COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE CREDIT UNION LIMITED (C&WJCCUL)

(A Society Registered Under the Co-operative Societies Act)

FINANCIAL STATEMENTS

DECEMBER 31, 2022

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
(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 Community & Workers of Jamaica Co-operative Credit Union Limited (C&WJCCUL) ("the Co-operative"), comprising the separate financial statements of the Co-operative and the consolidated financial statements of the Co-operative and its subsidiary (collectively, "the Group") set out on pages 8 to 97, which comprise the Group's and Co-operative's statement of financial position as at December 31, 2022, the Group's and Co-operative's 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 Group and Co-operative as at December 31, 2022, and of the Group's and Co-operative's financial performance and cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 *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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (Continued)

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.

1. Expected credit losses on financial assets

The key audit matter	How the matter was addressed in our audit
The Group is required to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgement and estimates. The key areas requiring greater management judgement include the identification of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposures at default and the application of forward-looking information.	Our procedures in this area included the following: • Assessing and testing the design and implementation of the Group's control over the determination of expected credit losses. • Obtaining an understanding of the models used by the Group for the calculation of expected credit losses. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (continued)

1. Expected credit losses on financial assets (continued)

The key audit matter (continued)	How the matter was addressed in our audit (continued)
Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement. We therefore determined that the impairment of financial assets has a high degree of estimation uncertainty. *[see note 32 (a) (iv) of the financial statements]*	Our procedures in this area included the following (continued): • Involving our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the SICR criteria used and independently assessing the assumptions for probability of default, loss given default and exposure at default. • Involving our financial risk modelling specialists to evaluate the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them. • Evaluating the adequacy of the financial statement disclosures, including disclosures of the key assumptions and judgements, for compliance with IFRS 9.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
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Report on the Audit of the Financial Statements (Continued)

Other Information

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

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards 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 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 (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (Continued)

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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6-7, forms part of our auditors' 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 so required.

The engagement partner on the audit resulting in this independent auditors' report is Wilbert Spence.

KPMG

Chartered Accountants
Kingston, Jamaica

May 10, 2023

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
(A Society Registered Under the Co-operative Societies Act)

Appendix to the Independent Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Registrar of Co-operative Societies
COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)
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Appendix to the Independent Auditors' report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance 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, actions taken to eliminate threats or safeguards applied.
From the matters communicated with those charged with governance, 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 auditors' report unless law or regulation precludes public disclosure about the matter 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.

COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)

Statement of Financial Position
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	Group 2022 $'000	Group 2021* $'000	Group 2020* $'000	Co-operative 2022 $'000	Co-operative 2021* $'000	Co-operative 2020* $'000
ASSETS							
EARNING ASSETS							
Cash and cash equivalents	5	572,452	250,843	108,175	572,452	250,843	108,175
Deposits	5	2,957,907	1,091,361	849,207	2,957,907	1,091,361	849,207
Money market funds	5	-	1,400,155	1,398,991	-	1,400,155	1,398,991
Resale agreements	5	1,218,431	1,131,809	534,145	1,218,431	1,131,809	534,145
Liquid assets		4,748,790	3,874,168	2,890,518	4,748,790	3,874,168	2,890,518
Loans to members	6	13,085,010	12,897,460	13,166,059	13,082,990	12,893,129	13,150,631
Financial investments	7	3,067,058	2,891,022	1,835,873	3,067,059	2,891,022	1,835,873
Total earning assets		20,900,858	19,662,650	17,892,450	20,898,839	19,658,319	17,877,022
NON-EARNING ASSETS							
Liquid assets - cash and cash equivalents	8	306,134	162,447	224,996	287,285	147,891	210,435
Right-of-use assets	9	6,001	9,615	14,669	6,001	9,615	14,669
Property, plant and equipment	10	823,023	838,901	775,647	823,023	838,901	775,647
Intangible assets	11	336,570	343,840	388,289	336,570	343,840	388,289
Other assets	12	332,410	163,326	191,416	332,680	168,244	191,416
Investment in subsidiary		-	-	-	26,265	10	10
Total non-earning assets		1,804,138	1,518,129	1,595,017	1,811,824	1,508,501	1,580,466
TOTAL ASSETS		22,704,996	21,180,779	19,487,467	22,710,663	21,166,820	19,457,488
LIABILITIES AND CAPITAL							
INTEREST BEARING LIABILITIES							
Voluntary shares	13	4,874,044	4,640,633	4,422,510	4,874,044	4,640,633	4,422,510
Deferred shares	14	865,444	885,058	900,000	865,444	885,058	900,000
Saving deposits	15	13,061,240	11,941,387	10,578,661	13,061,240	11,941,387	10,578,661
Due to other institutions	16	36,136	36,136	42,447	36,136	36,136	42,447
External credits	17	112,691	254,924	368,780	112,691	254,924	368,780
Lease liabilities	9	6,738	10,620	13,978	6,738	10,620	13,978
Total interest bearing liabilities		18,956,293	17,768,758	16,326,376	18,956,293	17,768,758	16,326,376
NON-INTEREST BEARING LIABILITIES							
Accruals	18	198,993	204,692	199,829	202,221	204,692	199,259
Payables	19	224,440	171,214	217,004	224,440	171,214	217,004
Others	20	324,302	326,361	267,057	322,174	337,209	263,570
Total non-interest bearing liabilities		747,735	702,267	683,890	748,835	713,115	679,833
TOTAL LIABILITIES		19,704,028	18,471,025	17,010,266	19,705,128	18,481,873	17,006,209
CAPITAL							
Permanent shares	21	297,512	287,609	278,757	297,512	287,609	278,757
Institutional capital	22	2,476,562	2,273,718	2,031,041	2,476,562	2,273,718	2,031,041
		2,774,074	2,561,327	2,309,798	2,774,074	2,561,327	2,309,798
Non-institutional capital	23	226,894	148,427	167,403	231,461	123,620	141,481
TOTAL CAPITAL		3,000,968	2,709,754	2,477,201	3,005,535	2,684,947	2,451,279
TOTAL LIABILITIES AND CAPITAL		22,704,996	21,180,779	19,487,467	22,710,663	21,166,820	19,457,488

The financial statements on pages 8 to 97 were approved by the Board of Directors on May 8, 2023 and signed on its behalf by:

A. S. Malcolm

Ashlyn Malcolm, Treasurer

Austin Brown, President

* Restated, see note 35
The accompanying notes form an integral part of the financial statements.

COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)

Statement of Profit or Loss and Other Comprehensive Income
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	Group 2022 $'000	Group Restated* 2021 $'000	Co-operative 2022 $'000	Co-operative Restated* 2021 $'000
INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD					
INTEREST INCOME					
Loans to members		1,829,132	1,898,193	1,828,941	1,897,536
Earning liquid assets		250,167	71,874	250,167	71,874
Financial investments		141,324	96,343	141,324	96,343
	24	2,220,623	2,066,410	2,220,432	2,065,753
INTEREST EXPENSE					
Saving deposits		225,147	204,006	225,147	204,006
Voluntary shares		6,791	9,733	6,791	9,733
Deferred shares		57,463	30,224	57,463	30,224
Due to other institutions		1,296	8,509	1,296	8,509
Other financial costs	25	105,031	91,245	105,031	91,242
		395,728	343,717	395,728	343,714
NET INTEREST INCOME		1,824,895	1,722,693	1,824,704	1,722,039
Net income from financial instruments at FVTPL		6,181	65,003	6,181	65,003
		1,831,076	1,787,696	1,830,885	1,787,042
Increase in provision for impairment losses on investments		(1,028)	(11,069)	(1,028)	(11,069)
Increase in provision for impairment losses on loans		(224,050)	(260,665)	(224,050)	(260,672)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT LOSSES ON LOANS	32(a)(iv)(e)	1,605,998	1,515,962	1,605,807	1,515,301
NON-INTEREST INCOME					
Fees		201,845	159,067	201,845	159,731
Rental income		16,971	14,324	16,971	14,324
Others	26	98,007	108,451	126,130	108,451
		316,823	281,842	344,946	282,506
		1,922,821	1,797,804	1,950,753	1,797,807
OPERATING EXPENSES	27	(1,604,222)	(1,550,963)	(1,602,780)	(1,549,851)
SURPLUS BEFORE HONORARIA AND OTHER PAYMENTS		318,599	246,841	347,973	247,956
Honoraria		(10,764)	(8,920)	(10,764)	(8,920)
Disaster and social outreach		(1,670)	(1,217)	(1,670)	(1,217)
Scholarship fund		(6,473)	(5,205)	(6,473)	(5,205)
SURPLUS AFTER HONORARIA AND OTHER PAYMENTS		299,692	231,499	329,066	232,614
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified to profit or loss:					
Change in fair value of investment securities at fair value through other comprehensive income		(7,545)	2,569	(7,545)	2,569
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		292,147	234,068	321,521	235,183

*Restated, see note 35

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

COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)

Statement of Changes in Equity
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

	Group 2022											
	INSTITUTIONAL CAPITAL						NON-INSTITUTIONAL CAPITAL					
	Permanent shares $'000 (note 21)	Statutory & legal reserve $'000 (note 22)	General reserve $'000 (note 22)	Business combination reserve $'000 (note 22)	Retained earnings reserve $'000 (note 22)	Total $'000	Loan loss reserves $'000 (note 23)	Fair value reserve $'000 (note 23)	Other Non-qualifying reserve $'000 (note 23)	Undistributed net surplus $'000 (notes 23)	Total $'000	Grand total $'000
Balances at December 31, 2021:												
As previously reported	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	60,187	253,255	2,814,582
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(104,828)	(104,828)	(104,828)
As restated	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	(44,641)	148,427	2,709,754
Total comprehensive income for the year												
Surplus for the year	-	-	-	-	-	-	-	-	-	299,692	299,692	299,692
Other comprehensive income:												
Change in fair value of investment securities at FVOCI being total other comprehensive income	-	-	-	-	-	-	-	(7,545)	-	-	(7,545)	(7,545)
Total comprehensive income for the year	-	-	-	-	-	-	-	(7,545)	-	299,692	292,147	292,147
Transactions with members and movements in reserve												
Entrance fees	-	2,579	-	-	-	2,579	-	-	-	-	-	2,579
Shares amount subscribed	9,903	-	-	-	-	-	-	-	-	-	-	9,903
Appropriation of net surplus for 2022												
Dividends on membership qualification shares (note 21)	-	-	-	-	-	-	-	-	-	(14,380)	(14,380)	(14,380)
Leslie Mills Trust fund	-	-	-	-	-	-	-	-	34	-	34	34
Share transfer fund	-	-	-	-	-	-	-	-	1,197	-	1,197	1,197
Disaster and social outreach fund	-	-	-	-	-	-	-	-	1,300	(1,330)	(30)	(30)
Scholarship fund	-	-	-	-	-	-	-	-	527	(527)	-	-
Honorarium	-	-	-	-	-	-	-	-	-	(236)	(236)	(236)
Transfer to statutory reserve from surplus for the year before honoraria and other payments	-	200,265	-	-	-	200,265	-	-	-	(200,265)	(200,265)	-
Total transactions with members and movements in reserves	9,903	202,844	-	-	-	202,844	-	-	3,058	(216,738)	(213,680)	(933)
Balances at December 31, 2022	297,512	1,948,391	12,449	489,534	26,188	2,476,562	122,313	28,132	38,136	38,313	226,894	3,000,968

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

COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)

Statement of Changes in Equity
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

Group
2021

	INSTITUTIONAL CAPITAL						NON-INSTITUTIONAL CAPITAL					
	Permanent shares $'000 (note 21)	Statutory & legal reserve $'000 (note 23)	General reserve $'000 (note 22)	Business combination reserve $'000 (note 22)	Retained earnings reserve $'000 (note 22)	Total $'000	Loan loss reserves $'000 (note 23)	Fair value reserve $'000 (note 23)	Other Non-qualifying reserve $'000 (note 23)	Undistributed net surplus $'000 (notes 23)	Total $'000	Grand total $'000
Balances at December 31, 2020:												
As previously reported	278,757	1,502,870	12,449	489,534	26,188	2,031,041	122,313	33,108	29,895	58,857	244,173	2,553,971
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(76,770)	(76,770)	(76,770)
As restated	278,757	1,502,870	12,449	489,534	26,188	2,031,041	122,313	33,108	29,895	(17,913)	167,403	2,477,201
Total comprehensive income for the year												
Surplus for the year:												
As previously reported	-	-	-	-	-	-	-	-	-	259,557	259,557	259,557
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(28,058)	(28,058)	(28,058)
As restated	-	-	-	-	-	-	-	-	-	231,499	231,499	231,499
Other comprehensive income:												
Change in fair value of investment securities at FVOCI being total other comprehensive income	-	-	-	-	-	-	-	2,569	-	-	2,569	2,569
Total comprehensive income for the year	-	-	-	-	-	-	-	2,569	-	231,499	234,068	234,068
Transactions with members and movements in reserve												
Entrance fees	-	2,045	-	-	-	2,045	-	-	-	-	-	2,045
Shares amount subscribed	8,852	-	-	-	-	-	-	-	-	-	-	8,852
Appropriation of net surplus for 2021												
Dividends on membership qualification shares (note 21)	-	-	-	-	-	-	-	-	-	(13,938)	(13,938)	(13,938)
Leslie Mills Trust fund	-	-	-	-	-	-	-	-	(64)	-	(64)	(64)
Share transfer fund	-	-	-	-	-	-	-	-	1,670	-	1,670	1,670
Disaster and social outreach fund	-	-	-	-	-	-	-	-	3,782	(3,782)	-	-
Scholarship fund	-	-	-	-	-	-	-	-	(205)	205	-	-
Honorarium	-	-	-	-	-	-	-	-	-	(80)	(80)	(80)
Transfer to statutory reserve from surplus for the year before honoraria and other payments	-	240,632	-	-	-	240,632	-	-	-	(240,632)	(240,632)	-
Total transactions with members and movements in reserves	8,852	242,677	-	-	-	242,677	-	-	5,183	(258,227)	(253,044)	(1,515)
Balances at December 31, 2021, as restated	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	(44,641)	148,427	2,709,754

