

**INSURANCE EMPLOYEES CO-OPERATIVE
CREDIT UNION LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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DECEMBER 31, 2023

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Independent Auditor's Report

To the Registrar of the Co-operative Societies
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Insurance Employees Cooperative Credit Union ("the Credit Union") set out on pages 6 to 34, which comprise the statements of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31 December 2023 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Co-operative 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

During the current year audit there were no areas which we consider to be a key audit matter.

To the Registrar of the Co-operative Societies
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION
(A Society Registered Under the Co-operative Societies Act)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Credit Union's financial reporting process.

To the Registrar of the Co-operative Societies
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION
(A Society Registered Under the Co-operative Societies Act)

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix of this auditor's report. This description, which is located on page 4, forms part of our auditor's report.

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 maintained, 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

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.



BOGLE & COMPANY
Chartered Accountants
Kingston, Jamaica
July 19, 2024

To the Registrar of the Co-operative Societies
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION
(A Society Registered Under the Co-operative Societies Act)

Appendix to the Independent Auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Insurance Employees Cooperative Credit Union
(A Society Registered Under the Co-operative Societies Act)
Statement of Financial Position
For the year ended 31 December 2023

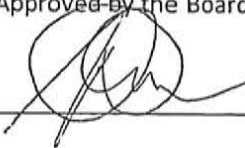
	Note	2023 \$	2022 \$
ASSETS			
NON-CURRENT ASSETS			
Earning:			
Financial Investments	3	194,755,243	212,897,012
Loans, after provision for loan impairment	4	63,145,708	1,385,493,734
Total Earning		<u>257,900,951</u>	<u>1,598,390,746</u>
Non-earning:			
Property, plant & equipment	6	45,739,983	42,574,367
Total non-earning		<u>45,739,983</u>	<u>42,574,367</u>
TOTAL NON-CURRENT ASSETS		<u>303,640,934</u>	<u>1,640,965,113</u>
CURRENT ASSETS			
Earning:			
Financial Investments	3	322,995,432	313,509,437
Cash & cash equivalents	7	69,842,709	68,606,981
Loans, after provision for loan impairment		1,429,589,439	59,526,735
Total Earning		<u>1,822,427,580</u>	<u>441,643,153</u>
Non-earning:			
Accounts Receivable	8	20,629,122	27,982,044
Cash & cash equivalents	7	81,513,519	54,845,506
Total non-earning		<u>102,142,641</u>	<u>82,827,550</u>
TOTAL CURRENT ASSETS		<u>1,924,570,221</u>	<u>524,470,703</u>
TOTAL ASSETS		<u>2,228,211,155</u>	<u>2,165,435,816</u>

The accompanying notes form part of these financial statements.

Insurance Employees Cooperative Credit Union
(A Society Registered Under the Co-operative Societies Act)
Statement of Financial Position
For the year ended 31 December 2023

	Note	2023 \$	2022 \$
EQUITY			
Permanent Shares	9	27,016,009	26,667,043
Institutional capital	10	265,842,570	265,841,070
Non-institutional capital	11	162,610,848	145,789,526
Undistributed Surplus	12	(17,866,096)	(4,436,721)
TOTAL EQUITY		<u>437,603,331</u>	<u>433,860,918</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest bearing:			
Members Shares		892,868,117	872,002,413
External Credit	13	<u>73,378,906</u>	<u>73,671,617</u>
Total Interest bearing		<u>966,247,023</u>	<u>945,674,030</u>
TOTAL NON-CURRENT LIABILITIES		<u>966,247,023</u>	<u>945,674,030</u>
CURRENT LIABILITIES			
Interest bearing:			
Saving Deposits	14	<u>786,575,839</u>	<u>757,724,549</u>
Total Interest bearing		<u>786,575,839</u>	<u>757,724,549</u>
Non-interest bearing			
Payables and Accruals	15	<u>37,784,962</u>	<u>28,176,319</u>
Total non-interest bearing		<u>37,784,962</u>	<u>28,176,319</u>
TOTAL CURRENT LIABILITIES		<u>824,360,801</u>	<u>785,900,868</u>
TOTAL LIABILITIES		<u>1,790,607,824</u>	<u>1,731,574,898</u>
TOTAL EQUITY AND LIABILITIES		<u>2,228,211,155</u>	<u>2,165,435,816</u>

Approved by the Board of Directors on July 19th, 2024 and signed on its behalf by:

 / Director

 / Director

The accompanying notes form part of these financial statements.

