17,928	16,918
	60,305	50,524
Establishment		
Cleaning and sanitation	8,189	7,489
Electricity and telephone	43,219	48,353
Janitorial services	13,919	12,789
Rates and taxes	8,850	7,572
	74,177	76,203
Members' security		
Loans and savings insurance	84,058	79,731
Golden harvet savings insurance	8,619	8,067
	92,677	87,798
Total other operating expenses	648,155	566,514

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9. STAFF COSTS:

	2023 $'000	2022 $'000
Salaries and wages	346,540	319,212
Payroll taxes	53,083	46,170
Pension expense (note 19f)	6,167	18,617
Staff welfare	49,595	47,319
Other staff benefits	81,836	71,190
	537,221	502,508
The number of persons employed during the year:		
Permanent staff	111	105
Temporary staff	8	9
	119	114

The Co-operative's contribution to the defined contribution multi-employer pension plan for the year amounted to $6,570,000 (2022: $5,770,000).

10. LIQUID ASSETS:

	2023 $'000	2022 $'000
Earnings assets at amortised cost:		
Deposits		
JCCUL- Liquidity reserve	951,182	963,910
JCCUL- Demand deposit	553,856	520,462
JMMB Bank Jamaica Limited	659,381	441,144
Victoria Mutual Building Society	250,000	-
JCCUL – CUETS settlements	36,719	5,424
	2,451,138	1,930,940
Savings account balances (note 15a)		
The Bank of Nova Scotia Jamaica Limited	56,825	29,642
Mayberry Investments Limited	3,836	1,983
	60,661	31,625
	2,511,799	1,962,565
Less: Allowance for impairment losses (note 5a(iii))	(1,334)	(299)
Total earning assets at amortised cost	2,510,465	1,962,266
Financial assets at fair value through surplus or deficit (profit or loss)		
Units in unit trust funds:		
JCCUL – CUMAX money market fund	2,389	2,317
	2,512,854	1,964,583

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

6% in a liquidity reserve account
2% in a demand deposit account from which regular withdrawals may be made.

11. **RESALE AGREEMENTS:**

The Co-operative enters into resale agreements collateralized by the Government of Jamaica securities. These agreements may result in a credit exposure in the event that the counter party to the transaction is unable to fulfill its collateral obligations.

(a) Resale agreements comprise:

	2023 $'000	2022 $'000
Principal	1,404,750	1,421,449
Less: Allowance for impairment	(314)	(545)
	1,404,436	1,420,904

(b) Allowance for impairment

At beginning of the year	545	623
Recoveries for the year	(231)	(78)
At end of the year	314	545

For purposes of the statement of cashflows, an amount of $26,334,000 (2022: $26,034,000) is included in cash and cash equivalents.

The fair value of the underlying securities used to collateralize the resale agreements was $1,615,330,000 (2020: $1,483,320,000). All the securities purchased under resale agreements are fully collateralized by Government Securities.

12. **LOANS:**

	2023 $'000	2022 $'000
Balance at beginning of year	13,442,839	12,410,887
Add: Disbursements and transfers	4,533,548	4,293,267
	17,976,387	16,704,154
Less: Repayments and transfers	(3,300,366)	(3,261,315)
	14,676,021	13,442,839
Less: allowance for impairment losses	(248,006)	(225,004)
Balance carried forward (page 71)	14,428,015	13,217,835

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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12. **LOANS (CONT'D):**

	2023 $'000	2022 $'000
Balance brought forward (page 70)	14,428,015	13,217,835
Less unamortised loan fees:		
At the beginning of the year	(34,848)	(16,701)
Additions during the year	(60,268)	(38,696)
	(95,116)	(55,397)
Fees amortised during the year	36,450	20,549
	(58,666)	(34,848)
Balance at end of year	14,369,349	13,182,987

The amounts are expected to be recovered as follows:

	2023 $'000	2022 $'000
Within 12 months	168,813	169,082
Over 12 months	14,259,202	13,048,753
	14,428,015	13,217,835

(a) The aging of the loans at the reporting date was as follows:

	2023 $'000	2022 $'000
Neither past due nor impaired	14,308,478	12,942,098
Past due but not impaired:		
Less than 2 months	117,773	100,353
2 to 3 months	93,767	105,820
	211,540	206,173
Individually impaired	156,003	294,568
	14,676,021	13,442,839
Less: Allowance for impairment losses (note 5(a) vi)	(248,006)	(225,004)
	14,428,015	13,217,835