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

Statement of Changes in Equity (continued)
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

Co-operative
2022

	INSTITUTIONAL CAPITAL						NON-INSTITUTIONAL CAPITAL					
	Permanent shares $'000 (note 21)	Statutory & legal reserve $'000 (note 22)	General reserve $'000 (note 22)	Business combination reserve $'000 (note 22)	Retained earnings reserve $'000 (note 22)	Total $'000	Loan loss reserves $'000 (note 23)	Fair value reserve $'000 (note 23)	Other Non-qualifying reserve $'000 (note 23)	Undistributed net surplus $'000 (notes 23)	Total $'000	Grand total $'000
Balances at December 31, 2021:												
As previously reported	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	35,380	228,448	2,789,775
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(104,828)	(104,828)	(104,828)
As restated	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	(69,448)	123,620	2,684,947
Total comprehensive income for the year												
Surplus for the year	-	-	-	-	-	-	-	-	-	329,066	329,066	329,066
Other comprehensive income:												
Change in fair value of investment securities at FVOCI being total other comprehensive income	-	-	-	-	-	-	-	(7,545)	-	-	(7,545)	(7,545)
Total comprehensive income for the year	-	-	-	-	-	-	-	(7,545)	-	329,066	321,521	321,521
Transactions with members and movements in reserve												
Entrance fees	-	2,579	-	-	-	2,579	-	-	-	-	-	2,579
Shares amount subscribed	9,903	-	-	-	-	-	-	-	-	-	-	9,903
Appropriation of net surplus for 2022												
Dividends on membership qualification shares (note 21)	-	-	-	-	-	-	-	-	-	(14,380)	(14,380)	(14,380)
Leslie Mills Trust fund	-	-	-	-	-	-	-	-	34	-	34	34
Share transfer fund	-	-	-	-	-	-	-	-	1,197	-	1,197	1,197
Disaster and social outreach fund	-	-	-	-	-	-	-	-	1,300	(1,330)	(30)	(30)
Scholarship fund	-	-	-	-	-	-	-	-	527	(527)	-	-
Honorarium	-	-	-	-	-	-	-	-	-	(236)	(236)	(236)
Transfer to statutory reserve from surplus for the year before honoraria and other payments	-	200,265	-	-	-	200,265	-	-	-	(200,265)	(200,265)	-
Total transactions with members and movements in reserves	9,903	202,844	-	-	-	202,844	-	-	3,058	(216,738)	(213,680)	(933)
Balances at December 31, 2022	297,512	1,948,391	12,449	489,534	26,188	2,476,562	122,313	28,132	38,136	42,880	231,461	3,005,535

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

Statement of Changes in Equity (continued)
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

Co-operative
2021

	INSTITUTIONAL CAPITAL						NON-INSTITUTIONAL CAPITAL					
	Permanent shares $'000 (note 21)	Statutory & legal reserve $'000 (note 22)	General reserve $'000 (note 22)	Business combination reserve $'000 (note 22)	Retained earnings reserve $'000 (note 22)	Total $'000	Loan loss reserves $'000 (note 23)	Fair value reserve $'000 (note 23)	Other Non-qualifying reserve $'000 (note 23)	Undistributed net surplus $'000 (notes 23)	Total $'000	Grand total $'000
Balances at December 31, 2020:												
As previously reported	278,757	1,502,870	12,449	489,534	26,188	2,031,041	122,313	33,108	29,895	32,935	218,251	2,528,049
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(76,770)	(76,770)	(76,770)
As restated	278,757	1,502,870	12,449	489,534	26,188	2,031,041	122,313	33,108	29,895	(43,835)	141,481	2,451,279
Total comprehensive income for the year												
Surplus for the year:												
As previously reported	-	-	-	-	-	-	-	-	-	260,672	260,672	260,672
Prior year adjustment (note 35)	-	-	-	-	-	-	-	-	-	(28,058)	(28,058)	(28,058)
As restated	-	-	-	-	-	-	-	-	-	232,614	232,614	232,614
Other comprehensive income:												
Change in fair value of investment securities at FVOCI being total other comprehensive income	-	-	-	-	-	-	-	2,569	-	-	2,569	2,569
Total comprehensive income for the year	-	-	-	-	-	-	-	2,569	-	232,614	235,183	235,183
Transactions with members and movements in reserve												
Entrance fees	-	2,045	-	-	-	2,045	-	-	-	-	-	2,045
Shares amount subscribed	8,852	-	-	-	-	-	-	-	-	-	-	8,852
Appropriation of net surplus for 2021												
Dividends on membership qualification shares (note 21)	-	-	-	-	-	-	-	-	-	(13,938)	(13,938)	(13,938)
Leslie Mills Trust fund	-	-	-	-	-	-	-	-	(64)	-	(64)	(64)
Share transfer fund	-	-	-	-	-	-	-	-	1,670	-	1,670	1,670
Disaster and social outreach fund	-	-	-	-	-	-	-	-	3,782	(3,782)	-	-
Scholarship fund	-	-	-	-	-	-	-	-	(205)	205	-	-
Honorarium	-	-	-	-	-	-	-	-	-	(80)	(80)	(80)
Transfer to statutory reserve from surplus for the year before honoraria and other payments	-	240,632	-	-	-	240,632	-	-	-	(240,632)	(240,632)	-
Total transactions with members and movements in reserves	8,852	242,677	-	-	-	242,677	-	-	5,183	(258,227)	(253,044)	(1,515)
Balances at December 31, 2021, as restated	287,609	1,745,547	12,449	489,534	26,188	2,273,718	122,313	35,677	35,078	(69,448)	123,620	2,684,947

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

COMMUNITY & WORKERS OF JAMAICA CO-OPERATIVE
CREDIT UNION LIMITED (C&WJCCUL)

Statement of Cash Flows
December 31, 2022
(Expressed in Jamaica dollars unless otherwise stated)

	Notes	Group 2022 $'000	Group 2021* $'000	Co-operative 2022 $'000	Co-operative 2021* $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Surplus for the year		299,692	231,499	329,066	232,614
Adjustments for:					
Depreciation- property, plant and equipment	10	52,100	47,793	52,100	47,793
Depreciation - right-of-use assets	9	3,614	5,054	3,614	5,054
Amortisation - intangible assets	11	39,072	39,701	39,072	39,701
Loss on disposal of property, plant and equipment		-	97	-	97
Impairment losses on loans	32(a)(iv)	224,050	260,665	224,050	260,672
Impairment losses on investments	32(a)(iii)	1,028	11,069	1,028	11,069
Impairment losses on intangible assets		-	4,748	-	4,748
Bad debt recovered	29(f)	-	-	(26,255)	-
Interest income		(2,220,623)	(2,066,410)	(2,220,432)	(2,065,753)
Realised gains on investments	26	-	(11,795)	-	(11,795)
Interest expense		395,107	342,560	395,107	342,557
Interest expense on lease liabilities	9	622	1,157	622	1,157
		(1,205,338)	(1,133,862)	(1,202,028)	(1,132,086)
Changes in operating assets and liabilities					
Loans to members		(410,025)	(27,897)	(412,345)	(39,011)
Saving deposits		1,119,853	1,362,726	1,119,853	1,362,726
Voluntary shares and deferred shares		213,797	203,181	213,797	203,181
Other assets		(73,491)	28,090	(88,524)	23,172
Non-interest-bearing liabilities		35,720	5,573	45,468	20,481
Due to other institutions		-	(6,311)	-	(6,311)
		(319,484)	431,500	(323,779)	432,152
Interest received		2,131,593	2,070,508	2,131,593	2,069,860
Interest paid		(401,726)	(330,913)	(401,724)	(330,913)
Net cash provided by operating activities		1,410,383	2,171,095	1,406,090	2,171,099
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquistion of financial investments		(231,036)	(3,952,792)	(231,036)	(3,952,792)
Proceeds from financial investments		55,000	2,934,198	55,000	2,934,198
Addition to deposits		(2,104,135)	(2,266,378)	(2,104,135)	(2,266,378)
Proceeds from deposits		237,589	2,024,224	237,589	2,024,224
Proceeds from/(purchase of) money market funds		1,400,155	(1,164)	1,400,155	(1,164)
Addition to resale agreements		(1,976,063)	(4,391,226)	(1,976,063)	(4,391,226)
Proceeds from resale agreements		1,889,441	3,793,562	1,889,441	3,793,562
Purchase of property, plant and equipment	10	(68,025)	(111,174)	(68,025)	(111,174)
Proceeds on disposal of property, plant and equipment		-	30	-	30
Net cash used in investing activities		(797,074)	(1,970,720)	(797,074)	(1,970,720)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loan proceeds		-	140,000	-	140,000
Loan repayment		(142,233)	(253,856)	(142,233)	(253,856)
Permanent shares		9,903	8,852	9,903	8,852
Entrance fees		2,579	2,045	2,579	2,045
Dividends on membership shares		(14,380)	(13,938)	(14,380)	(13,938)
Lease payments		(3,882)	(3,358)	(3,882)	(3,358)
Net cash used in financing activities		(148,013)	(120,255)	(148,013)	(120,255)
Increase in cash and cash equivalents		465,296	80,120	461,003	80,124
Cash and cash equivalents at beginning of year		413,290	333,170	398,734	318,610
Cash and cash equivalents at end of year		878,586	413,290	859,737	398,734
Comprised of:					
Liquid assets: Earning (cash and cash equivalents)	5	572,452	250,843	572,452	250,843
Liquid assets: Non-earning (cash and cash equivalents)	8	306,134	162,447	287,285	147,891
		878,586	413,290	859,737	398,734

* Restated, see note 35

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

1. Identification

Community & Workers of Jamaica Co-operative Credit Union Limited (C&WJCCUL) ("Co-operative") is incorporated and domiciled in Jamaica, is registered under the Co-operative Societies Act ("Act") and has its registered office at 51 Half Way Tree Road, Kingston 10.

The Co-operative listed its deferred shares on Jamaica Stock Exchange on July 31, 2020 (see note 15).

The Co-operative's wholly-owned subsidiary, C&WJCU Holdings Limited, was incorporated in Jamaica on August 1, 2019. The principal activity of the subsidiary, which is domiciled in Jamaica, is the issuing of loans from which interest is earned.

The Co-operative and its subsidiary are collectively referred to as "the Group".

Membership in the Co-operative is limited to:

(A) All registered societies and:

- (i) Employees and ex-employees of Cable & Wireless Jamaica Limited and its successor and predecessor companies.
- (ii) Any person engaged in the provision of telecommunication services in Jamaica including regulators and contractors or sub-contractors of Cable &Wireless Jamaica Limited or its successor and predecessor companies.
- (iii) Employees and ex-employees of corporate subscribers to telecommunication service in Jamaica.
- (iv) Persons living and working in the parish of Clarendon.
- (v) Persons working in Marine and Allied Industries in Jamaica.
- (vi) Employees of members.
- (vii) Minors, whether or not they are wards or children or grandchildren of members.
- (viii) Persons working, living or who were born in the parish of Westmoreland.
- (ix) Relatives and spouses of members. Relatives are specified as father, mother, son, daughter, grandchildren, brother, sister, aunt, uncle, niece and nephew.

(B) Members and persons eligible to be members of the credit unions that merged with this society [Marine and Allied Industries Co-operative Credit Union, Clarendon Co-operative Credit Union, Westmoreland Co-operative Credit Union, ICD & Associates Co-operative Credit Union, National Water Commission Co-operative Credit Union, Desnoes and Geddes Employees Co-operative Credit Union Limited, St. Elizabeth Co-operative Credit Union Limited (STECCUL)].

PROVIDED THAT any person admitted to membership has attained the age of sixteen (16) years.

1. Identification (continued)

The Co-operative's main activities are:

(i) The promotion of thrift;
(ii) The provision of loans to members exclusively for provident and productive purposes; and
(iii) To receive the savings of its members either as payments on share or as deposits.

The Co-operative Societies Act requires amongst other provisions, that at least 20% of the net surplus of the Co-operative be transferred to a statutory reserve fund.

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

2. Basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant provisions of the Act.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost, except for certain investments which are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Jamaica dollars, which is the functional currency of the Group and the Co-operative and are expressed in thousands of dollars unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The accounting policies for the Group are the same for the Co-operative throughout these financial statements. 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.

3. Significant accounting policies

The Group has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Co-operative and its subsidiary presented as a single economic entity.

A subsidiary is an entity controlled by the Co-operative. The Co-operative controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group transactions, balances and unrealised gains on transactions between the Co-operative and the subsidiary are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the subsidiary are consistent with those of the Co-operative.

(b) Financial instruments – Classification, recognition, derecognition and measurement

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

- Financial assets comprise loans to members, liquid assets, financial investments and other assets.
- Financial liabilities comprise lease liabilities, voluntary shares, deferred shares, saving deposits, amounts due to other institutions, external credits, accruals, payables and other non-interest bearing liabilities.