Insurance Employees Cooperative Credit Union
(A Society Registered Under the Co-operative Societies Act)
Profit & Loss and Comprehensive Income
As at 31 December 2023

	Note	2023 \$	2022 \$
Interest and Investment Income	16	167,640,760	159,067,183
Interest expense			
Interest on Deposits		(13,816,954)	(12,893,041)
Interest on Shares		(4,466,031)	(4,619,422)
		<u>(18,282,985)</u>	<u>(17,512,463)</u>
Net interest income		<u>149,357,775</u>	<u>141,554,720</u>
Finance Cost		(4,805,827)	(2,799,734)
Loan loss provision		(2,613,321)	(477,007)
		<u>141,938,627</u>	<u>138,277,979</u>
Other Revenue		18,246,580	15,813,005
Gross margin		<u>160,185,207</u>	<u>154,090,984</u>
Operating expenses:			
Staff Costs		(102,030,308)	(95,385,504)
General Overheads		(43,773,756)	(43,767,614)
Affiliation and Representation		(11,484,069)	(10,106,594)
Marketing & Promotion		(3,994,763)	(6,087,931)
Depreciation & Amortisation		(1,400,432)	(1,828,065)
Total Expenses	17	<u>(162,683,328)</u>	<u>(157,175,708)</u>
Deficit for the year		<u>(2,498,121)</u>	<u>(3,084,724)</u>
Other comprehensive income			
<i>Those that might be reclassified to profit or loss in subsequent periods</i>			
Unrealised Gain on Investment		5,890,068	5,757,996
Other comprehensive income for the year		<u>5,890,068</u>	<u>5,757,996</u>
Total comprehensive income for the year		<u><u>3,391,947</u></u>	<u><u>2,673,272</u></u>

The accompanying notes form part of these financial statements.

Insurance Employees Cooperative Credit Union
(A Society Registered Under the Co-operative Societies Act)
Statement of Changes in Equity
For the Year Ended 31 December 2023

	Reserves				
	Permanent Shares	Institutional capital	Non- institutional capital	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance as at 1 January 2021	26,355,006	265,839,470	122,593,766	16,085,767	430,874,009
Comprehensive Income					
Deficit for the year				(3,084,724)	(3,084,724)
Other comprehensive income for the year	-	-	-	5,757,996	5,757,996
Total comprehensive income for the year	-	-	-	2,673,272	2,673,272
Entrance fee		1,600			1,600
Receipts/Transfer	312,037	-	-	-	312,037
Loan loss reserve			17,437,764	(17,437,764)	-
Unrealised holding gain			5,757,996	(5,757,996)	-
Total other	312,037	1,600	23,195,760	(23,195,760)	313,637
Balance as at 31 December 2022	<u>26,667,043</u>	<u>265,841,070</u>	<u>145,789,526</u>	<u>(4,436,721)</u>	<u>433,860,918</u>
Balance as at 1 January 2022	26,667,043	265,841,070	145,789,526	(4,436,721)	433,860,918
Comprehensive income					
Deficit for the year				(2,498,121)	(2,498,121)
Other comprehensive income for the year	-	-	-	5,890,068	5,890,068
Total comprehensive income for the year	-	-	-	3,391,947	3,391,947
Other					
Entrance fee	-	1,500	-	-	1,500
Receipts/Transfer	348,966	-	-	-	348,966
Loan loss reserve	-	-	10,931,254	(10,931,254)	-
Unrealised holding gain	-	-	5,890,068	(5,890,068)	-
Total other	348,966	1,500	16,821,322	(16,821,322)	350,466
Balance as at 31 December 2023	<u>27,016,009</u>	<u>265,842,570</u>	<u>162,610,848</u>	<u>(17,866,096)</u>	<u>437,603,331</u>

The accompanying notes form part of these financial statements.