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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12. **LOANS (CONT'D):**

(b) Delinquent loans

The total loan loss provision derived below as at the reporting date is consistent with the loan loss provisioning rules of the JCCUL:

2023

Months in arrears	Number of Accounts in arrears	Delinquent loans $'000	Savings held against loans $'000	Portion of loans net covered by savings $'000	PEARLS loan loss provision $'000	Provision rate %
1 month - < 2 months	103	117,464	22,106	95,358	-	
2 – 3 months	73	93,767	14,686	79,081	9,377	10
4 – 6 months	86	141,859	16,884	124,975	42,558	30
7 – 12 months	96	132,701	25,153	107,548	79,621	60
13 months and over	38	64,362	9,654	54,708	64,362	100
	396	550,153	88,483	461,670	195,918	

2022

Months in arrears	Number of Accounts in arrears	Delinquent loans $'000	Savings held against loans $'000	Portion of loans net covered by savings $'000	PEARLS loan loss provision $'000	Provision rate %
1 month - < 2 months	81	110,951	46,726	64,225	-	
2 – 3 months	98	117,044	48,651	68,393	11,704	10
4 – 6 months	64	84,109	33,109	51,000	25,233	30
7 – 12 months	86	125,328	44,627	80,701	75,197	60
13 months and over	35	36,098	16,872	19,226	36,098	100
	364	473,530	189,985	283,545	148,232	

The interest in respect of non-performing loans which had not been recognised in the surplus for the year was $18,962,000 (2022: $21,658,000). Loans on which interest is suspended amounted to $338,923,000 (2022: $282,819,000).

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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12. **LOANS (CONT'D):**

(c) Allowance for impairment

The movement in the allowance for impairment determined under the requirements of IFRS is as follows:

	2023 $'000	2022 $'000
Balance at 1 January	225,004	168,412
Charged to surplus during the year	103,407	146,400
Amounts written off during the year	(80,405)	(89,808)
	248,006	225,004

The allowance for impairment under the JCCUL regulatory requirement is below the provision required under IFRS provisioning rules, hence, no amounts have been recognized in loan loss reserve. The excess of the regulatory provision over the IFRS provision is normally dealt with through a transfer between accumulated surplus and loan loss reserve.

13. **FINANCIAL INVESTMENTS:**

	2023 $'000	2022 $'000
Investments securities at fair value though other comprehensive income:		
Quality Network Co-operative Limited ("QNET") shares (note a)	2,472	2,472
Jamaica Co-operative Insurance Agency Limited (JCIA) (note b)	3,000	3,000
Cumax Wealth Management Limited (CUMAX) (Note d)	3,859	3,200
	9,331	8,672
Government of Jamaica Securities:		
Benchmark investment note	310,485	314,814
Global bonds	103,624	120,638
	414,109	435,452
Balance carried forward (page 74)	423,440	444,124

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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13. FINANCIAL INVESTMENTS (CONT'D):

Investments at fair value through other comprehensive income balance forward (page 73)	423,440	444,124
Investment securities at fair value through surplus or deficit (profit or loss):		
JCCUL shares (note c)	9,955	9,955
Units in Unit Trust Funds:		
Units held with JMMB Fund Managers Limited	44,032	42,790
Units held with Barita Investments Limited	-	502,177
Units held with Sagicor Investments Limited	-	71,958
	53,987	626,880
Investments securities at amortised cost:		
Government of Jamaica – Treasury bill	79,398	80,000
JCCUL – Mortgage funds (note e)	9,754	9,514
The Victoria Mutual building Society Mortgage deposit	34,867	32,198
	124,019	121,712
Less: Allowance for impairment losses	(1,287)	(328)
	122,732	121,384
	600,159	1,192,388

The amounts are due to be recovered as follows:

	2023 $'000	2022 $'000
Within 12 months	157,010	649,122
Over 12 months	443,149	543,266
	600,159	1,192,388

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

(a) The QNET investment represents shares purchased from a private share offering.

(b) This represents shares purchased in JCIA from a share offer underwritten by the JCCUL.

(c) A minimum of 1,000,000 shares, each with a par value of $1.00, must be held with the JCCUL for the Co-operative to retain membership status.