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

(i) Recognition and initial measurement

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Group 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.

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

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent remeasurement

Financial assets

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

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

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

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by expected credit loss (ECL) see 3(b)(vii). Interest income from these financial assets is included in 'Interest income' calculated using the effective interest method.

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

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

Debt instruments (continued)

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

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

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

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

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

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

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

Debt instruments (continued)

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

Equity instruments

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

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

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

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons. Where the modification to the contractual terms of a loan is substantial, the existing loan is derecognised and a new renegotiated loan is recognised at a new effective interest rate. Where the modification is not substantial and does not result in derecognition, the gross carrying amount of the loan is calculated by discounting the modified cash flows using the original effective interest rate.

Any fees received as part of the modification are accounted for as follows:
- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

Financial liabilities

Financial liabilities are classified and measured at amortised cost.

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iii) Derecognition

Financial assets

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

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

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

Financial liabilities

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

(iv) Measurement and gains and losses

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

- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL which are at fair value with changes recognised immediately in profit or loss;
- equity investment securities designated as at FVOCI.

The Group 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.

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(iv) Measurement and gains and losses (continued)

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

(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 Group 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 to members:

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) Liquid assets:

Liquid earning assets comprise cash and cash equivalents, certificate of deposits, money market funds and resale agreements with maturity of less that twelve (12) months from the reporting date. Liquid non-earning assets comprise cash on hand and current accounts held at banks. Liquid assets are classified and measured at amortised cost, except money market funds that are measured at fair value.

(3) Securities purchased under resale agreement (“ reverse repurchase agreements”):

Securities purchased under resale agreement 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 repurchase agreements are accounted for as short-term collateralised lending and are classified and measured at amortised cost.

The Group enters into reverse repurchase agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognised as “reverse repurchase agreements” and are collaterised by the underlying securities.

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

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vi) Specific financial instruments (continued)

(4) Other non-earning assets:

Other assets comprise receivables and are classified and measured at amortised cost less impairment losses.

(5) Cash and cash equivalents:

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

(6) Non-interest bearing liabilities

Non-interest bearing liabilities, including provisions, are classified and measured at amortised cost:

Provisions are recognised when the Group 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.

(7) Deferred shares:

Deferred shares are considered as capital for regulatory purposes but are recognised in the financial statements as liabilities as they are withdrawable after a fixed period. These are initially measured at fair value and are subsequently measured at amortised cost. Interest expense incurred thereon is recognised in profit or loss on the accrual basis using the effective interest method.

(8) Voluntary shares:

Voluntary shares represent deposit holdings of the Cooperative's members to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Interest payable on these shares is reported as interest in profit or loss.

(9) External credits:

External credit is 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.

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vii) Impairment

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

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

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

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

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive.

Restructured financial assets

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

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vii) Impairment (continued)

Restructured financial assets (continued)

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

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

Credit-impaired financial assets

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

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

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

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

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vii) Impairment (continued)

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

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

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance for FVOCI is recognised in OCI and the expense in profit or loss.

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 Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Other Non-Interest Income' in the statement of profit or loss and OCI.

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

3. Significant accounting policies (continued)

(b) Financial instruments – Classification, recognition, derecognition and measurement (continued)

(vii) Impairment (continued)

Regulatory provision

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

Regulatory provision that exceeds the IFRS provision are dealt with in a non-distributable loan loss reserve as an appropriation of undistributable surplus [see note 24(a)].

(c) Employee benefits:

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, 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.

Short-term employee benefits are charged as expense. The expected cost of vacation leave that accumulates is recognised over the period that the employee becomes entitled to the leave.

The Group participate in a defined contribution pension plan. Obligations for contribution to defined contribution plans are expensed to profit or loss as the related service is provided.

(d) Property, plant and equipment:

(i) Measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [see note 3(o)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued):

(iii) Depreciation

Depreciation is calculated on the reducing balance basis, except for motor vehicles and computer equipment which are depreciated on the straight-line basis, calculated at rates estimated to write off the relevant assets to their residual values over their expected useful lives. Land and work-in-progress are not depreciated.

The annual rates are as follows:

Buildings	2%
Leasehold improvements	10%
Motor vehicles	20%
Computer equipment	20%
Stand by plant Equipment, furniture and fixtures	5%-20%
Right-of-use assets	2%-33%

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(e) Institutional capital:

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

(f) Statutory reserves:

The statutory and legal reserves are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of net 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%.

(g) Permanent shares:

Voluntary (ordinary) shares in the Co-operative are not regarded as share capital and are treated as savings deposits. The Co-operative has therefore established permanent shares in order to strengthen its capital base. Special bye-laws were passed by the Board of Directors on 24th May 2008, in accordance with the Co-operative Societies Act. All new applicants for membership and existing members of the Co-operative are required to subscribe to a minimum of 1,000 permanent shares. These shares are issued at a par value of $2 each and are referred to as membership qualification permanent shares.

3. Significant accounting policies (continued)

(g) Permanent shares (continued):

Monies paid for permanent shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Co-operative or any other Co-operative as borrower, endorser, co-maker or guarantor.

In accordance with Rule 10, an individual ceasing to be a member of the Co-operative shall be entitled to a refund of any amount held as permanent shares upon transfer to another member. Rule 17 makes provision for permanent shares and deferred shares to be redeemable only upon transfer to another member. In facilitation of this rule, the Co-operative has established a share transfer fund which should represent up to a maximum of fifteen percent (15%) of the value of the outstanding permanent shares to facilitate the transfer or redemption of permanent shares and deferred shares. This is funded from appropriation of surplus and will not form part of the Co-operative's institutional capital [note 23(b)].

(h) Interest income and expense

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial assets; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the company 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 estimate 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 or issue of a financial asset or financial liability.

(ii) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or 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 and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. Significant accounting policies (continued)

(h) Interest income and expense (continued)

(iii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortised cost of the liability. 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.

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

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

Under Regulatory requirements, no interest is recognised on loans that are in arrears for 90 days or more, even if they are not credit-impaired (see also note 10).

(iv) Presentation

Interest income calculated using the effective interest method presented in the income statement includes interest on financial assets measured at amortised cost and interest on debt instruments measured at FVOCI; interest expense presented in the income statement includes financial liabilities measured at amortised cost and interest expense on lease liabilities.

(i) 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 Group recognises revenue when it transfers control over a service to a customer.

Fee and commission income and expense that are integral to the effective interest rate on financial asset or financial liability are included in 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 recognised on a straight-line basis over the commitment period.

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

3. Significant accounting policies (continued)

(i) Fees and commission (continued)

A contract with a customer that results in a recognised financial instrument in the Group's 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 Group 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' account 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 rates determined by the Group.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

(j) Dividends

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

(k) League fees and stabilization dues:

Jamaica Co-operative Credit Union League has fixed the rate of league fees at 0.20% (2021: 0.20%) of total assets. Stabilization dues are fixed at a rate of 0.15% (2021: 0.15%) of total savings. The stabilization fees represent funds held at the league for relief for any unexpected emergency while the league fees represents membership dues paid by all credit unions. These are recognised in profit or loss when they become due.

(l) Foreign currencies:

Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

3. Significant accounting policies (continued)

(m) Basis of combination:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as the excess of:

- the aggregate of the consideration transferred measured at fair value; over
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed measured at fair value.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.

(n) Intangible assets:

(i) Customer relationships

Customer relationships were acquired through business combination and were initially measured at fair value and subsequently at cost less accumulated amortisation and impairment losses and are deemed to have a finite useful life. Customer relationships are the estimated economic benefits derived from the incremental revenues and related cash flows as a direct result of relationships in place, versus having to try and replicate them. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of twelve (12) years.

(ii) Trademarks

Trademarks are measured at cost less accumulated amortisation and accumulated impairment losses and are deemed to have a finite useful life.

3. Significant accounting policies (continued)

(n) Intangible assets (continued):

(iii) Core deposits

Core deposits relate to the deposit base acquired in a business combination and was initially measured at fair value. Subsequent to initial recognition, they are assessed for impairment losses and are deemed to have a finite useful life over which they are amortised. Amortisation is calculated using the straight line basis to allocate the cost of the intangible assets over their estimated useful lives of twelve (12) years.

(iv) Goodwill

Goodwill is measured initially at fair value, less any accumulated impairment losses. Goodwill is not amortised but assessed annually for impairment.

(v) Computer software

Computer software, is deemed to have a finite useful life of three years and is measured at cost, less accumulated amortisation and impairment losses, if any.

(o) Impairment of non-financial assets

The carrying amounts of the Group'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 at each reporting date. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combinations.

(i) Calculation of recoverable amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(ii) Reversals of impairment

An impairment loss is reserved 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.

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

3. Significant accounting policies (continued)

(p) Earning and non-earning assets

Earning assets are those assets on which interest or other income is earned while non-earning assets do not earn income. The assets are so classified in keeping with the requirements of the Regulator to show the amount of the Co-operative's assets on which income is earned.

(q) Leases

At inception of a contract, the Group 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 Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group branch 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 Group branch has elected to separate non-lease components and account for these separately.

The Group recognises 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 Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group 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 and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain Remeasurement, of the lease liability.

The lease liability is initially measured at the present value of the contracted lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by reference to rates from external services adjusted to reflect the terms of the leasee.

3. Significant accounting policies (continued)

(q) Leases (continued)

(i) As a lessee (continued)

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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

(ii) 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 Group acts as a lessor, it determines at lease inception whether each lease is finance lease or an operating lease.

To classify the lease, the Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

3. Significant accounting policies (continued)

(r) Deferred income:

Donations or contributions received for capital or recurring expenditure is recognised in deferred income at amortised cost. An amount equivalent to the depreciation charge on capital assets acquired from the funds is recognised as income in profit or loss. Amounts used for recurring expenses are recognised in profit or loss as the expenses are incurred.

(s) New and amended standards:

(i) Newly currently effective standards:

The following new and amended standards did not have any impact on the Group's financial statements.

- Amendments to IFRS 16 *Leases* extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. The amendments were effective April 1, 2021.
- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 9 *Financial Instruments* and IFRS 16 *Leases* and were effective January 1, 2022.
- Amendments to IAS 37 *Provision*, C*ontingent Liabilities and Contingent Assets* clarify those costs that comprise the costs of fulfilling the contract and were effective January 1, 2022.

(ii) Forthcoming standards:

At the date of authorisation of these financial statements, certain new and amended standards have been issued which are not effective at the reporting date and which the Group has not early adopted.

- 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 provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  (i) requiring entities to disclose their material accounting policies rather than their significant accounting policies;

  (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements".

3. Significant accounting policies (continued)

(s) New and amended standards (continued):

(ii) Forthcoming standards (continued):

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

  The Group will apply the amended standard for the reporting period starting January 1, 2023, with changes in disclosures in accounting policies expected.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Group will apply the amended standard for the reporting period starting January 1, 2023, with changes in disclosures in accounting policies expected.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

3. Significant accounting policies (continued)

(s) New and amended standards (continued):

(ii) Forthcoming standards (continued):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued*)*

  Developing an accounting estimate includes both:

  (i) selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and

  (ii) choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates, unless they result from the corrections of prior period errors. The definition of accounting policies remains unchanged.

  The Group will apply the amendments for the reporting period starting January 1, 2023. The amended standards are not expected to have a significant impact on the Group's financial statements.

4. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are set out below:

Key assumptions and other sources of estimation uncertainty

(1) Allowance for impairment losses on financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Management also estimates the likely amount of cashflows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such an estimate.

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4. Use of estimates and judgements (continued)

Key assumptions and other sources of estimation uncertainty (continued):

(1) Allowance for impairment losses on financial assets (continued)

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 32(a)(iv), which also sets out key sensitivities of the ECL to changes in these elements. The use of assumptions make uncertainty inherent in such estimate.

(2) Fair value of financial instruments

There are no quoted market prices for certain of the Group's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a Level 2 fair value. Some other fair values are estimated based on quotes published by a broker/dealer, and these are also classified as Level 2 as well as those using a valuation method and is classified as level 3. The estimates of fair value arrived at from these sources may be different from the actual price of the instrument in an actual arm's length transaction as set out in note 32(f).

5. Earning liquid assets

	Group and Co-operative	
	2022	2021
	$'000	$'000
Financial assets at amortised cost		
(i) Cash and cash equivalents:		
Savings account balances (Maturing within 3 months)	81,393	250,843
Short-term deposit	491,059	-
	572,452	250,843
(ii) Deposits:		
Certificate of deposits	1,859,907	1,094,349
Deposit accounts [include liquidity reserve with the regulator of $1.098 billion (2021: $nil)] (see i below)	1,098,000	-
	2,957,907	1,094,349
(iii) Resale agreements:		
maturing within 12 months (see ii below)	1,218,431	1,131,809
	4,176,338	2,477,001
Less: impairment loss allowance	-	(2,988)
	4,176,338	2,474,013
Financial assets at fair value through profit or loss		
(iv) Money market funds (included liquidity reserve of $1.090 billion)	-	1,400,155
Total liquid earning assets	4,748,790	3,874,168

(i) This represents liquidity reserve with the regulator and is available for use after notifying the regulator.

(ii) All the resale agreements are fully collaterised by Government securities, the fair value of such underlying securities was $1,365,373,000 (2021: $1,224,949,000).