Insurance Employees Cooperative Credit Union
(A Society Registered Under the Co-operative Societies Act)
Statement of Cash Flows
For the Year Ended 31 December 2023

	Note	2023 \$	2022 \$
Cash flow from operating activities			
Deficit for the year		(2,498,121)	(3,084,724)
Depreciation & Amortisation		1,400,432	1,828,065
Interest Income		(166,977,218)	(158,983,609)
Less Unrealised Gain		(5,890,068)	(5,757,996)
Other Assets		7,352,922	(7,610,721)
Payables & accruals		9,608,643	16,156,762
Interest received		154,637,966	150,134,246
Net cash flow from operations		<u>(2,365,444)</u>	<u>(7,317,977)</u>
Cash flow from investing activities			
Purchase of property, plant and equipment		(4,566,048)	(6,759,039)
Financial Investments		8,655,774	(145,879,884)
Loans from Members		(47,714,678)	(31,515,746)
Net cash flow from investing activities		<u>(43,624,952)</u>	<u>(184,154,669)</u>
Cash flow from financing activities			
Appropriations & payments		1,500	23,308,360
Permanent shares		348,966	312,037
Members' shares deposits		84,474,925	84,474,925
Loan Loss Movement		(10,931,254)	(17,437,764)
Net cash flow from financing activities		<u>73,894,137</u>	<u>90,657,558</u>
Net increase in cash held		<u>27,903,741</u>	<u>(100,815,088)</u>
Cash and cash equivalents at beginning of financial year		123,452,487	224,267,575
Cash and cash equivalents at end of financial year	7	<u>151,356,228</u>	<u>123,452,487</u>

The accompanying notes form part of these financial statements.

1 Identification & Activities

The Insurance Employees Co-operative Credit Union Limited is a Co-operative Society registered under the Co-operative Societies Act. Membership is restricted to present and past employees of Life, Health and General Insurance and their related companies, Building Societies along with their extended families. The Credit Union's operations are concentrated in the parishes of St. Andrew and St. James. The registered office and principal place of business is located at 27 Parkington Plaza, Kingston 10.

The objectives of the credit union are to promote thrift among its members and to create hereby a source of credit for its members at competitive rates of interest for provident and productive purposes.

To receive the savings of its members

To make loans to members for provident and productive purposes in the way and manner hereinafter provided.

To invest in any security in which trustees are for the time being by Law authorized to invest.

To borrow money as provided by the rules of the Credit Union subject to the provisions of the Law and Regulations.

To draw, make, accept, endorse, discount, execute and issue Promissory Notes, Bills of lading, Bills of Exchange, Bills of Sale, Warrants and other negotiable or transferrable instruments.

The bond has been extended to include:

1. Holders of Insurance Policies
2. Members/Customers of Financial Institutions

2 Summary of Significant Accounting Policies

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) New and Amended Accounting Policies Adopted by the Credit Union

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued and are effective for the current year. The Credit Union has assessed them with respect to its operations and has determined that the following are relevant:

Amendments to IAS 1 Presentation of Financial Statements are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help entities to provide useful accounting policy disclosures. The key amendments to IAS 1 include: requiring entities to disclose their material accounting policy information rather than their significant accounting policies; - clarifying that accounting policy information related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and - clarifying that not all accounting policy information that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

(b) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies that have been used in preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The Measurement bases used are those specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

(c) Reporting currency

The amounts stated in these financial statements are presented in Jamaican Dollars which is the functional currency of the Credit Union.

(d) Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In addition, for financial reporting purposes, fair value measurement is categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly: and

Level 3 inputs are unobservable inputs for the asset or liability

(e) Financial Instruments

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'investments FVTPL and FVTOCI' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and Receivables

Loans and receivables are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Financial Investments

The 'Financial Investments' caption in the statement of financial position includes:

- debt and equity investment securities mandatorily measured at FVPL or designated as FVPL;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Cumulative gains and losses recognised in OCI are transferred to the surplus and appropriations account on disposal of an investment.

Dividends

Dividends are recognised in profit or loss unless they clearly present a recovery of part of the cost of the investment, in which case they are recognised in OCI.

(f) Provisions

The Credit Union recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Loans, after provision for loan impairment

No impairment on loss recognised on equity investments.

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

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

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of the loan. Loans for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 and 3"

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Credit Union if the commitment is drawn down and the cash flows that the Credit Union expects to receive.

The Credit Union also provides based on the industry standards. This provision does not factor the time value of money, neither does it consider collateral.

The excess of the provision set for by the industry and that prescribed by IFRS is accumulated in a reserve called 'Loan loss Reserve' included in non-institutional capital.

(g) Property, Plant and Equipment

Land and Building comprises the building located at 27 Parkington plaza, Kingston 10, which is also the Credit Union's main office. All property, plants and equipment are reported at their initial cost less accumulated depreciation and accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method and next month convention. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates for the Credit Union are as follows:

Building	2.5%
Furniture and Fixtures	10%
Office Equipment	20%
Computer	20%

The useful lives of the property, plant and equipment are reviewed and adjusted if necessary.
Land is not depreciated

Repairs and maintenance expenditures are charged to the profit or loss as general overhead during the period in which they are incurred.