(d) CUMAX investment represents shares purchased from a private share offering. During the year, an additional of 659,000 shares were acquired of a par value of $1.

(e) The rules of JCCUL stipulate that the Co-operative must invest 5% of the net increase in the members' share accounts in the JCCUL Mortgage Fund instruments. These instruments are used to secure joint mortgage facilities, which are extended to the members of the Co-operative.

14. **INVESTMENT PROPERTY:**

	2023 $'000	2022 $'000
Cost -		
At 1 January	10,012	10,012
Transfer to property, plant and equipment (note 17)	(2,804)	-
At 31 December	7,208	10,012
Accumulated depreciation -		
1 January	4,268	4,065
Charge for the year	-	203
Transfer to property, plant and equipment (note 17)	(1,325)	-
31 December	2,943	4,268
Net book value		
31 December	4,265	5,744

During the year, investment property located at Shop 26, 3 Bryan's Crescent, May Pen, Clarendon was transferred to property, plant and equipment at its carrying value.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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

An independent valuation of the properties was done as follows:

Date of valuation	Surveyor	Location of property	Fair value
November 28, 2019	Oliver's Property Services	North Street	$33.0M
August 18, 2020	Oliver's Property Services	May Pen Shop #26	$ 6.0M

The fair value of real estate was determined by independent, licenced real estate dealers, with appropriate recognised professional qualifications and experience and is classified as Level 3 in the fair value hierarchy.

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
Market based approach. This model takes into account: • A willing seller and buyer; • A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market; • Values are expected to remain stable throughout the period of market exposure and disposal by sale (hypothetical); • The property will be freely exposed to the market; and • Potential rental value of the property in the current investment climate.	• Judgements if the property can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its use class. • The potential rental value of the property in the current investment climate.	The estimated fair value would increase/(decrease) if: • The potential rental value of the property increased/(decreased). • Judgement about what the property can be sold, exchanged, let, mortgaged, which had been determined to be better/(worse).

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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

The income earned from the properties one of which is leased under operating lease amounted to $1,014,000 (2022: $1,016,000) (see note 7). Direct operating expenses arising from the properties during the year amounted to Nil (2022: Nil).

15. **CASH AND CASH EQUIVALENTS:**

	2023 $'000	2022 $'000
Cash in hand	6,148	1,497
Bank balance	36,958	58,212
	43,106	59,709
Bank overdraft	(284)	(4,043)
	42,822	55,666

(a) Cash and cash equivalents in the statement of cash flows is represented by:

	2023 $'000	2022 $'000
Repurchase agreements	30,153	26,034
Cash and cash equivalents (above)	42,822	55,666
Liquid assets – savings account balances (note 10)	60,661	31,625
	133,636	113,325

(b) At the reporting date cash and cash equivalents included amounts totaling $6,470,000 (2022: $5,085,000) which represent amounts due to the Ministry of Education, Youth & Information, that are not available to Co-operative for operational use (see note 24).

(c) Bank overdraft arose from unpresented cheques.

16. **OTHER ASSETS:**

	2023 $'000	2022 $'000
Deposits and prepayment	35,980	30,888
Interest receivable	219,900	108,150
Sundry receivables	6,014	3,301
	261,894	142,339

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17. PROPERTY, PLANT AND EQUIPMENT:

	Freehold Land $'000	Buildings $'000	Construction in Progress $'000	Leasehold Improvements $'000	Office Furniture and Equipment $'000	Total $'000
Cost						
1 January 2022	3,381	83,042	-	72,759	236,327	395,509
Additions	-	-	297,134	-	49,891	347,025
Disposals	-	-	-	-	(18,644)	(18,644)
31 December 2022	3,381	83,042	297,134	72,759	267,574	723,890
Additions	-	-	34,115	-	7,069	41,184
Transfer from investment properties (note 14)	-	2,804	-	-	-	2,804
Disposal	-	-	-	-	(1,428)	(1,428)
31 December 2023	3,381	85,846	331,249	72,759	273,215	766,450
Accumulated depreciation						
1 January 2022	-	18,829	-	42,769	181,675	243,273
Charge for the year	-	2,076	-	5,274	15,521	22,871
Disposals	-	-	-	-	(18,644)	(18,644)
31 December 2022	-	20,905	-	48,043	178,552	247,500
Charge for the year	-	3,605	-	5,233	25,149	33,987
Transfer from investment properties (note 14)	-	1,325	-	-	-	1,325
Disposal	-	-	-	-	(1,428)	(1,428)
31 December 2023	-	25,835	-	53,276	202,273	281,384
Net Book Value:						
31 December 2023	3,381	60,011	331,249	19,483	70,942	485,066
31 December 2022	3,381	62,137	297,134	24,716	89,022	476,390

Construction in progress represents costs incurred to date for the property, at Constant Spring Road and developments at Portmore office. Future capital commitment expenditures is expected to amount to $399,224,000 (note 31).