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6. Loans to members

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Loans to members	13,339,281	13,188,646	13,337,275	13,184,321
Less: impairment loss allowance	(255,181)	(310,681)	(255,180)	(310,679)
	13,084,100	12,877,965	13,082,095	12,873,642
Less loan fees:				
At the beginning of the year	(104,827)	(76,106)	(104,827)	(76,106)
Additions during the year	(78,021)	(70,576)	(78,021)	(70,576)
Fees amortised during the year	57,862	41,854	57,862	41,854
Unamortised loan fees at end of year	(124,986)	(104,828)	(124,986)	(104,828)
	12,959,114	12,772,991	12,957,109	12,768,814
Loan interest receivable	125,896	124,469	125,881	124,315
Balance at end of year	13,085,010	12,897,460	13,082,990	12,893,129
The amounts are expected to be recovered as follows:				
Within 12 months	790,176	209,049	790,176	209,055
Over 12 months	12,549,105	12,979,597	12,547,099	12,975,266
	13,339,281	13,188,646	13,337,275	13,184,321

Credit quality of loans:

	Group			
	2022			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at beginning for year	12,653,733	264,381	270,532	13,188,646
Loans granted	5,374,715	-	-	5,374,715
	18,028,448	264,381	270,532	18,563,361
Less: repayments and transfers	(5,119,110)	(37,878)	(67,092)	(5,224,080)
	12,909,338	226,503	203,440	13,339,281

	2021			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Balance at beginning for year	12,946,145	219,924	129,201	13,295,270
Loans granted	4,626,742	-	-	4,626,742
	17,572,887	219,924	129,201	17,922,012
Less: repayments and transfers	(4,919,154)	44,457	141,331	(4,733,366)
	12,653,733	264,381	270,532	13,188,646

6. Loans to members (continued)

Credit quality of loans (continued):

	Co-operative			
	2022			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at beginning for year	12,649,409	264,381	270,531	13,184,321
Loans granted	5,374,715	-	-	5,374,715
	18,024,124	264,381	270,531	18,559,036
Less: repayments and transfers	(5,116,792)	(37,878)	(67,091)	(5,221,761)
	12,907,332	226,503	203,440	13,337,275
	2021			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Balance at beginning for year	12,930,707	219,924	129,200	13,279,831
Loans granted	4,626,742	-	-	4,626,742
	17,557,449	219,924	129,200	17,906,573
Less: repayments and transfers	(4,908,039)	44,457	141,331	(4,722,252)
	12,649,409	264,381	270,531	13,184,321

Loans to members by type, before impairment loss allowance, comprised:

	Group		Co-operative	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Motor vehicle loans	5,691,480	6,206,091	5,689,473	6,201,758
Cash secured loans	1,689,815	1,493,781	1,689,815	1,493,781
Home equity loans	400,007	376,367	400,007	376,367
Mortgage loans	1,550,873	1,264,780	1,550,873	1,264,780
Unsecured loans	3,884,713	3,722,780	3,884,714	3,722,780
Other loans	122,393	124,847	122,393	124,855
	13,339,281	13,188,646	13,337,275	13,184,321

6. Loans to members (continued)

Impairment loss allowance determined under Jamaica Co-operative Credit Union League (JCCUL) regulatory requirements is as follows:

	Group and Co-operative 2022				Group and Co-operative 2021			
	Number of loans in arrears	Loans in arrears	Rate	Loan loss provision	Number of loans in arrears	Loans in arrears	Rate	Loan loss provision
		$'000	%	$'000		$'000	%	$'000
1 month	204	178,599	-	-	240	130,188	-	-
2 to 3 months	95	53,355	10	5,335	150	103,911	10	10,391
4 to 6 months	143	77,776	30	23,333	198	90,016	30	27,005
7 to 12 months	213	95,473	60	57,284	300	137,664	60	82,598
	655	405,203		85,952	888	461,779		119,994

The allowance for impairment under the JCCUL regulatory requirement is below the provision required under IFRS provisioning rules, hence no amounts have been recognised in loan loss reserve during the year. The excess of the regulatory provision over the IFRS provision is normally dealt with through a transfer between accumulated surplus and loan loss reserve. Although the IFRS provision has exceeded the regulatory reserve, the Co-operative has maintained the loan loss reserve of $122,313,000 (2021: $122,313,000). Any changes to the reserve are recorded in the statement of changes in equity.

7. Earning assets - financial investments

	Group and Co-operative	
	2022	2021
	$'000	$'000
Financial assets at amortised cost		
Maturing over 9 months:		
Resale agreements	3,086	-
Certificate of deposits	7,597	-
	10,683	-
Less impairment loss allowance	(3,296)	-
	7,387	-
Investment securities at amortised cost		
Government of Jamaica Euro bonds	48,289	49,990
Corporate bonds	1,629,902	1,433,941
Deferred shares	668,000	690,816
	2,346,191	2,174,747
Less impairment loss allowance	(14,963)	(14,243)
	2,331,228	2,160,504
Investment securities at fair value through other comprehensive income		
Quoted equities	244,156	201,980
Unquoted shares	118,669	118,703
	362,825	320,683
Jamaica Co-operative Credit Union League Limited [see (a) below]	16,060	16,060
	378,885	336,743
Investment securities at fair value through profit or loss		
Jamaica Money Market Brokers managed portfolio:		
Cash and cash equivalents (these are investments and are not available for operating purposes)	107,310	141,012
Quoted equities	60,066	49,527
Corporate bonds	132,849	133,556
Government bonds	20,036	20,223
Preference shares	9,554	-
Unit trust	12,881	3,863
	342,696	348,181
Unit trust funds	6,862	45,594
	349,558	393,775
	3,067,058	2,891,022

7. Earning assets - financial investments (continued)

(a) A minimum of 2,008,000 shares, each with a par value of $1.00, must be held with the JCCUL for the Co-operative to retain membership status.

The amounts are due to be recovered as follows:

	Group and Co-operative	
	2022	2021
	$'000	$'000
Within 12 months	1,020,260	319,946
Over 12 months	2,046,798	2,571,076
	3,067,058	2,891,022

8. Non-earning liquid assets – cash and cash equivalents

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Cash balances	98,125	90,732	98,125	90,732
Current account balance	208,009	71,715	189,160	57,159
	306,134	162,447	287,285	147,891

9. Leases

(a) Leases as lessee

(i) Right-of-use assets

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

	Group and Co-operative	
	2022	2021
	$'000	$'000
Balance at January 1	9,615	14,669
Depreciation charge for the year	(3,614)	(5,054)
Balance at December 31	6,001	9,615

9. Leases (continued)

(a) Leases as lessee (continued)

(ii) Lease liabilities

Undiscounted cashflows of lease liability:

	Group and Co-operative	
	2022	2021
	$'000	$'000
Less than one year	1,530	4,514
One to five years	4,093	4,427
More than five years	4,672	5,923
	10,295	14,864
Less unamortized interest	(3,557)	(4,244)
Carrying amount of lease liabilities	6,738	10,620
(iii) Amounts recognised in profit or loss		
Depreciation on right of use asset	3,614	5,054
Interest on lease liabilities	622	1,157
(iv) Amounts recognised in statement of cash flows		
Total cash outflow for leases	4,504	4,515

(v) Extension options

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

(b) As the lessor

Leases relate to property owned by the Group with lease terms of between 2 to 10 years, with options to extend for a further 1 to 5 years. The lessees do not have the option to purchase the property at the expiry of the lease period.

The Group and Co-operative earned property rental income of $16,970,677 (2021: $14,324,000) under operating leases for an insignificant portion of its property.

10. Property, plant and equipment

	Group and Co-operative						
	Land and buildings $'000	Motor vehicles $'000	Equipment, furniture & fixtures $'000	Computer equipment $'000	Leasehold improvements $'000	Work in progress $'000	Total $'000
December 31, 2020	641,750	18,250	185,104	246,508	10,681	30,693	1,132,986
Additions	41,449	15,896	31,054	22,775	-	-	111,174
Disposals/write-offs	-	-	(242)	(4,078)	-	-	(4,320)
Transfers	22,451	-	-	-	-	(22,451)	-
December 31, 2021	705,650	34,146	215,916	265,205	10,681	8,242	1,239,840
Additions	3,049	-	6,605	26,568	-	-	36,222
December 31, 2022	708,699	34,146	222,521	291,773	10,681	8,242	1,276,062
Depreciation:							
December 31, 2020	72,433	4,583	91,130	183,918	5,275	-	357,339
Charge for the year	9,394	3,890	9,708	24,390	411	-	47,793
Disposals/write-offs	-	-	(195)	(3,998)	-	-	(4,193)
December 31, 2021	81,827	8,473	100,643	204,310	5,686	-	400,939
Charge for the year	9,787	6,539	10,487	24,914	373	-	52,100
December 31, 2022	91,614	15,012	111,130	229,224	6,059	-	453,039
Net book values:							
December 2022	617,085	19,134	111,391	62,549	4,622	8,242	823,023
December 2021	623,823	25,673	115,273	60,895	4,995	8,242	838,901
December 2020	569,317	13,667	93,974	62,590	5,406	30,693	775,647

As at 31 December 2022, the Group leased an insignificant section of its head office under an operating lease arrangement [see note 9(b)].

11. Intangible assets

	Group and Co-operative					
	Trademarks $'000	Goodwill $'000	Customer relationships $'000	Core deposits $'000	Computer software $'000	Total $'000
Cost:						
December 31, 2020	2,430	90,052	63,921	139,354	297,947	593,704
Impairment	-	-	-	-	(4,748)	(4,748)
December 31, 2021	2,430	90,052	63,921	139,354	293,199	588,956
Additions	-	-	-	-	31,803	31,803
December 31, 2022	2,430	90,052	63,921	139,354	325,002	620,759
Amortisation:						
December 31, 2020	2,430	-	39,929	34,273	128,783	205,415
Charge for the year	-	-	5,327	11,613	22,761	39,701
December 31, 2021	2,430	-	45,256	45,886	151,544	245,116
Charge for the year	-	-	5,327	11,613	22,133	39,072
December 31, 2022	2,430	-	50,583	57,499	173,677	284,189
Net book values:						
December 2022	-	90,052	13,338	81,855	151,325	336,570
December 2021	-	90,052	18,665	93,468	141,655	343,840
December 2020	-	90,052	23,992	105,081	169,164	388,289

In testing goodwill for impairment, recoverable amounts of entities previously acquired are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of each entity are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are estimated over 5 years, followed by a terminal value calculated based on the discount rates and growth rates in the table below. Key assumptions are set out below:

	2022		2021	
Entities previously acquired	Discount rates	Growth rates	Discount rates	Growth rates
D&GECCUL	24%	2%	23%	2%
ICDCCU	24%	2%	22%	2%
NWCCU	23%	2%	22%	2%
STECCUL	23%	2%	23%	2%
WCCU	23%	2%	22%	2%

The above entities form part of the Group's branch network.

12. Other assets

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest receivable	152,957	55,848	152,957	55,848
Other receivables	179,453	107,478	179,723	112,398
	332,410	163,326	332,680	168,244

13. Voluntary shares

	Group and Co-operative	
	2022	2021
	$'000	$'000
Balance at beginning of year	4,640,633	4,422,510
Amount subscribed	6,185,843	5,322,964
Interest capitalised	6,791	9,733
	10,833,267	9,755,207
Withdrawals and transfers	(5,959,223)	(5,114,574)
Balance at end of year end	4,874,044	4,640,633

Voluntary shares are issued at a par value of $2 per share. Interest is paid at a rate of 0.15% per annum.

14. Deferred shares

	Group and Co-operative	
	2022	2021
	$'000	$'000
Deferred Shares – 7.35% Variable	865,444	885,058

These shares were issued on May 31, 2018 at a par value of $2 per share. They are not withdrawable for a period of five (5) years, with Series A for $900 million maturing on June 15, 2023. The shares attract interest at 7.35% per annum for the first twenty four (24) months. Thereafter, the rate will be reset annually on June 15th, at the average six (6) months treasury bill yield held prior to the commencement of the relevant coupon period, plus two hundred basis points.

During December 2022, the Group repurchased a portion of the deferred shares and the amount of consideration paid is recognized as a deduction from the account. As at December 31, 2022, the Group held 17,278,016 (2021: 7,471,085) of the deferred shares.

Based on the proposed Bank of Jamaica Credit Union Regulations, deferred shares are treated as institutional capital, and as such are included in the calculation of the capital to asset ratio. They are, however, classified in these financial statements as liabilities in accordance with the requirements of IFRS.

15. Saving deposits

	Group and Co-operative 2022 $'000	2021 $'000
Salary deposits	186,075	189,377
Ordinary deposits	2,586,705	2,641,376
Golden harvest deposits	5,797	19,055
Golden anchor deposits	1,739,496	1,412,933
Special deposits	1,002,956	918,531
Special fixed deposits	3,708,940	3,244,475
Mortgage deposits	56,955	50,204
Long-term savings deposits	101,132	100,770
Early bird savings	125,947	117,707
Partner savings accounts	208,485	182,235
High yield savings accounts	335,719	330,147
Save as you earn (SAYE)	2,113,768	1,883,129
Solid saver	345,582	328,241
Other deposits	543,683	523,207
Total saving deposits	13,061,240	11,941,387

Interest on saving deposits during the year ranges from 0.10% to 3.0%, with maturity generally three (3) months or less.

16. Due to other institutions

	Group and Co-operative 2022 $'000	2021 $'000
Jamaica Urban Transit Company (JUTC) revolving loan fund	4,930	4,930
Carib Star Shipping Limited staff fund	1,574	1,574
Crown Packaging Jamaica Limited staff fund	6,809	6,809
Shipping Association of Jamaica staff fund	3,000	3,000
National Water Commission (NWC) fund	19,823	19,823
	36,136	36,136

These represent deposits made by corporate entities which are held as security for their members'borrowings and bear interest at varying rates of interest per annum.