(h) Foreign Currency Transactions and Balances

The Credit Union is subject to changes in foreign currency rates as it relates to the accounts held in United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of transaction. At the end of the period the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

(i) Cash and Cash Equivalents

Cash and Bank balances included notes and coins on hand, unrestricted funds held at other financial institutions representing non-interest-bearing liquid assets owned by the Credit Union. Interest bearing liquid assets such as interest-bearing savings accounts and short-term investments which are expected to be converted within a ninety-day cycle (90).

(j) Revenue and Other Income

Interest on investment

Dividend/Interest income from investments is recognized when the investor's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Credit Union and the amount of income can be measured reliably).

Interest on loans

Interest on loans is recognized when interest is calculated on the outstanding balance at the end of each month, using the reducing balance method.

Rental Income

Rental Income is recognised based on the accrual basis on rental agreement for the portion of building located at 27 Parkington plaza, Kingston 10.

Commission and Fees

Fees and commission income are generally recognised on a cash basis when the service has been provided.

(k) Institutional Capital

Institutional Capital includes the Statutory Reserve Fund as well as various other reserves established from time to time as is deemed necessary by the Board of Directors and agreed upon by the members to support the operation of the Credit Union and thereby protect the interest of the members. These reserves are not available for distribution.

The stronger the overall capital position, the easier it is for the credit union to deal with future uncertainties such as asset loss and adverse economic cycles.

(l) Members' Shares in Co-operative Entities and Similar Instruments

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. IFRIC 2 gives guidance on how those redemption terms should be evaluated in determining whether the shares should be classified as financial liabilities or as equity.

Members' shares- (voluntary)

The voluntary shares are the main account for the credit union members. It forms the corner stone of the members' relationship with the credit union.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Credit Union retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(o) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Credit Union.

3 Financial investments

		2023 \$	2022 \$
Current			
Financial assets at fair value through profit or loss	3(a)	322,995,432	313,509,437
Total current assets		<u>322,995,432</u>	<u>313,509,437</u>
Non-Current			
Investment securities designated as at FVTPL	3(a)	17,977,367	55,257,779
Investment securities measured at FVOCI - debt instruments	3(b)	70,864,317	58,035,261
Investments securities designated as at FVOCI - equity instruments	3(c)	105,913,559	99,603,972
Total non-current assets		<u>194,755,243</u>	<u>212,897,012</u>
Total Financial Investments		<u>517,750,675</u>	<u>526,406,449</u>

(a) Investment securities designated as at FVTP

	2023 \$	2022 \$
Debt Securities	27,807,737	64,609,543
Equity Securities	313,165,062	304,157,673
Financial assets at fair value through profit or loss	<u>340,972,799</u>	<u>368,767,216</u>

(b) Debt Securities measured at FVOCI

	2023 \$	2022 \$
Listed investments at fair value:		
Government and fixed interest securities	70,864,317	58,035,261
Total Investments measured at FVOCI - debt instruments	<u>70,864,317</u>	<u>58,035,261</u>

3 Financial investments (cont'd)

(c) Equity Investments designate as at FVOCI

	2023	2022
	\$	\$
NCB CAP Income Optimizer	105,913,559	99,603,972
Total Investment securities designated as at FVOCI- equity instruments	<u>105,913,559</u>	<u>99,603,972</u>

4 Loans, after provision for loan impairment

	Note	2023	2022
		\$	\$
Staff Loans		85,173,004	83,485,040
Ordinary Loans		374,776,349	384,911,195
Motor Vehicle Loans		305,401,652	350,033,971
Guardian Life Facilities		36,130,389	47,296,378
Payroll Short term loan		465,904,239	419,342,162
Other		225,757,438	158,567,764
Total Gross Loans		<u>1,493,143,071</u>	<u>1,443,636,510</u>
Loan loss provision	5	(7,839,871)	(5,226,550)
Accrued Interest		7,431,947	6,610,509
Loans Net of Provision for Impairment		<u>1,492,735,147</u>	<u>1,445,020,469</u>

(a) Maturity Schedule

	Maturity Schedule				Carrying Value	Carrying Value
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 years	2023	2022
	Current		Non-current		2023	2022
	\$	\$	\$	\$	\$	\$
Loans to Individuals	32,779,936	30,365,771	709,252,420	720,744,944	1,493,143,071	1,443,636,510
Accrued Interest	7,431,947				7,431,947	6,610,509
Less: provision for Loan loss					(7,839,871)	(5,226,550)
	<u>40,211,883</u>	<u>30,365,771</u>	<u>709,252,420</u>	<u>720,744,944</u>	<u>1,492,735,147</u>	<u>1,445,020,469</u>

4 Loans, after provision for loan impairment (cont'd)

(b) Collateral

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. 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 is individually assessed as impaired.