18. INTANGIBLE ASSETS:

	Software Rights $'000
Cost	
31 December 2022 and 2023	73,351
Accumulated amortisation	
1 January 2022	50,327
Charge for the year	7,335
31 December 2022	57,662
Charge for the year	7,335
31 December 2023	64,997
Net Book Value:	
31 December 2023	8,354
31 December 2022	15,689

19. EMPLOYMENT BENEFIT ASSET:

The Co-operative provides for post-retirement benefit through a defined benefit pension plan, managed by the JCCUL. The plan is funded by contributions from the co-operative and permanent employees in accordance with the rules of the plan. Under the plan, employees are entitled to retirement benefits based on 1.85% of their final 3 year average salary per year of contributory service. Effective 31 December 2016, the defined benefit pension plan was closed to new members. New employees participate in a defined contribution multi-employer pension plan operated by JCCUL.

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19. **EMPLOYMENT BENEFIT ASSET (CONT'D):**

(a) The amounts recognized in the statement of financial position are determined as follows:

	2023 $'000	2022 $'000
Present value of funded obligations (note c)	(1,044,833)	(702,466)
Effects of asset ceiling	(1,896)	(398,302)
Fair value of plan assets (note e (i))	1,213,908	1,158,581
Asset in the statement of financial position	167,179	57,813

(b) Movement in the amounts recognized in the statement of financial position:

	2023 $'000	2022 $'000
Balance at beginning of year	57,813	127,201
Contributions paid	16,048	16,138
Pension expense recognized in surplus (note (f))	(6,167)	(18,617)
Remeasurement recognized in other comprehensive income (note (g))	99,485	(66,909)
Balance at end of year	167,179	57,813

(c) Movement in the present value of funded obligations:

	2023 $'000	2022 $'000
Balance at beginning of year	702,466	1,039,290
Service costs	9,149	22,851
Interest cost	87,580	81,801
Employees' contributions	14,517	14,617
Benefits paid	(57,548)	(33,555)
Actuarial losses/(gains) arising from:		
Experience adjustments	10,405	(48,289)
Changes in financial assumptions	278,264	(374,249)
Balance at end of year	1,044,833	702,466

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19. **EMPLOYMENT BENEFIT ASSET (CONT'D):**

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

	2023 $'000	2022 $'000
Effect of asset ceiling at beginning of period	398,302	-
Interest on effect of asset ceiling	51,779	-
Change in effect of asset ceiling	(448,185)	398,302
Effect of asset ceiling at end of period	1,896	398,302

(e) (i) Movement in fair value of pension plan assets:

	2023 $'000	2022 $'000
Fair value of plan assets at beginning of year	1,158,581	1,166,491
Employees' contribution	14,517	14,617
Employer's contribution	16,048	16,138
Interest income	148,862	93,207
Benefits paid	(57,548)	(33,555)
Administrative expenses	(6,521)	(7,172)
Actuarial losses	(60,031)	(91,145)
Fair value of plan assets at end of year	1,213,908	1,158,581

(ii) Plan assets consist of the following:

	2023 $'000	2022 $'000
Quoted equities	248,508	257,090
Real estate investment trust	13,446	14,317
Government of Jamaica securities	440,522	381,192
Resale agreements	61,569	109,293
Investment properties	277,588	257,356
Global bonds	67,609	83,073
USD certificates of deposit	-	-
J$ certificates of deposit	37,197	-
Unit trust	75,503	63,110
Other	(8,034)	(6,850)
	1,213,908	1,158,581

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19. **EMPLOYMENT BENEFIT ASSET (CONT'D):**

(f) Expense recognized in surplus or deficit:

	2023 $'000	2022 $'000
Current service cost	9,149	22,851
Interest cost on obligation	87,580	81,801
Interest income on plan assets	(148,862)	(93,207)
Interest on effect of asset ceiling	51,779	-
Administrative expenses	6,521	7,172
Net pension expense included in staff costs (note 9)	6,167	18,617

(g) Amounts recognized in other comprehensive income:

	2023 $'000	2022 $'000
Change in effect of asset ceiling	(448,185)	398,302
Remeasured losses/(gains) on obligation	288,669	(422,538)
Remeasured losses on plan assets	60,031	91,145
	(99,485)	66,909

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. The effect on the projected benefit obligation of an increase of one year in the life expectancy is approximately $28,410,000 (2022: $15,170,000).