17. External credits

	Group and Co-operative 2022 $'000	2021 $'000
NHT Jump Start loan (i)	94,247	114,924
Development Bank of Jamaica (ii)	18,444	140,000
	112,691	254,924

17. External credits (continued)

(i) This represents advances under the National Housing Trust Jump Start mortgage fund facility which bears interest at rates ranging from 6% to 9% and are repayable over 1 to 5 years. The loans are both secured and unsecured. Each qualifying member can access a loan up to $850,000 at any one time but the maximum loan which can be on-lent to each qualifying member is $1,500,000.

(ii) This represents 2 medium term loan facilities with the Development Bank of Jamaica Limited for on-lending to sub-borrowers in the MSME sector. Interest rates on the loans are 2% per annum respectively. The loans are repayable over 90 months respectively.

18. Accruals

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Interest payable	80,629	87,022	80,629	87,022
Accrued vacation	35,658	27,739	35,658	27,739
Other accruals	82,706	89,931	85,934	89,931
	198,993	204,692	202,221	204,692

19. Payables

	Group and Co-operative	
	2022	2021
	$'000	$'000
Withholding tax	3,495	4,614
Statutory contributions	56,124	54,414
Pension contributions	3,314	2,924
Standing order payments	101,304	56,292
Sundry credit balances	60,203	52,970
	224,440	171,214

20. Other non-interest bearing liabilities

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Advances - Cable & Wireless Jamaica Limited	59,916	61,877	58,232	61,877
Standing orders/members holding account	10,568	10,605	10,568	10,605
Sundry payables	101,467	92,370	103,152	92,370
Estate - deceased members	84,875	95,868	84,875	95,868
Death benefits	11,606	11,591	11,606	11,591
Deferred income	-	2,572	-	2,572
Refundable to former members	7,259	7,259	7,259	7,259
Staff incentives	22,549	31,613	22,549	31,613
Lawsuits	17,790	10,212	17,790	10,212
Miscellaneous	8,272	2,394	6,143	13,242
	324,302	326,361	322,174	337,209

21. Permanent shares

Permanent shares form part of the permanent capital of the Co-operative and are not withdrawable [note 3(g)]. As at December 31, 2022, the Co-operative has 141,536 members (2021: 136,406).

In the annual general meeting held on June 15, 2022 (2021: May 5, 2021) a dividend of $14,380,000 (2021: $13,938,000) representing approximately 5% (2021: 5%) of the value of the membership qualification shares was declared.

22. Institutional capital

Institutional capital represents reserves that are not available for distribution and meets regulatory requirements for capital adequacy purposes and is made up as follows:

	Group and Co-operative	
	2022	2021
	$'000	$'000
Statutory and legal reserve (i)	1,948,391	1,745,547
General reserve (ii)	12,449	12,449
Business combination reserve (iii)	489,534	489,534
Retained earnings reserve (iv)	26,188	26,188
	2,476,562	2,273,718

(i) Statutory and legal reserve

	Group and Co-operative	
	2022	2021
	$'000	$'000
Balance at beginning of year	1,745,547	1,502,870
Transfer for the year [60.86% (2021: 92.71%) of surplus]	200,265	240,632
Entrance fees	2,579	2,045
Balance at end of year	1,948,391	1,745,547

As required by the Co-operative Societies Act a minimum of twenty (20%) of the annual surplus is transferred to reserves. Amounts collected for entrance fees are also included in this reserve.

22. Institutional capital (continued)

(ii) General reserve

This represents accumulated surplus transferred from Marine and Allied Co-operative Credit Union Limited and Clarendon Co-operative Credit Union Limited on their merger with the Co-operative.

(iii) Business combination reserve

This represents the excess of the fair value of net assets acquired and the fair value for shares issued to members in the business combinations.

(iii) Retained earnings reserve

This represents transfers from surplus which are not available for distribution.

23. Non-institutional capital

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Loan loss reserve (a)	122,313	122,313	122,313	122,313
Other non-qualifying reserves (b)	38,136	35,078	38,136	35,078
Fair value value reserve (c)	28,132	35,677	28,132	35,677
Undistributed net surplus	38,313	(44,641)	42,880	(69,448)
	226,894	148,427	231,461	123,620

(a) Loan loss reserve

This is a non-distributable reserve representing the excess of the provision for loan losses determined by using the JCCUL regulatory requirement as well as any additional general provision as determined by management and the Group's policies over the amount determined under IFRS.

(b) Other non-qualifying reserves

These represent amounts set aside by the Group to be used for specified purposes determined by the Group or the donors to the specified funds and are made up as follows:

	Group and Co-operative	
	2022	2021
	$'000	$'000
Special reserve	10	10
Scholarship fund	3,697	3,169
Disaster and social outreach fund	16,499	15,199
Education reserve	147	147
Development fund	300	300
Share transfer fund	13,849	12,652
Leslie Mills Trust fund	3,634	3,601
	38,136	35,078

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23. Non-institutional capital (continued)

(c) Fair value reserve

This represents the unrealised surplus or deficit on the revaluation of financial assets at fair value through other comprehensive income.

Non-institutional capital do not meet regulatory requirements to be treated as capital and can be distributed.

24. Interest income

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Cash and cash equivalents	3,517	48	3,517	48
Resale agreements	137,932	32,503	137,932	32,503
Certificate deposits	97,723	39,323	97,723	39,323
Loans to members	1,829,132	1,898,193	1,828,941	1,897,536
Corporate bonds	99,182	52,022	99,182	52,022
Government bonds	3,570	3,847	3,570	3,847
Deferred shares	49,567	40,474	49,567	40,474
	2,220,623	2,066,410	2,220,432	2,065,753

25. Other financial costs

	Group and Co-operative	Group	Co-operative
	2022	2021	2021
	$'000	$'000	$'000
Life savings and loan protection insurance	61,409	53,077	53,077
Lease finance cost	622	1,157	1,157
Bank charges	38,815	30,896	30,893
ABM fees	4,185	6,112	6,112
Other financial cost	-	3	3
	105,031	91,245	91,242

26. Other non-interest income

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Commission on bill collections and remittance services	14,948	14,849	14,948	14,849
(Losses)/gains on foreign exchange	(4,831)	23,892	(4,831)	23,892
Realised gains on investments	-	11,795	-	11,795
Family Indemnity Plan commission	13,452	13,788	13,452	13,788
Dividends on equity investments	8,308	5,860	8,308	5,860
Miscellaneous income	13,175	6,900	13,175	6,900
Bad debts recovered	52,955	31,367	81,078	31,367
	98,007	108,451	126,130	108,451

27. Operating expenses

	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
Personnel expenses				
Employee salaries and allowances	741,416	725,028	741,416	725,028
Employee benefits	124,358	122,637	124,358	122,637
Pension contribution	12	12	12	12
Education and training	6,691	10,969	6,691	10,969
Staff travel and related expenses	4,479	3,533	4,479	3,533
	876,956	862,179	876,956	862,179

	Group 2022 $'000	Group 2021 $'000	Co-operative 2022 $'000	Co-operative 2021 $'000
Administrative expenses				
Utilities	67,074	54,502	67,074	54,502
Depreciation - property, plant and equipment	52,100	47,793	52,100	47,793
Depreciation - right-of-use assets	3,614	5,054	3,614	5,054
Audit fees	23,541	19,818	22,610	18,955
Professional fees	37,423	50,153	37,203	50,153
Repairs and maintenance (office)	26,531	30,638	26,531	30,638
Janitorial and security	88,517	95,559	88,517	95,559
Vehicle expenses	2,202	1,251	2,202	1,251
Telecommunications	58,280	53,588	58,280	53,588
Printing, stationery and supplies	21,078	25,739	21,078	25,739
Data processing	62,084	63,641	62,084	63,641
Insurance premiums	9,843	10,252	9,843	10,252
Amortisation of intangible assets	39,072	39,701	39,072	39,701
Impairment of intangible assets	-	4,748	-	4,748
Subscriptions	66,071	23,749	66,071	23,749
Loss on disposal of property, plant and equipment	-	97	-	97
Other administrative expenses	23,587	25,305	23,318	25,056
	581,017	551,588	579,597	550,476
Marketing and promotion:				
Publicity and promotion	41,476	55,959	41,476	55,959
Representation and affiliation				
League and other dues	50,301	38,156	50,301	38,156
Seminars and meetings	9,360	7,159	9,360	7,159
Committees	39,365	30,223	39,365	30,223
Annual general meeting	5,747	5,699	5,725	5,699
	104,773	81,237	104,751	81,237
TOTAL OPERATING EXPENSES	1,604,222	1,550,963	1,602,780	1,549,851

28. Comparison of ledger balances for the Co-operative

In keeping with the requirements of the Regulators, the following was obtained in respect of ledger balances:

	Voluntary shares $'000	Saving deposits $'000	Loans $'000
December 31, 2022			
General ledger	4,874,044	13,061,240	13,337,275
Sub-ledger	4,874,044	13,061,240	13,337,275
Difference	-	-	-
December 31, 2021:			
General ledger	4,640,633	11,941,387	13,184,321
Sub-ledger	4,640,633	11,941,387	13,184,321
Difference	-	-	-

29. Related parties, balances and transactions

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

i) has control or joint control over the Co-operative;

ii) has significant influence over the Co-operative; or

iii) is a member of the key management personnel of the Co-operative or of a parent of the Co-operative.

(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).

29. Related parties, balances and transactions (continued)

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

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 the parent of the Co-operative.

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

(c) The statement of financial position includes the following balances with related parties:

	Group and Co-operative	
	2022	2021
	$'000	$'000
(i) Loan balances (including interest)		
Board and committee members	64,126	47,935
Key management personnel	109,990	71,908
Relatives of senior management	51,999	50,786

	Group and Co-operative	
	2022	2021
	$'000	$'000
(ii) Deposits (including interest)		
Board and committee members	34,253	31,754
Key management personnel	7,540	11,286
Others	3,973	3,386
(iii) Shares		
Board and committee members	46	44
Key management personnel	8	6
Others	14	10

The loans are secured, except for $8,288,173 (2021: $2,624,000), and are being repaid in accordance with the terms of the loans. No waivers were granted in respect of these loans and no provision was made for any of these loans. The loans bear interest at rates ranging from 6.00% to 28%.

29. Related parties, balances and transactions (continued)

(d) The Co-operative's statement of profit or loss and other comprehensive income includes the following transactions with related parties:

	2022 $'000	2021 $'000
i. Subsidiary:		
Expense:		
Administrative fees	120	120
Management fees	56	663

	2022 $'000	2021 $'000
ii. Interest income:		
Board and committee members	1,071	2,177
Key management personnel	1,087	732
Relatives of Senior Management	53	36
	2,211	2,945

	2022 $'000	2021 $'000
iii. Interest expense		
Board and committee members	695	439
Key management personnel	512	141
Relatives of Senior Management	553	395
	1,760	975

(e) Compensation of key management personnel:

Remuneration of key members of management, reported in personnel expenses (note 27), of the Co-operative during the year was as follows:

	2022 $'000	2021 $'000
Salaries	65,598	70,548
Other short-term employment benefits	20,260	20,904
	85,858	91,452

(f) On December 23, 2022 a resolution was passed by CWJ Holding Co. Ltd (the subsidiary) to increased its authorized and issued capital from 10,000,000 shares to 26,265,000 shares. The shares were issued to the Co-operative as repayment of outstanding loans which were written off in 2020. The transaction is a non-cash transaction for purpose of the statement of cash flows.

30. Life savings and loan protection insurance

There were life savings and loan protection insurance in force during the year on behalf on members.

31. Fidelity insurance

Fidelity insurance coverage was adequately maintained during the year.

32. Financial risk management

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

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

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

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

Three key committees for managing and monitoring risks are:

Asset and Liability Management Committee (ALCO)

The ALCO is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risk of the Group.

Risk management policies and systems are reviewed regularly by the ALCO and recommendations made to the Board of Directors to reflect changes in market conditions, products and services. The ALCO reports monthly to the Board on their activities.

Supervisory Committee

The Supervisory Committee is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Supervisory Committee is assisted in these functions by the Internal Audit function which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Board.

32. Financial risk management (continued)

Three key committees for managing and monitoring risks are (continued):

Credit Committee

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

(a) Credit risk:

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk arises primarily from the Group's loans to members, earning and non-earning liquid assets and financial investments. There is also credit risk exposure in respect of financial instruments not reflected in the statement of financial position such as loan commitments and guarantees. These expose the Group to similar risks as loans and are managed in the same manner. The carrying amount of financial assets represents the maximum credit exposure.

(i) Loans to members and guarantees

The Board of Directors is responsible for formulating the credit policies, establishing the authorisation structure for the approval of credit facilities, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk ratings. The management of credit risk in respect of loans to members and guarantees is delegated to the Credit Committee.

The Credit Committee has oversight responsibility for the Group's credit risk management process, including reviewing and assessing credit risk. There is a documented credit policy in place which guides the Group's credit review process. The Credit Committee reports to the Board on a monthly basis.

Credit Review Process

The documented procedures established loan policy and loan interest rates that manage risk and provide the best possible rate based on the member's credit worthiness at the time of the loan; protects saver interests by managing risk; provides competitive interest rates and prompt service to borrowers; complies with all applicable laws and regulations.