The Credit Union had repossessed collateral at the reporting date with a market value of nil (2022: \$4,150,000.00).

5 Provisions

There are a total of 106 (2022 :93) non-performing loans. The credit union defines a non-performing loan as one where payments are beyond 30 days past due. The Credit Union does not accrue interest for loans which are in arrears for over 90 days

The Credit Union provides for its non-performing loans using the loan loss provision as prescribed by IFRS 9 as well as the standards of the Jamaica Co-operative Credit Union League (JCCUL). Each loan has been analysed as required by the standard and the adjustment reclassified to the Loan Loss Reserve under non-institutional capital.

	Loan Loss Provision	Loan Loss Reserve	Total
	\$	\$	\$
Balance as at 1 January 2022	5,226,550	39,353,806	44,580,356
Additional provisions	2,613,321	10,931,254	13,544,575
Balance as at 31 December 2023	7,839,871	50,285,060	58,124,931

5 Provisions (cont'd)

(a) ECL Evaluation

A total of 2,019 contracts have been assessed by the Credit Bureau as at the reporting date of December 31, 2023. Based on the assessment the following assumption were made:

- Loss Given Default (LGD) = 4.82%
- Contacts with terms remaining < 1 month not assessed
- Contract already in default assumed to have a Probability of Default (PD) of 100% going forward.
- 5% discount rate

Below is the staging policy used

Stage	DPD	PD
1	< 31	12 Months
2	31- 89	Lifetime
3	> 90	Lifetime

(b) Provision as Prescribed by JCCUL

In the financial statements the credit union does not provide for loan loss in accordance to Jamaica Co-operative Credit Union League (JCCUL) as those methods are superseded that those of the International Financial Reporting Standards set out in the preceding paragraph.

For comparative purposes, the credit union continues to maintain the provision schedule in accordance with JCCUL requirements.

Provision based on the Jamaica Co-operative Credit				
	Number of	Delinquent	Required	Provision
	accounts	Loans	provision	rate
		\$	\$	%
Delinquent Loans (60 - 90 days)	10	15,975,141	1,597,514	10
Delinquent Loans (>90 - 180 days)	8	8,192,671	2,457,801	30
Delinquent Loans (>180 - 360 days)	14	11,143,853	6,686,312	60
Delinquent Loans (Over 360 days)	74	47,383,304	47,383,304	100
	106	82,694,969	58,124,931	

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6 Property, plant & equipment

	Land and Buildings	Furniture, Fixtures & Fittings	Computer	Office Equipment	Total
	\$	\$	\$	\$	\$
Cost/Valuation					
Balance as at 1 January 2022	15,348,165	5,197,312	34,038,510	15,908,437	70,492,424
Additions	1,699,741	295,306	4,503,566	260,426	6,759,039
Balance as at 31 December 2022	17,047,906	5,492,618	38,542,076	16,168,863	77,251,463
Additions	-	148,212	4,240,007	177,829	4,566,048
Disposals	-	-	-	-	-
31 December 2023	17,047,906	5,640,830	42,782,083	16,346,692	81,817,511
Accumulated Depreciation					
Balance as at 1 January 2022	4,864,135	3,421,004	12,150,387	12,413,505	32,849,031
Depreciation expense	364,582	578,261	602,267	282,955	1,828,065
Balance as at 31 December 2022	5,228,717	3,999,265	12,752,654	12,696,460	34,677,096
Depreciation expense	364,582	112,167	653,313	270,370	1,400,432
Balance as at 31 December 2023	5,593,299	4,111,432	13,405,967	12,966,830	36,077,528
31 December 2023	11,454,607	1,529,398	29,376,116	3,379,862	45,739,983
31 December 2022	11,819,189	1,493,353	25,789,422	3,472,403	42,574,367

Land and Building comprises land in the amount of \$2,464,594 (2022: \$2,464,594), which is not depreciated.