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

	2023	2022
Discount rate	11.0%	13.0%
Expected future salary increases	8.0%	7.5%
Price inflation	6.0%	5.5%
Expected future pension increases	6.0%	5.5%

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19. **EMPLOYMENT BENEFIT ASSET (CONT'D):**

(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 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.

	2023		2022	
	1% Decrease $'000	1% Increase $'000	1% Decrease $'000	1% Increase $'000
Discount rate	163,553	(130,394)	87,532	(69,332)
Future salary increases	(44,465)	50,677	(22,060)	26,222
Future pension increases	(85,555)	99,331	(47,991)	55,431

(k) Liability duration

	2023 Years	2022 Years
Active members	19.5	14.8
Deferred pensioners	17.1	13.0
Retirees	8.8	7.6
All participants	15.5	12.5

(l) The estimated pension contributions expected to be paid into the plan during the next financial year is $15,280,000 (2022: $15,700,000).

20. **LEASES:**

The Co-operative leases office space for its various branches. The leases typically run for a period of 1-5 years. Previously, the leases were classified as operating leases under IAS 17. The discount rate used is 9%.

Leases as lessee (IFRS 16)

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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20. **LEASES (CONT'D):**

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property.

	2023 $'000	2022 $'000
Balance at 1 January	14,005	37,284
New right of use assets	28,389	2,973
Amortisation charge for the year	(21,312)	(26,252)
Balance at 31 December	21,082	14,005

(ii) Lease liabilities

Undiscounted cashflows of lease liabilities:

	2023 $'000	2022 $'000
Less than one year	26,345	9,985
One to five years	18,555	11,037
Six to ten years	450	5,259
Total undiscounted lease liabilities	45,350	26,281
Discount	(12,834)	(3,122)
Carrying amount of lease liabilities	32,516	23,159

(iii) Amounts recognized in surplus or deficit:

	2023 $'000	2022 $'000
Interest on lease liabilities	5,391	4,673

(iv) Amounts recognized in statements of cash flows:

	2023 $'000	2022 $'000
Total cash outflow for leases	24,423	25,044

(v) Extension options

Some property leases contain extension options exercisable by the Co-operative up to one year before the end of the non-cancellable contract period. Where practicable, the co-operative seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Co-operative and not by the lessors. The Co-operative assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Co-operative reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

JAMAICA TEACHERS' ASSOCIATION CO-OPERATIVE CREDIT UNION LIMITED

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20. **LEASES (CONT'D):**

(vi) Short-term leases:

The Co-operative has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term.

21. **MEMBERS' DEPOSITS:**

	2023 $'000	2022 $'000
Ordinary deposits		
At beginning of year	320,170	341,447
Add: savings and interest	727,513	672,517
	1,047,683	1,013,964
Less: withdrawals and transfers	(659,502)	(693,794)
At end of year	388,181	320,170
Golden Harvest Plan	1,634,794	1,649,592
Special fixed deposits	4,991,628	4,648,179
	7,014,603	6,617,941

The amounts are due to be settled as follows:

	2023 $'000	2022 $'000
Within 12 months	5,354,539	5,070,203
Over 12 months	1,660,064	1,547,738
	7,014,603	6,617,941

22. **MEMBERS' VOLUNTARY SHARES:**

	2023 $'000	2022 $'000
At beginning of year	7,724,222	7,227,941
Add: savings	2,181,212	2,039,643
Interest	218,002	271,177
	10,123,436	9,538,761
Less: withdrawals and transfers	(1,752,867)	(1,814,539)
At end of year	8,370,569	7,724,222

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23. **EXTERNAL CREDITS:**

	2023 $'000	2022 $'000
JMMB Bank commercial mortgage loan	212,662	220,562

The amounts are due to be settled as follows:

	2023 $'000	2022 $'000
Within 12 months	7,855	8,615
Over 12 months	204,807	211,947
	212,662	220,562

The credit union procured a mortgage loan from JMMB Bank in 2023 to assist with financing the acquisition of a building on Constant Spring Road in Kingston, to house the head office and a branch. The cost of the property was $280 million. The mortgage principal is $224 million representing 80% of the cost of the property. The loan attracts interest of 9.75% (2022: 7.5%) per annum with maturity on 11 August 2037.