32. Financial risk management (continued)

(a) Credit risk (continued):

(i) Loans to members and guarantees (continued)

Credit Review Process

Risk based lending which was implemented by the Group provides different rates for different borrowers based on their financial circumstances and credit history. Members applying for loans are evaluated against a pre-determined set of factors in determining and assigning their appropriate risk category.

Risk categories range between "A" to "D", with "A" being the lowest risk and "D" being the highest risk. This assigned risk category forms the basis of the loan approval and interest rate decision. Regular monitoring and review are undertaken by Internal Audit and the Credit Committee, the results of which are reported to the Board on a monthly basis.

Collateral

The Group 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 Group and guarantees. Estimates of fair values are based on the values of collateral assessed at the time of borrowing and are generally updated as part of the ECL assessment using a proxy for collateral.

Collateral is not generally held against deposits and investment securities, except for securities held as part of reverse repurchase agreements (see note 5). The table below sets out the gross amount of loans and the value of identifiable collateral held against loans to members. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against. When a loan becomes credit-impaired, the fair value of the collateral is updated and used in calculating the ECL, otherwise a proxy for collateral value is generally used on a portfolio basis to compute the ECL throughout the year.

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32. Financial risk management (continued)

(a) Credit risk (continued):

(i) Loans to members and guarantees (continued)

Collateral (continued)

	Group 2022				
		Collaterals			
	Gross amount	Cash	Motor Vehicles	Real Estate	Total
	$'000	$'000	$'000	$'000	$'000
Stage 1	12,909,339	1,777,718	5,436,810	2,181,298	9,395,826
Stage 2	226,502	1,840	96,040	32,617	130,497
Stage 3	203,440	2,120	85,917	15,486	103,523
	13,339,281	1,781,678	5,618,767	2,229,401	9,629,846

	Group 2021				
		Collaterals			
	Gross amount	Cash	Motor Vehicles	Real Estate	Total
	$'000	$'000	$'000	$'000	$'000
Stage 1	12,653,734	1,371,881	7,674,888	2,301,074	11,347,843
Stage 2	264,381	4,908	182,766	35,849	223,523
Stage 3	270,531	777	127,073	40,935	168,785
	13,188,646	1,377,566	7,984,727	2,377,858	11,740,151

	Co-operative 2022				
		Collaterals			
	Gross amount	Cash	Motor Vehicles	Real Estate	Total
	$'000	$'000	$'000	$'000	$'000
Stage 1	12,907,333	1,777,718	5,434,804	2,181,298	9,393,820
Stage 2	226,502	1,840	96,040	32,617	130,497
Stage 3	203,440	2,120	85,917	15,486	103,523
	13,337,275	1,781,678	5,616,761	2,229,401	9,627,840

32. Financial risk management (continued)

(b) Credit risk (continued):

(i) Loans to members and guarantees (continued)

Collateral (continued)

	2021				
	Gross amount	Collaterals			
		Cash	Motor Vehicles	Real Estate	Total
	$'000	$'000	$'000	$'000	$'000
Stage 1	12,649,409	1,371,881	7,674,888	2,301,074	11,347,843
Stage 2	264,381	4,908	182,766	35,849	223,523
Stage 3	270,531	777	127,073	40,935	168,785
	13,184,321	1,377,566	7,984,727	2,377,858	11,740,151

Collateral consist mainly of motor vehicles, real estate, and cash. There was no significant changes in the quality of collateral held during the year.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring. Renegotiated loans for the Group and Co-operative amounted to $201m (2021: $59.6m). There was no renegotiated loss on these loans.

Write-off policy

The Group writes off loans and any related allowances for impairment losses when it is determined that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Additionally, loans are written off once they are delinquent for 365 days or more based on regulatory requirements.

(ii) Liquid assets and investment securities

The Group limits its exposure to credit risk by investing mainly in liquid assets. These investments and other liquid assets are held mainly in Government of Jamaica securities and with counterparties that Management regards as sound. Management has no specific policy in place to manage the risk on these instruments, except that the Group remains alert regarding known information about these counterparties by constantly monitoring the economic environment. The strength of these institutions is constantly reviewed by the ALCO Committee.

32. Financial risk management (continued)

(a) Credit risk (continued):

(ii) Liquid assets and investment securities (continued)

There has been no change to the Group's exposure to credit risk or the manner in which it manages and measures the risk.

(iii) Maximum exposure to credit risk and credit quality analysis

At the origination of loans, a rating assessment is done by management, which is also used to assess loans on an ongoing basis. The scoring and risking rating is as fallows:

Secured loans	**Unsecured loans**	**Risk rating**
869 – 1000	869 -1000	A
586 – 868	579 – 868	B
301 – 585	281 – 578	C
Less than 301	less than 281	D

The risk ratings are weighted based on scores allocated for credit reports, debt service ratio, method of payments, and employment stability.

The following tables set out information about the maximum exposure to credit risk and the credit quality of loans to members, based on the above scoring system. Unless specifically indicated, the amounts in the table represent gross carrying amounts.

Loans to members:

	Group			
	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	$'000	$'000	$'000
Credit grade				
Grade A – Low risk	12,764,480	8,188	-	12,772,668
Grade B – Average risk	136,630	218,315	20,324	375,269
Grade C - Average risk	-	-	7,889	7,889
Grade D – High risk	-	-	183,454	183,454
	12,901,110	226,503	211,668	13,339,281
Loss allowance [note 32(a)(iv)(d)]	(75,414)	(7,379)	(172,386)	(255,181)
	12,825,696	219,122	39,281	13,084,100

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32. Financial risk management (continued)

(a) Credit risk (continued):

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

Loans to members (continued):

	Group			
	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	$'000	$'000	$'000
Credit grade				
Grade A – Low risk	12,419,913	41,971	-	12,461,884
Grade B – Average risk	233,821	222,410	26,913	483,144
Grade C	-	-	243,618	243,618
	12,653,734	264,381	270,531	13,188,646
Loss allowance [note 32(a)(iv)(d)]	(87,054)	(8,169)	(215,458)	(310,681)
	12,566,680	256,212	55,073	12,877,965

	Co-operative			
	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	$'000	$'000	$'000
Credit grade				
Grade A – Low risk	12,762,473	8,188	-	12,770,661
Grade B – Average risk	136,630	218,314	20,324	375,270
Grade C – Average risk	-	-	7,889	7,889
Grade D – High risk	-	-	183,455	183,455
	12,899,104	226,502	211,668	13,337,275
Loss allowance [note 31(a)(iv)(d)]	(75,412)	(7,380)	(172,387)	(255,180)
	12,823,691	219,123	39,281	13,082,095

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	$'000	$'000	$'000
Credit grade				
Grade A – Low risk	12,415,588	41,971	-	-
Grade B – Average risk	233,821	222,410	26,913	483,144
Grade D – High risk	-	-	243,618	243,618
	12,649,409	264,381	270,531	13,184,321
Loss allowance [note 31(a)(iv)(d)]	(87,052)	(8,169)	(215,458)	(310,679)
	12,562,357	256,212	55,073	12,873,642

32. Financial risk management (continued)

(a) Credit risk (continued):

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

Loans to members (continued):

Loan commitment for the Group and the Co-operative amounted to $248,102,000 (2021: $368,346,000) on which no ECL was provided. The loan commitment falls in stage 1.

Debt securities and other financial assets at amortised cost:

	Group and Co-operative	
	2022	2021
	Stage 1	Stage 1
	$'000	$'000
Credit grade		
BBB+ and above	129,700	133,200
Non-investment grade	6,403,512	4,267,705
	6,533,212	4,400,905
Loss allowance	(18,259)	(17,231)
	6,514,953	4,383,674

Debt securities at amortised cost represent certificate of deposits, resale agreements, government of Jamaica Euro bonds, corporate bonds and deferred shares (notes 5 and 7).

	2022	2021
Movement in allowance:		
Balance of the beginning of the year	17,231	6,162
Additions for the year	1,028	11,069
Balance at end of year	18,259	17,231

(iv) Impairment

Inputs, assumptions and techniques used for estimating impairment

(a) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group'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).

32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(a) Significant increase in credit risk (continued)

The Group 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
- a backstop of 30 days past due.

Credit risk grades:

The Group 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 judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

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 – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- External data from credit reference agencies, including industry-standard credit scores.

32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(a) Significant increase in credit risk (continued)

The monitoring typically involves use of the following data (continued):

- Payment record, which includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

Determining whether credit risk has been increased significantly:

The Group 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.

As a backstop, the Group 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 returns 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 Group 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.

32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(a) Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

The Group 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;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2);
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group.
- 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.

Definition of default:

In assessing whether a borrower is in default, the Group 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 Group; and
- based on data developed internally and obtained from external sources.

32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

(a) Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

Definition of default (continued):

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 Group considers a loan to be in default if it is overdue for 90 days or more.

The definition of default aligns with that applied by the Group for regulatory capital purposes.

(b) Incorporation of forward-looking information

The Group 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 Group uses a forward-looking score card model to estimate the potential of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 30% probability of occurring, respectively. Each scenario considers the expected impact of interest rates, unemployment rates, gross domestic product (GDP) and inflation. The base case is aligned with information used by the Group 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 forecasters.

(b) Incorporation of forward-looking information

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD. The macroeconomic assumptions used in the base, upside and downside scenarios are as follows:

	Upside	Base	Downside
Gross Domestic Product	0.5 to 9%	-0.25 to 0.5%	-9.0 -0.5%
Inflation	-9.0 to 1%	-1.0 to 1.0%	1 to 9.0%
Unemployment	-9.0 to 1%	-1.0 to 1.0%	1 to 9.0%
Interest rate	-9.0 to 1%	-1.0 to 1.0%	1 to 9.0%

32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

(b) Incorporation of forward-looking information (continued)

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

(c) Measurement of ECL

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 Group 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 property, 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.

EAD represents the expected exposure in the event of a default. The Group 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. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

(c) Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group 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 Group considers a longer period.
The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where the regulatory and general computations exceed IFRS the additional allowance is treated as an appropriation and taken to reserves.

(d) Loss allowance

The loss allowance recognised is analysed as follow:

Loan to members:

	Group			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Loan to members:				
Allowance at beginning of year	87,054	8,169	215,458	310,681
Transfers:				
Transfer from stage 1	(55,948)	3,202	52,746	-
Transfer from stage 2	1,871	(3,319)	1,448	-
Transfer from stage 3	6,899	6,483	(13,382)	-
New remeasurement of loss allowance	-	-	172,885	172,885
Change in ECL due to write-offs	-	-	(153,841)	(153,841)
Financial assets derecognised during the period	(15,626)	(7,155)	(102,928)	(125,709)
New financial assets originated or purchased	51,165	-	-	51,165
Allowance at end of year	75,415	7,380	172,386	255,181

	2021			
	Stage 1	Stage 2	Stage 3	Total
Loan to members:				
Allowance at beginning of year	104,384	8,700	99,511	212,595
Transfers:				
Transfer from stage 1	(15,030)	2,498	12,532	-
Transfer from stage 2	1,652	(4,260)	2,608	-
Transfer from stage 3	7,731	2,871	(10,602)	-
New remeasurment of loss allowance	1,117	117	222,191	223,425
Change in ECL due to write-offs	-	-	(68,348)	(68,348)
Financial assets derecognised during the period	(22,389)	(3,860)	(67,982)	(94,231)
New financial assets originated or purchased	9,589	2,103	25,548	37,240
Allowance at end of year	87,054	8,169	215,458	310,681

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32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

(d) Loss allowance (continued)

The loss allowance recognised is analysed as follow: (continued)

Loan to members:

	Co-operative			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Loan to members:				
Allowance at beginning of year	85,334	8,169	217,176	310,679
Transfers:				
Transfer from stage 1	(55,948)	3,202	52,746	-
Transfer from stage 2	1,871	(3,319)	1,448	-
Transfer from stage 3	6,899	6,484	(13,382)	-
New remeasurment of loss allowance	-	-	172,885	172,885
Change in ECL due to write-offs	-	-	(155,560)	(155,560)
Financial assets derecognised during the period	(13,905)	(7,156)	(102,928)	(123,989)
New financial assets originated or purchased	51,165	-	-	51,165
Allowance at end of year	75,415	7,380	172,385	255,180

	2021			
	Stage 1	Stage 2	Stage 3	Total
Loan to members:				
Allowance at beginning of year	104,376	8,700	99,511	212,587
Transfers:				
Transfer from stage 1	(14,999)	2,498	12,531	-
Transfer from stage 2	1,652	(4,260)	2,608	-
Transfer from stage 3	7,731	2,871	(10,602)	-
New remeasurement of loss allowance	1,116	117	222,198	223,432
Change in ECL due to write-offs	-	-	(68,348)	(68,348)
Financial assets derecognised during the period	(24,101)	(3,860)	(66,271)	(94,232)
New financial assets originated or purchased	9,588	2,103	25,549	37,240
Allowance at end of year	85,334	8,169	217,176	310,679

No loss allowance was recognized on loan commitments as the amount was insignificant.