7 Cash & cash equivalents

	2023 \$	2022 \$
Cash and cash equivalents		
Non-earning:		
Cash on hand	47,431	161,727
Bank accounts Denominated in Jamaican Dollar	81,466,088	54,683,779
	<u>81,513,519</u>	<u>54,845,506</u>
Earning:		
Bank accounts Denominated in United States Dollar	20,292,218	21,445,708
Short term investments	49,550,491	47,161,273
	<u>69,842,709</u>	<u>68,606,981</u>
Total cash and cash equivalents	<u>151,356,228</u>	<u>123,452,487</u>

The Short-term investments represent the fair value of the investments as at December 31, 2023 and are expected to mature within 3 months or less. These investments are categorised as Fair Value through Profit or Loss (FVPL).

Reconciliation of cash

Cash and cash equivalents reported in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2023 \$	2022 \$
Cash and cash equivalents	151,356,228	123,452,487
Balance as per statement of cash flows	<u>151,356,228</u>	<u>123,452,487</u>

8 Accounts Receivables

The accounts receivable accounts represent amounts owed to the Credit Union as of December 31, 2023. There has been no provision for loss against these accounts.

	2023	2022
	\$	\$
Current		
Premium receivables	1,781,277	1,778,969
Rental receivable	-	1,494,347
Prepaid assets	2,727,549	2,574,455
Security Deposit	34,188	34,188
Withholding tax	4,115,755	4,115,755
Other receivables	11,970,353	17,984,330
Total trade and other receivables	<u>20,629,122</u>	<u>27,982,044</u>

a) Withholding tax represents accumulated withholding tax on investments.

Effective September 1, 2010, the Credit Union was granted a 10-year exemption on withholding tax. The Credit Union has been reducing this balance by offsetting it against the withholding tax payable on interest paid to members on shares and deposits.

b) Premiums Receivables represents balance owed by members to reimburse Credit Union for payments made on their behalf

9 Permanent Shares

This represents equity in the Credit Union which cannot be withdrawn but may be transferred to another member or repurchased by the Credit Union through its permanent shares reserve Fund.

	2023	2022
	\$	\$
Permanent Shares	26,745,681	26,400,293
Permanent Shares reserve	270,328	266,750
	<u>27,016,009</u>	<u>26,667,043</u>

10 Institutional Cap

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12 Undistributed Surplus

This represents amount available for distribution to the members of the Credit Union

	\$
Balance as at 31 December 2022	(4,436,721)
Surplus for the year	3,391,947
Transfer to/(from) Loan Loss Reserve	(10,931,254)
Unrealised holding gain	(5,890,068)
Balance as at 31 December 2023	<u>(17,866,096)</u>

13 External Credit

	1 to 5 years	Over 5 Years	Carrying value 2023	Carrying value 2022
	\$	\$	\$	\$
Secured by Building	48,101,919		48,101,919	48,394,630
Secured by Hypothecation		25,276,987	25,276,987	25,276,987
	<u>48,101,919</u>	<u>25,276,987</u>	<u>73,378,906</u>	<u>73,671,617</u>

- i. The loan facility from Sagcor life Jamaica Limited matures 2023 and is secured by Building located at 27 Parkington Plaza, Kingston 10 and bears an interest rate of 4%.
- ii. The loan facility from Guardian life Limited matures 2025 and is secured by hypothecation and bears an interest rate of 5%.

14 Members Deposits

	2023	2022
	\$	\$
Regular Deposit	117,846,136	120,743,961
Term Deposits	662,247,471	630,620,050
Accrued Interest	6,482,232	6,360,538
	<u>786,575,839</u>	<u>757,724,549</u>

15 Payables and Accruals

This represents the non-interest earning liabilities of the Credit Union.

	2023	2022
	\$	\$
Current		
Accounts Payables	3,226,033	2,143,995
Death Claims	2,537,460	3,016,635
Premiums Payables	9,390,829	4,917,380
General Consumption Tax	2,035,699	1,760,232
Honoraria	374,188	1,162,438
QNET	1,136,701	478,576
Security Deposit	301,417	301,417
Audit Fees	1,785,000	1,552,500
Other Payables	16,997,635	12,843,146
	<u>37,784,962</u>	<u>28,176,319</u>