The loan is secured by:

i) First legal mortgage to be stamped to cover $224,000,000 over commercial property located at 107 Constant Spring Road Kingston 10 St. Andrew registered at volume 1185 Folio 187 on the name of Jamaica Teachers Association Co-operative Credit Union Limited.

ii) Assignment of Fire and allied perils Insurnace over commercial property at 107 Constant Spring Road, Kingtson 10, St. Andrew for the full replacement value with JMMB Bank's interest as First Mortgage.

24. **PAYABLES:**

	2023 $'000	2022 $'000
Accrued charges	37,518	66,696
Interest payable	20,477	19,441
Withholding tax	5,449	4,803
Ministry of Education, Youth & Information refunds (note 15(b))	6,470	5,085
JTS Housing savings deposits	8,112	8,112
Youth savings deposits	351	4,158
Insurance	15,606	15,384
Other payables	147,800	91,648
	241,783	215,327

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25. INSTITUTIONAL CAPITAL:

	2023 $'000	2022 $'000
(a) Members' permanent shares	91,993	89,509
(b) Statutory reserve		
Balance at beginning of year	2,697,342	2,624,145
Transfer from current year surplus	193,700	73,186
Entrance fees	15	11
	2,891,057	2,697,342
Balance at end of year	2,983,050	2,786,851

(a) Permanent shares

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

(b) Statutory reserve

As required by the Co-operative Societies Act and the rules of the Co-operative, a minimum of twenty (20%) of the annual surplus and amounts collected for entrance fees are transferred to this reserve. An additional amount was transferred from undistributed surplus, so as to maintain a statutory reserve of 15% of total assets, as agreed at the Annual General Meeting.

26. NON-INSTITUTIONAL CAPITAL:

		2023 $'000	Restated 2022 $'000
(a)	Accumulated surplus	784,121	790,235
(b)	Employee benefits asset reserve	167,179	57,813
(c)	Fair value reserve	58,512	80,190
(d)	Loan loss reserve	-	-
(e)	Revaluation reserve	9,430	9,430
(f)	Permanent share reserve	3,035	2,778
		1,022,277	940,446

(a) Accumulated surplus

This represents undistributed surplus.

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26. **NON-INSTITUTIONAL CAPITAL (CONT'D):**

(a) Employee benefits asset reserve

The employee benefits asset reserve represents pension surplus arising on the IAS 19 actuarial valuation of the pension plan in which the Co-operative participates. A portion of the annual changes in the value of the plan is shown in the surplus for the year, then transferred to this reserve, while the other portion is shown in other comprehensive income.

(b) Fair value reserve

This represents the unrealized gains or losses on the revaluation of FVOCI investments.

(c) Loan loss reserve

This represents the excess of the regulatory loan loss provision over IFRS 9 requirements. However, no provision has been made as the IFRS 9 provision is in excess of the PEARLS requirements.

(d) Revaluation reserve

This represents surplus arising on revaluation of land and building, prior to December 31, 2001.

(e) Permanent share reserve

This represents an amount set aside from surplus to be ascribed as permanent shares for members.

27. **DIVIDENDS:**

At the Annual General Meeting held on 10 June 2023 (2022: 8 July 2022) the members moved a motion to pay dividends of $6,256,000 (2022: $6,126,000).

28. **INSURANCE:**

(a) Fidelity insurance coverage

During the year, the Co-operative had fidelity insurance coverage with Jamaica Co-operative Insurance Agency Limited. The total premium for the year was $200,000 (2022: $200,000).

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

(b) Life savings and loan protection coverage

During the year, the Co-operative had life savings and loan protection coverage with Cuna Mutual Insurance Co-operative Limited. Total premium for the year was $84,058,000 (2022: $79,730,000).