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32. Financial risk management (continued)

(a) Credit risk (continued):

(iv) Impairment (continued)

(e) Loss allowance recognised in profit or loss:

	Group		Co-operative	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
New remeasurement of loss allowance	172,885	223,425	172,885	223,432
New financial assets originated or purchased	51,165	37,240	51,165	37,240
	224,050	260,665	224,050	260,672

(v) Concentration of, and maximum exposure to, credit risk:

All the Group's assets are located in Jamaica, the Group therefore monitors credit risk by sector. An analysis of concentration of credit risk from loans to members, loan commitments, earning and non-earning assets and financial investments is show below, which represent the Group and Co-operative maximum exposure to credit risk:

	Group				
	Government	Corporate	Financial institutions	Individuals	Total
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2022					
Loans to members	-	-	-	13,085,010	13,085,010
Liquid assets	-	-	4,748,790	-	4,748,790
Financial investments	20,036	1,282,911	1,764,110	-	3,067,058
Liquid assets non-earning	-	-	306,134	-	306,134
Other assets	429	211,738	120,245	-	332,411
Total financial assets	20,465	1,494,649	6,939,277	13,085,010	21,539,402
Loan commitments	-	-	-	248,102	248,102
	20,465	1,494,649	6,399,277	13,333,112	21,787,504
As at December 31, 2021					
Loans to members	-	-	-	12,897,460	12,897,460
Liquid assets	-	2,514,336	1,359,832	-	3,874,168
Financial investments	70,213	2,077,745	743,064	-	2,891,022
Liquid assets non-earning	-	-	162,447	-	162,447
Other assets	3,846	132,864	26,616	-	163,326
Total financial assets	74,059	4,724,945	2,291,959	12,897,460	19,988,423
Loan commitments	-	-	-	368,346	368,346
	74,059	4,724,945	2,291,959	13,265,806	20,356,769

32. Financial risk management (continued)

(a) Credit risk (continued):

(v) Concentration of, and maximum exposure to, credit risk: (continued)

	Co-operative				
	Government $'000	Corporate $'000	Financial institutions $'000	Individuals $'000	Total $'000
As at December 31, 2022					
Loans to members	-	-	-	13,082,990	13,082,990
Liquid assets	-	-	4,748,790	-	4,748,790
Financial investments	20,036	1,282,911	1,764,111	-	3,067,059
Liquid assets non-earning	-	-	287,285	-	287,285
Other assets	428	212,007	120,244	-	332,680
Total financial assets	20,465	1,494,918	6,920,429	13,082,990	21,518,802
Loan commitments	-	-	-	248,102	248,102
	20,465	1,494,918	6,920,429	13,331,092	21,766,904
As at December 31, 2021					
Loans to members	-	-	-	12,893,129	12,893,129
Liquid assets	-	2,514,336	1,359,832	-	3,874,168
Financial investments	70,213	2,077,745	743,064	-	2,891,022
Liquid assets non-earning	-	-	147,891	-	147,891
Other assets	3,846	137,782	26,616	-	165,744
Total financial assets	74,059	4,729,863	2,277,403	12,893,129	19,986,050
Loan commitments	-	-	-	368,346	368,346
	74,059	4,729,863	2,277,403	13,261,475	20,447,628

(b) Liquidity risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group is exposed to daily calls on its available cash resources from loan draw-downs, withdrawal of saving deposits, and maturing deferred shares. The approach to managing liquidity is to ensure, as far as possible, that there is always sufficient cash and marketable securities to meet obligations when due, under normal and also under stressed conditions. The Board of Directors has delegated responsibility for the management of liquidity risk to the Asset and Liability Management Committee. On a monthly basis, the committee reviews the ratios and gap reports in order to assess and manage liquidity risk and to ensure compliance with internal policies and regulatory guidelines. The Group manages its liquidity levels on a daily basis by the monitoring of future cash flows and maintenance of adequate amount of committed facilities.

The key measures used by the Group for managing liquidity risk is the ratio of liquid assets to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with the Jamaica Co-operative Credit Union League (JCCUL) and highly liquid investments which have maturities up to nine months.

32. Financial risk management (continued)

(b) Liquidity risk (continued):

The Group is subject to a liquidity limit imposed by JCCUL and compliance is regularly monitored. This limit requires that the Group maintain liquid assets amounting to at least 10% of withdrawable saving deposits. The liquid asset ratio as at December 31, 2022 was approximately 15.46% (2020: 24.36%) which is in compliance with the standard.

Voluntary shares and savings deposits are treated as payable on demand. The amounts have therefore been included in the earliest period payable. Management estimate that the expected cash flows on these instruments will occur much later as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

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

The following table represents the undiscounted cash flows (gross principal and interest cash flows) to settle financial liabilities based on contractual repayment obligations at the reporting date. Based on experience however, the Group expects that the actual cash flows will be significantly less than the contractual cash flows, as most members will not request repayment on the contractual maturity date, but will reinvest their funds with the Group.

32. Financial risk management (continued)

(b) Liquidity risk (continued):

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, liquid deposits at JCCUL, investment securities and loans to members.

Group

	Contractual cashflows					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Total carrying amount $'000
As at December 31, 2022						
Lease liabilities	388	1,198	4,093	4,672	10,350	6,738
Voluntary shares	4,874,044	-	-	-	4,874,044	4,874,044
Deferred shares	21,254	886,698	-	-	907,952	865,444
Saving deposits	13,061,240	-	-	-	13,061,240	13,061,240
Due to other institutions	-	-	40,834	-	40,834	36,136
External credits	12,802	38,060	77,010	2,469	130,341	112,691
Other liabilities	747,735	-	-	-	747,735	747,735
Total financial liabilities	18,717,463	904,702	121,937	7,141	19,772,498	19,704,028
As at December 31, 2021						
Lease liabilities	1,129	3,385	4,427	5,923	14,864	10,620
Voluntary shares	4,640,633	-	-	-	4,640,333	4,640,633
Deferred shares	7,136	21,409	899,330	-	927,875	885,058
Saving deposits	12,129,431	-	-	-	12,129,431	11,941,387
Due to other institutions	-	-	41,782	-	41,782	36,136
External credits	550	1,650	170,096	116,000	288,296	254,924
Other liabilities	702,267	-	-	-	702,267	702,267
Total financial liabilities	17,481,146	26,444	1,115,635	121,923	18,745,148	18,471,025

32. Financial risk management (continued)

(b) Liquidity risk (continued):

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, liquid deposits at JCCUL, investment securities and loans to members.

Co-operative

	Contractual cashflows					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Total carrying amount $'000
As at December 31, 2022						
Lease liabilities	388	1,198	4,093	4,672	10,350	6,738
Voluntary shares	4,874,044	-	-	-	4,874,044	4,874,044
Deferred shares	21,254	886,698	-	-	907,952	865,444
Saving deposits	13,061,240	-	-	-	13,061,240	13,061,240
Due to other institutions	-	-	36,136	-	36,136	36,136
External credits	12,802	38,060	77,010	2,469	130,341	112,691
Other liabilities	748,835	-	-	-	748,835	748,835
Total financial liabilities	18,718,563	925,966	121,937	7,141	19,773,597	19,705,128
As at December 31, 2021						
Lease Liabilities	1,129	3,385	4,427	5,923	14,864	10,620
Voluntary shares	4,640,633	-	-	-	4,640,333	4,640,633
Deferred shares	7,136	21,409	899,330	-	927,875	885,058
Saving deposits	12,129,431	-	-	-	12,129,431	11,941,387
Due to other institutions	-	-	41,782	-	41,782	36,136
External credits	550	1,650	170,096	116,000	288,296	254,924
Other liabilities	713,115	-	-	-	713,115	713,115
Total financial liabilities	17,491,994	26,444	1,115,635	121,923	18,755,996	18,481,873

32. Financial risk management (continued)

(c) Market risk:

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

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures this risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will vary because of exchange rate fluctuations. The Group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. The Group ensures that its net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances.

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

	Group and Co-operative 2022 $'000	2021 $'000
United States dollar (USD) - Liquid assets	147	319
- Financial investments	1,674	1,606
Canadian dollar (CDN) - Liquid assets	1	18
Pounds sterling (GBP) - Liquid assets	1	8

Sensitivity analysis

Bank of Jamaica's exchange rates in terms of the Jamaica dollar which is the Group's principal intervening currency were as follows:

	USD	CDN	GBP
December 31, 2022	149.96	107.91	176.90
December 31, 2021	152.75	121.82	208.11

32. Financial risk management (continued)

(c) Market risk (continued):

(i) Foreign currency risk (continued)

Sensitivity analysis (continued)

The strengthening or weakening of the Jamaican dollar by the extent shown against each currency would have increased/reduced surplus and equity by amounts shown below.

	Group and Co-operative			
	2022		2021	
Currency	Strengthening/ (weakening)	Effect on surplus	Strengthening/ (weakening)	Effect on surplus
	%	$'000	%	$'000
USD	1	2,782	4	11,762
	(4)	(11,129)	(6)	(17,643)
CDN	1	1	4	88
	(4)	(6)	(6)	(132)
GBP	1	3	4	67
	(4)	(10)	(6)	(100)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

(ii) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-earning liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed principally through monitoring interest rate gaps and by setting pre-approved gap ratios. The Group maintains a mix of long and short-term interest-bearing assets that will give it flexibility to take advantage of changes in market interest rates. The Asset and Liability Management Committee has oversight responsibility for the management and monitoring of interest rate risk and reports frequently to the Board of Directors on its strategies and position. Management estimate that the expected cash flows 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.

32. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued)

The following table summarises the exposure to interest rate risk. They include the financial instruments at carrying amounts, catergorised by the earlier of contractual repricing or maturity dates.

	Group 2022					
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000
Assets						
Cash and cash equivalents	572,452	-	-	-	306,134	878,586
Deposits	1,148,000	1,809,907	-	-	-	2,957,907
Resale agreements	125,544	1,092,887	-	-	-	1,218,431
Loans to members	21,114	13,063,896	-	-	-	13,085,010
Financial investments	807,309	782,924	948,417	119,714	408,694	3,067,058
Other assets	-	-	-	-	332,410	332,410
Total financial assets	2,674,419	16,749,614	948,417	119,714	1,047,238	21,539,402
Liabilities						
Lease liabilities	272	891	2,601	2,975	-	6,738
Voluntary shares	4,874,044	-	-	-	-	4,874,044
Deferred shares	-	865,444	-	-	-	865,444
Saving deposits	13,061,240	-	-	-	-	13,061,240
Due to other institutions	-	-	36,136	-	-	36,136
External credits	11,667	25,000	63,580	2,444	-	112,691
Other liabilities	-	-	-	-	747,735	747,735
Total financial liabilities	17,947,223	901,335	102,317	5,419	747,735	19,704,029
Total interest rate sensitivity gap	(15,272,804)	15,848,279	846,100	114,295	299,504	1,835,373

32. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued)

	Group 2021					
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000
Assets						
Cash and cash equivalents	250,843	-	-	-	162,447	413,290
Certificate of deposit	50,000	1,041,361	-	-	-	1,091,361
Money market funds	1,400,155	-	-	-	-	1,400,155
Resale agreements	750,646	381,163	-	-	-	1,131,809
Loans to members	24,882	12,849,887	17,890	4,801	-	12,897,460
Financial Investments	130,000	189,946	1,348,435	492,123	730,518	2,891,022
Other assets	-	-	-	-	163,326	163,326
Total financial assets	2,606,526	14,462,357	1,366,325	496,924	1,056,291	19,988,423
Liabilities						
Lease liabilities	807	2,419	3,163	4,231	-	10,620
Voluntary shares	4,640,633	-	-	-	-	4,640,633
Deferred shares	-	-	885,058	-	-	885,058
Saving deposits	11,941,387	-	-	-	-	11,941,387
Due to other institutions	-	-	36,136	-	-	36,136
External credits	486	1,459	44,212	102,572	106,195	254,924
Other liabilities	-	-	-	-	702,267	702,267
Total financial liabilities	16,583,313	3,878	968,569	106,803	808,462	18,471,025
Total interest rate sensitivity gap	(13,976,787)	14,458,479	397,756	390,121	247,829	1,517,398

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32. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued)

	Co-operative 2022					
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000
Assets						
Cash and cash equivalents	572,452	-	-	-	287,285	859,737
Deposits	1,148,000	1,809,907	-	-	-	2,957,907
Resale agreements	125,544	1,092,887	-	-	-	1,218,431
Loans to members	21,114	13,061,876	-	-	-	13,082,990
Financial investments	807,309	782,925	948,417	119,714	408,694	3,067,059
Other assets	-	-	-	-	332,680	332,680
Total financial assets	2,674,419	16,747,595	948,417	119,714	1,028,659	21,518,804
Liabilities						
Lease liabilities	272	891	2,601	2,975	-	6,738
Voluntary shares	4,874,044	-	-	-	-	4,874,044
Deferred shares	-	865,444	-	-	-	865,444
Saving deposits	13,061,240	-	-	-	-	13,061,240
Due to other institutions	-	-	36,136	-	-	36,136
External credits	11,667	25,000	63,580	2,444	-	112,691
Other liabilities	-	-	-	-	748,835	748,835
Total financial liabilities	17,947,223	901,335	102,317	5,419	748,835	19,705,129
Total interest rate sensitivity gap	(15,272,804)	15,846,260	846,100	114,295	279,824	1,813,675

32. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued)

	Co-operative 2021					
	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000
Assets						
Cash and cash equivalents	250,843	-	-	-	147,891	398,734
Certificate of deposit	50,000	1,809,907	-	-	-	1,091,361
Money market funds	1,400,155	-	-	-	-	1,400,155
Resale agreements	125,544	1,092,887	-	-	-	1,131,809
Loans to members	24,882	12,950,384	17,890	4,801	-	12,893,129
Financial Investments	130,000	189,946	1,348,435	492,123	730,518	2,891,022
Other assets	-	-	-	-	168,244	168,244
Total financial assets	1,981,424	15,092,519	1,366,325	496,924	1,046,653	20,079,282
Liabilities						
Lease liabilities	807	2,419	3,163	4,231	-	10,620
Voluntary shares	4,640,633	-	-	-	-	4,640,633
Deferred shares	-	-	885,058	-	-	885,058
Saving deposits	11,941,387	-	-	-	-	11,941,387
Due to other institutions	-	-	36,136	-	-	36,136
External credits	486	1,459	44,212	102,572	106,195	254,924
Other liabilities	-	-	-	-	713,115	713,115
Total financial liabilities	16,583,313	3,878	968,569	106,803	819,310	18,481,873
Total interest rate sensitivity gap	(14,601,889)	15,088,641	397,756	390,121	227,343	1,597,409

32. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued)

The Group’s financial instruments are mainly at fixed rates, therefore a change in interest rates would not have a significant impact on the surplus for the year or on the fair value reserve. Variable rates financial instruments are not significant and would not have a material impact if interest rates were to increase by 100 basis points (bp) or decrease by 50 bp. The analysis is as follows:

	Effect on surplus			
	Group		Co-operative	
	2022	2021	2022	2021
	$’000	$’000	$’000	$’000
Change in basis points:				
50 bp decrease (2021: 100 bp decrease)	(10,348)	(19,987)	(10,348)	(19,994)
100 bp increase (2021: 100 bp increase)	20,696	19,987	20,696	19,994

The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis is performed on the same basis for 2021.