16 Revenue and Other Income

	2023	2022
	\$	\$
Revenue		
Interest and Investment Income		
Investment Income	21,971,611	11,322,098
Interest on Loans	145,669,149	147,745,085
	<u>167,640,760</u>	<u>159,067,183</u>
Other Revenue		
Commission and Fees	2,342,409	2,218,795
Bills of Sale	17,000	100,500
Discount Cards	15,000	15,390
Service Charge	7,234,931	7,589,775
Other Revenue	2,385,672	1,363,699
Investment Property	1,538,595	2,800,705
Bad Debt Recovered	4,712,973	1,724,141
	<u>18,246,580</u>	<u>15,813,005</u>
Total Revenue	<u>185,887,340</u>	<u>174,880,188</u>

17 Administrative expenses

	2023 \$	2022 \$
Staff Costs		
Salaries, allowances & statutory contributions	93,329,291	87,140,059
Staff Training	733,165	880,402
Travelling & related expenses	1,242,064	1,097,839
Pension	6,725,788	6,267,204
	<u>102,030,308</u>	<u>95,385,504</u>
General Overheads		
Donation	10,000	197,375
Auditor's Remuneration	1,790,700	1,893,335
Office Rental	1,913,163	1,861,595
Insurance	6,694,452	6,068,689
FIP Expense	1,920,174	1,801,663
Office Expenses	7,610,118	7,996,573
Professional fees	4,759,630	5,405,836
Repair and Maintenance	1,779,709	1,989,062
Security and messenger service	3,637,982	2,974,121
Telephone, cable, postage & telegram	7,196,059	6,875,660
Electricity	4,243,928	4,748,084
Rates & taxes	2,217,841	1,955,621
	<u>43,773,756</u>	<u>43,767,614</u>
Marketing & Promotion	<u>3,994,763</u>	<u>6,087,931</u>
Affiliation and Representation		
Stabilization dues	2,037,159	1,931,565
League fees	4,394,870	4,245,342
Seminars and meetings	5,052,040	3,929,687
	<u>11,484,069</u>	<u>10,106,594</u>
Depreciation & Amortisation	<u>1,400,432</u>	<u>1,828,065</u>
Total operating expenses	<u>162,683,328</u>	<u>157,175,708</u>

18 Contingent Liabilities and Contingent Assets

The Credit Union has guaranteed \$9.6M to Collector of Customs for 3 years from June 2015 if a member fails to pay the duties on the vehicles imported when they are sold. In exchange a freehold title for a 2-bedroom apartment valued at \$12M provides security.

19 Auditor's Remuneration

	2023	2022
	\$	\$
Remuneration of the auditor for:		
auditing or reviewing the financial statements	1,552,000	1,350,000
due diligence services	238,700	543,335
	<u>1,790,700</u>	<u>1,893,335</u>

20 Related Party Balances

On December 31, 2023, 20 (2022: 28) members of the credit union's Board of Directors, Committee members and key management personnel had savings and loans inclusive of interest of the figures below:

	2023	2022
	\$	\$
Savings	23,195,422	17,011,789
Loans (inclusive of interest)	29,657,943	23,835,412

21 Staff Compliment

	2023	2022
Number of persons employed		
Permanent	23	23
	<u>23</u>	<u>23</u>

22 Comparison of ledger balances

	Saving Deposits	Members Shares	Permanent Shares	Loans Gross of Allowance
	\$	\$	\$	\$
General Ledger	776,770,982	892,868,117	26,745,681	(1,493,143,071)
Sub Ledger	<u>776,770,982</u>	<u>892,868,117</u>	<u>26,745,681</u>	<u>1,493,143,071</u>
Variance	-	-	-	-

23 Fair Values (cont'd)

Fair value hierarchy as at 31/12/23

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Liquid assets		49,550,491		49,550,491
Loans and receivables:				
loans to members			1,492,735,147	1,492,735,147
Other receivables			20,629,122	20,629,122
Fair Value through Profit or loss:				
Repurchase agreements		322,995,432		322,995,432
Unquoted investments			7,977,367	7,977,367
Fair Value through Other Comprehensive Income		105,913,559		105,913,559
	-	478,459,482	1,521,341,636	1,999,801,118
Financial liabilities				
Saving Deposits			786,575,839	786,575,839
Members' share capital			892,868,117	892,868,117
Loans from other entities			73,378,906	73,378,906
Trade and other payables			37,784,962	37,784,962
	-	-	1,790,607,824	1,790,607,824

24 Financial Risk Management

(a) Insurance

The Credit Union has in place the following insurance coverage which are deemed adequate:

- GK General Insurance Company Limited: Commercial All Risk, Fidelity Guarantee, Public Liability, Money, Machinery Breakdown, and Low Voltage.