(c) Golden harvest plan insurance coverage

During the year, the Co-operative had Golden Harvest Plan insurance coverage with Cuna Mutual Insurance Co-operative Limited. The total premium for the year was $12,006,000 (2022: $11,835,000).

These policies remained in force throughout the year with all premiums being paid promptly.

29. **RELATED PARTY TRANSACTIONS AND BALANCES:**

The Co-operative entered into the following transactions with related parties:

(a) Key management personnel:

	2023 $'000	2022 $'000
Loan balances	19,998	17,541
Members deposits	17,679	20,599
Permanent shares	14	14
Voluntary shares	6,990	7,003
Interest earned from loans	1,372	1,378
Interest paid on deposits	931	963

(b) At the reporting date, 15 (2022: 14) members of the Co-operative's Board of Directors and 10 (2022: 12) committee members had balances and transactions with the Co-operative as follows:

	2023 $'000	2022 $'000
Members deposits	61,723	54,720
Permanent shares	221	242
Voluntary shares	32,383	37,800
Loans including accrued interest	142,779	115,303
Interest paid on deposits	2,763	2,953
Interest earned from loans	12,728	10,584

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29. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D:**

(b) At the reporting date 15 (2022: 13) members of the Co-operative's Board of Directors and 10 (2022: 12) committee members had balances and transactions with the Co-operative as follows (cont'd):

During the year, no director, committee member or staff received loans which necessitated waiver of the loan policy. The secured loans to directors, committee members and staff were $448,433,000 (2022: $400,615,000) and unsecured loans were $124,827,000 (2022: $136,019,000) and were being repaid in accordance with their loan agreements. No impairment has been recognized on related party balances.

(c) Compensation of key management personnel:

The remuneration of key members of management personnel (included in staff costs) during the year was as follow:

	2023 $'000	2022 $'000
Salaries and other short term benefits	57,184	55,110
Post-employment benefits	3,900	3,514
	61,084	58,624

This represents employer's contributions to the multi-employer defined benefit and defined contribution plans.

30. **COMPARISON OF LEDGER BALANCES:**

The detail records of balances relating to loans to members, deposits and members' voluntary shares compared with their respective control accounts were as follows:

	Loans to Members $'000	Members Deposits $'000	Members Voluntary shares $'000
Balance as per general ledger	14,676,021	7,014,603	8,370,569
Balance as per members' ledger	14,676,021	7,014,603	8,370,569
Variances at 31 December 2023	-	-	-
Variances at 31 December 2022	-	-	-

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31. **CAPITAL COMMITMENT:**

As at 31 December 2023 the Co-operative entered into contracts for expenditure in the amount of $399,224,000 (2022: $303,677,000) in respect of which expenditure amounting to $30,950,000 (2022: $263,875,000) have been made (see note 17).

32. **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. The correction has been made and the affected line items have been restated, and the adjustment made to undistributed surplus for the prior periods.

The impact on the statement of financial position for 31 December 2021 and 2022 are as follows:

	2022 As previously reported $'000	Adjustments $'000	2022 As restated $'000
ASSETS			
EARNING ASSETS:			
Liquid assets	1,964,583	-	1,964,583
Resale agreements	1,420,904	-	1,420,904
Loans to members after provision for impairment	13,217,835	(34,848)	13,182,987
Financial investments	1,192,388	-	1,192,388
Investment property	5,744	-	5,744
	17,801,454	(34,848)	17,766,606
NON-EARNING ASSETS:	761,902	-	761,902
TOTAL ASSETS	18,563,356	(34,848)	18,528,508
LIABILITIES			
Interest bearing liabilities	14,585,884	-	14,585,884
Non-interest bearing liabilities	215,327	-	215,327
TOTAL LIABILITIES	14,801,211	-	14,801,211
EQUITY			
Institutional capital	2,786,851	-	2,786,851
Non-institutional capital	975,294	(34,848)	940,446
TOTAL EQUITY	3,762,145	(34,848)	3,727,297
TOTAL LIABILITIES AND EQUITY	18,563,356	(34,848)	18,528,508

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

The impact on the statement of financial position for 31 December 2021 and 2022 are as follows (cont'd):

	2021 As previously reported $'000	Adjustments $'000	2021 As restated $'000
ASSETS			
EARNING ASSETS:			
Liquid assets	2,087,077	-	2,087,077
Resale agreements	1,696,736	-	1,696,736
Loans to members after provision for impairment	12,242,475	(16,701)	12,225,774
Financial investments	884,671	-	884,671
Investment property	5,947	-	5,947
	16,916,906	(16,701)	16,900,205
NON-EARNING ASSETS:	570,488	-	570,488
TOTAL ASSETS	17,487,394	(16,701)	17,470,693
LIABILITIES			
Interest bearing liabilities	13,575,116	-	13,575,116
Non-interest bearing liabilities	192,390	-	192,390
TOTAL LIABILITIES	13,767,506	-	13,767,506
EQUITY			
Institutional capital	2,712,055	-	2,712,055
Non-institutional capital	1,007,833	(16,701)	991,132
TOTAL EQUITY	3,719,888	(16,701)	3,703,187
TOTAL LIABILITIES AND EQUITY	17,487,394	(16,701)	17,470,693

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32. **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 the year ended 31 December 2022 is as follows:

	2022 As previously reported $'000	Adjustments $'000	2022 As restated $'000
INTEREST INCOME:			
Loans	1,562,177	20,549	1,582,726
Liquid assets, resale agreements and financial investments	184,462	-	184,462
	1,746,639	20,549	1,767,188
INTEREST EXPENSE:			
Members' deposits	268,194	-	268,194
External credits	4,937	-	4,937
Members' voluntary shares	271,177	-	271,177
Lease liabilities	4,673	-	4,673
Other finance cost	11,073	-	11,073
	560,054	-	560,054
NET INTEREST INCOME	1,186,585	20,549	1,207,134
Impairment losses on liquid assets, resale agreements and financial investments	(139)	-	(139)
Impairment losses on loans, net of recoveries	(146,400)	-	(146,400)
	1,040,046	20,549	1,060,595
NET INTEREST INCOME AFTER IMPAIRMENT			
Non-interest income	104,641	(38,696)	65,945
	1,144,687	(38,696)	1,126,540
Operating expenses	(566,514)	-	(566,514)
Staff costs	(502,508)	-	(502,508)
	(1,069,022)	-	(1,069,022)
SURPLUS FOR THE YEAR			
OTHER COMPREHENSIVE LOSS	75,665	(18,147)	57,518
Item that will never be reclassified to surplus:			
Remeasurement of employment benefit asset	(66,909)	-	(66,909)
Item that may be reclassified to surplus:			
Valuation gain on fair value through other comprehensive income	37,797	-	37,797
	(29,112)	-	(29,112)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	46,553	(18,147)	28,406

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

The restatement of the fee income had the following impact on the statement of cash flows for the year ended 31 December 2022:

	Presented 2022 $'000	Adjustments $'000	Restated $'000
CASH FLOWS FROM OPERATING ACTIVITIES:	75,665	(18,147)	57,518
Net surplus			
Adjustments:			
Interest income	(1,746,639)	-	(1,746,639)
Interest expense	555,381	-	555,381
Interest expense on lease liabilities	4,673	-	4,673
Depreciation	23,074	-	23,074
Amortisation	7,335	-	7,335
Amortisation on right use of assets	26,252	-	26,252
Impairment gain on liquid assets, resale agreements and financial investments	139	-	139
Realised gains on investments	(554)	-	(554)
Employee benefits asset	18,617	-	18,617
Impairment losses on loans, net of recoveries	146,400	-	146,400
Operating cash flows before movements in working capital	(889,657)	(18,147)	(907,804)
Changes in operating assets and liabilities			
Loans	(1,121,760)	18,147	(1,103,613)
Other assets	77,121	-	77,121
Pension contributions	(16,138)	-	(16,138)
Members' deposits	311,718	-	311,718
Members' voluntary shares	496,281	-	496,281
Payables	20,837	-	20,837
	(1,121,598)	-	(1,121,598)
Interest received	1,706,041	-	1,706,041
Interest paid	(553,281)	-	(553,281)
Net cash provided by operating activities	31,162	-	31,162
Net cash used in investing activities	(180,220)	-	(180,220)
Net cash provided by financing activities	190,827	-	190,827
Net increase in cash and cash equivalents	41,769	-	41,769
Cash and cash equivalents at beginning of year	71,556	-	71,556
CASH AND CASH EQUIVALENTS AT END OF YEAR 15(a)	113,325	-	113,325