(b) Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Credit Union to similar risks as loans and are managed in similar manner.

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(b) Credit Risk (cont'd)

The carrying amount of financial assets represents the maximum exposure to credit risk (before application of collateral held) which at the statement of financial position date was:

	2023 \$	2022 \$
Financial assets		
Cash and Cash Equivalents	151,356,228	123,452,487
Accounts Receivables	20,629,122	27,982,044
Loans and receivables (including trade receivables balance)	1,513,364,269	1,473,002,513
Investments	517,750,675	526,406,449
Financial liabilities		
Payables and Deposits	1,790,607,824	1,731,574,898

(c) Liquidity Risk

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed overdraft facilities.

The Credit Union is subject to a liquidity limit set by the Jamaica Co-operative Credit Union League and compliance is closely monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposit.

For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 1:2.33 (2022:1:0.67). There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures the risk.

	2023 \$	2022 \$
Cash resources:		
Loans (after provision for loan impairment)	1,429,589,439	59,526,735
Financial investments (within 3 months)	322,995,432	313,509,437
Liquid assets	49,550,491	47,161,273
Cash & bank balances	101,805,737	76,291,214
Accounts Receivable	20,629,122	27,982,044
	<u>1,924,570,221</u>	<u>524,470,703</u>
Saving Deposits and other payables:		
Members deposits	786,575,839	757,724,549
Payables & accruals	37,784,962	28,176,319
	<u>824,360,801</u>	<u>785,900,868</u>
Ratio	2.33	0.67

(c) Liquidity Risk (cont'd)

Members' Voluntary share capital can be withdrawn at the option of the members, unless the security for loans and guarantees and will therefore affect the liquidity position of the Credit Union. These have no contractual maturity. The amounts included in the analysis are based on management's estimate of cash flows on expected cash from these instruments as determined by retention history. The analysis does not differ significantly from actual cash flows which are generally expected to maintain a stable or increasing level.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. These arise mainly from changes in interest rate, foreign currency rates and prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Credit Union's exposure to market risks or the manner in which it identifies and measures the risk.

(e) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair value of a financial instrument because of a change in market interest rates. It arises when there is a mismatch between the timing of the cash flows of earning assets and interest-bearing liabilities which are subject to interest rate adjustments with the same frequency. It can be reflected as a loss of future net interest income and or a loss of current net interest income. Interest rate risk is managed by holding primarily fixed rate financial instruments.

A summary of the Credit Union's interest rate gap position and sensitivity analysis is as follows:

	Within 3 Months	3-12 Months	1 to 5 years	>5 Years	No Maturity
31 December 2023					
Assets					
Cash & cash equivalents	151,356,228				
Financial Investments	322,995,432			186,777,876	7,300,000
Loan Portfolio, net	40,211,883	30,365,771	709,252,420	720,744,944	(7,300,000)
Property, plant & equipment					45,000,000
Other Assets		20,629,122			
Total Assets	514,563,543	50,994,893	709,252,420	907,522,820	45,000,000
Liabilities					
Demand Savings Account	400,512,083				
Term Deposits	244,287,981	126,775,775	15,000,000		
Loans Payable	378,906	-	48,000,000	25,000,000	
Other Liabilities					930,000
Total Liabilities	645,178,970	126,775,775	63,000,000	25,000,000	930,000
Total Equity					437,600,000
Total Liabilities and Equity	645,178,970	126,775,775	63,000,000	25,000,000	1,368,600,000
Asset Liability Gap	(130,615,427)	(75,780,882)	646,252,420	882,522,820	(1,322,300,000)
Cumulative Asset-Liability Gap	(130,615,427)	(206,396,309)	439,856,111	1,322,378,931	

(f) Capital Management

The Credit Union's objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern.

The Credit Union defines its capital as members' share capital, institutional capital and non-institutional capital. Dividend pay-outs are made taken into account as maintenance of an adequate capital base.

The Credit Union is required by the League to maintain its institutional capital inclusive of permanent shares at a minimum of 8 % of total assets. At the statement of financial position date, this ratio was 12 % (2021: 13 %) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

	2023	2022
	\$	\$
Institutional Capital	265,842,570	265,841,070
Total Assets	2,228,211,155	2,165,435,816
Ratio	12%	12%