(iii) Equity price risk

Equity price risk arises from equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio to maximise returns based on market performance. The primary goal of the Group’s investment strategy is to maximise returns on investment while minimising risks.

The Group's quoted equity portfolio is listed on the Jamaica Stock Exchange. A 6% (2021: 5%) increase in quoted bid prices at the reporting date would result in an increase in equity of $14,649,000 (2021: $10,099,000) for the Group and Co-operative. A 6% (2021: 5%) decrease in quoted bid prices at the reporting date would result in a decrease in equity of $14,649,000 (2021: $10,099,000) for the Group and Co-operative. Unquoted equities and equities at FVTPL are considered insignificant for equity price risk.

(d) Operational risk:

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

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

32. Financial risk management (continued)

(d) Operational risk (continued):

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

- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

(e) Capital management:

The Co-operative is subject to capital requirements. The Co-operative's objectives when managing institutional capital are:

(i) To comply with the capital requirements set by the JCCUL and the Bank of Jamaica 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-operative to maintain a minimum level of regulatory capital at 8% of total assets. At the reporting date, this ratio was 12.22% (2021: 12.10%) 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%.

In 2021, regulatory capital includes 20% deferred shares as discussed in note 14.

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32. Financial risk management (continued)

(e) Capital management (continued):

During the year, the Co-operative complied with all externally imposed capital requirements to which it is subject.

The composition of regulatory capital and the ratios of the Co-operative as at the reporting date are as follows:

	2022		2021	
	Actual $'000	Required $'000	Actual $'000	Required $'000
Total regulatory capital (2021: includes 20% of deferred shares)	2,774,074	1,816,400	2,738,339	1,694,462
Total capital ratio	12.22%	8%	12.86 %	8%

(f) 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. Some of the Group's financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. In addition, 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.

Except for money market funds which are carried at fair value, the fair value of liquid assets, other assets, voluntary shares, saving deposits and non-interest bearing liabilities is 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.

The fair value of deferred shares, amounts due to other institutions and external credits is not significantly different from their carrying values, when the cash flows of these instruments are discounted.

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

The fair value of loans to members was estimated using discounted cash flows technique. The carrying amount of the loans also reflects the expected lifetime credit losses, value and quality of collateral and interest rates on the loans. The fair value and the carrying amount of the loans are not significantly different.

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

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32. Financial risk management (continued)

(f) Fair value of financial instruments (continued):

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

(ii) 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 classifications and fair values

The following table shows the carrying amount of financial assets measured at fair value, their classification and levels in the fair value hierarchy. There were no transfer between levels during the year.

Group and Co-operative
2022

	Carrying amount				**Fair value**			
	Amortised cost	FVOCI	FVTPL	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial instruments:								
Financial investments	2,338,615	-	-	2,338,615	-	2,338,615	-	2,338,615
Quoted equities	-	244,156	-	244,156	244,156	-	-	244,156
Unit trust funds	-	-	6,862	6,862	-	6,862	-	6,862
Investment in shares in unlisted entities	-	118,669	-	118,669	-	-	118,669	118,669
JMMB managed portfolio	-	-	342,696	342,696	167,376	165,766	9,554	342,696
Deposits	2,957,907	-	-	2,957,907	-	2,957,907	-	2,957,907
Resale agreements	1,218,431	-	-	1,218,431	-	1,218,431	-	1,218,431
Jamaica Co-operative Credit Union League Limited	-	16,060	-	16,060	-	-	16,060	16,060
	6,514,953	378,885	346,558	7,243,396	411,532	6,687,581	144,283	7,243,396

Group and Co-operative
2021

	Carrying amount				**Fair value**			
	Amortised cost	FVOCI	FVTPL	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial instruments:								
Financial investments	2,160,504	-	-	2,160,504	-	2,160,504	-	2,160,504
Quoted equities	-	201,980	-	201,980	201,980	-	-	201,980
Unit trust funds	-	-	45,594	45,594	-	45,594	-	45,594
Investment in shares in unlisted entities	-	118,703	-	118,669	-	-	118,703	118,703
JMMB managed portfolio	-	-	348,181	348,181	190,539	157,642	-	348,181
Certificate of deposits	1,091,361	-	-	1,091,361	-	1,091,361	-	1,091,361
Resale agreements	1,131,809	-	-	1,131,809	-	1,131,809	-	1,131,809
Jamaica Co-operative Credit Union League Limited	-	16,060	-	16,060	-	-	16,060	16,060
Money market funds	-	-	1,400,155	1,400,155	-	1,400,155	-	1,400,155
	4,383,674	336,743	1,793,930	6,514,347	392,519	5,987,065	134,763	6,514,347

During the year, there was no transfer of financial assets in or out of level 3, or any significant movements on level 3 instruments.

32. Financial risk management (continued)

(f) Fair value of financial instruments (continued):

Valuation techniques

The valuation technique used in measuring the fair value in the level 3 hierarchy is the Net Asset Valuation (NAV) method. The 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.

Financial assets	Method
Government of Jamaica Euro bonds, corporate bonds and deferred shares (see note 7).	• 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.
Unquoted equities and money market funds	• Net asset valuation method

33. Capital commitment

As at December 31, 2022, the Group and Co-operative entered into contracts for capital expenditure in the amounts of $5,420,000 (2021: $4,191,000) in respect of which deposits amounting to $2,378,000 (2021: $2,095,000) have been made.

34. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's activities are limited to receiving savings from, and providing loans to, its members in Jamaica, operating in a single segment, therefore no additional segment information is provided.

35. Prior year adjustments

During the year:

The classification or presentation of some items in the statements of financial position, profit or loss and other comprehensive income and cash flows were changed to achieve a more appropriate presentation, as required by the applicable financial reporting framework.

(i) Statement of financial position:

Cash and cash equivalents, certificate of deposits, money market funds and resale agreements were separated from liquid assets and presented as line items in order of liquidity to comply with IAS 1. However, a sub-total for liquid assets was retained to comply with the requirements of the Cooperative Societies Act. These reclassifications had consequential impact on the statement of cash flows.

(ii) Statement of profit or loss:

(a) The Group 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 profit or loss as the services were provided, however IFRS 9 requires these fees to be added to the loans and amortised over the life of the loans. As a consequence, fee income and loans to members were overstated while interest income was understated. The correction has been made by restating each of the affected financial statement line items for prior periods.

(b) Income on financial instruments at FVTPL was included in interest income calculated using the effective interest method. This has been reclassified from interest income by including a separate line for income on financial instruments at FVTPL.

(iii) Statement of cash flows:

(a) The Group discovered that certificate of deposits, and resale agreements had been classified as cash and cash equivalents. Management performed these reclassifications on the basis that they better reflect the nature of the items as investments. Also, the amounts for these items and financial investments were included net, this has been changed by showing them gross.

(b) Additionally, external credits were previously included as operating activities and are now being treated as financing activities to reflect the financing nature of the amounts as well as the gross amounts.

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35. Prior year adjustments (continued)

The impact on the statement of financial position for the Group and Co-operative for 2020 and 2021 are as follows:

2020		Group		
	Notes	As previously presented	Adjustments	Current presentation
		$'000	$'000	$'000
ASSETS				
EARNING ASSETS				
Cash and cash equivalents	(i)	-	108,175	108,175
Certificate of deposits	(i)	-	849,207	849,207
Money market funds	(i)	-	1,398,991	1,398,991
Resale agreements	(i)	-	534,145	534,145
Liquid assets		-	2,890,518	2,890,518
Loans to members	(ii)(a)	13,242,829	(76,770)	13,166,059
Liquid assets	(i)	2,890,518	(2,890,518)	-
Financial investments		1,835,873	-	1,835,873
Total earning assets		17,969,220	(76,770)	17,892,450
NON-EARNING ASSETS		1,595,017	-	1,595,017
TOTAL ASSETS		19,564,237	(76,770)	19,487,467
LIABILITIES AND CAPITAL				
INTEREST BEARING LIABILITIES		16,326,376	-	16,326,376
NON-INTEREST BEARING LIABILITIES		683,890	-	683,890
TOTAL LIABILITIES		17,010,266	-	17,010,266
CAPITAL				
Permanent shares		278,757	-	278,609
Institutional capital		2,031,041	-	2,031,041
		2,309,798	-	2,309,798
Non-institutional capital	(ii)(a)	244,173	(76,770)	167,403
TOTAL CAPITAL		2,553,971	(76,770)	2,477,201
TOTAL LIABILITIES AND CAPITAL		19,564,237	(76,770)	19,487,467

35. Prior year adjustments (continued)

The impact on the statement of financial position for the Group and Co-operative for 2020 and 2021 are as follows (continued):

2020		**Co-operative**		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
ASSETS				
EARNING ASSETS				
Cash and cash equivalents	(i)	-	108,175	108,175
Certificate of deposits	(i)	-	849,207	849,207
Money market funds	(i)	-	1,398,991	1,398,991
Resale agreements	(i)	-	534,145	534,145
Liquid assets		-	2,890,518	2,890,518
Loans to members	(ii)(a)	13,227,401	(76,770)	13,150,631
Liquid assets	(i)	2,890,518	(2,890,518)	-
Financial investments		1,835,873	-	1,835,873
Total earning assets		17,953,791	(76,770)	17,877,022
NON-EARNING ASSETS		1,580,467	-	1,580,467
TOTAL ASSETS		19,534,258	(76,770)	19,457,488
LIABILITIES AND CAPITAL				
INTEREST BEARING LIABILITIES		16,326,376	-	16,326,376
NON-INTEREST BEARING LIABILITIES		679,833	-	679,833
TOTAL LIABILITIES		17,006,209	-	17,006,209
CAPITAL				
Permanent shares		278,757	-	278,757
Institutional capital		2,031,041	-	2,031,041
		2,309,798	-	2,309,798
Non-institutional capital	(ii)(a)	218,251	(76,770)	141,481
TOTAL CAPITAL		2,528,049	(76,770)	2,451,279
TOTAL LIABILITIES AND CAPITAL		19,534,258	(76,770)	19,457,488

35. Prior year adjustments (continued)

The impact on the statement of financial position for the Group and Co-operative for 2020 and 2021 are as follows (continued):

2021		Group		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
ASSETS				
EARNING ASSETS				
Cash and cash equivalents	(i)	-	250,843	250,843
Certificate of deposits	(i)	-	1,091,361	1,091,361
Money market funds	(i)	-	1,400,155	1,400,155
Resale agreements	(i)	-	1,131,809	1,131,809
Liquid assets		-	3,874,168	3,874,168
Loans to members	(ii)(a)	13,002,288	(104,828)	12,897,460
Liquid assets	(i)	3,874,168	(3,874,168)	-
Financial investments		2,891,022	-	2,891,022
Total earning assets		19,767,478	(104,828)	19,662,650
NON-EARNING ASSETS		1,518,129	-	1,518,129
TOTAL ASSETS		21,285,607	(104,828)	21,180,779
LIABILITIES AND CAPITAL				
INTEREST BEARING LIABILITIES		17,768,758	-	17,768,758
NON-INTEREST BEARING LIABILITIES		702,267	-	702,267
TOTAL LIABILITIES		18,471,025	-	18,471,025
CAPITAL				
Permanent shares		287,609	-	287,609
Institutional capital		2,273,718	-	2,273,718
		2,561,327	-	2,561,327
Non-institutional capital	(i)(a)	253,255	(104,828)	148,427
TOTAL CAPITAL		2,814,582	(104,828)	2,709,754
TOTAL LIABILITIES AND CAPITAL		21,285,607	(104,828)	21,180,779

35. Prior year adjustments (continued)

The impact on the statement of financial position for the Group and Co-operative for 2020 and 2021 are as follows (continued):

2021		Co-operative		
	Notes	As previously presented	Adjustments	Current presentation
		$'000	$'000	$'000
ASSETS				
EARNING ASSETS				
Cash and cash equivalents	(i)	-	250,843	250,843
Certificate of deposits	(i)	-	1,091,361	1,091,361
Money market funds	(i)	-	1,400,155	1,400,155
Resale agreements	(i)	-	1,131,809	1,131,809
Liquid assets		-	3,874,168	3,874,168
Loans to members	(ii)(a)	12,997,957	(104,828)	12,893,129
Liquid assets	(i)	3,874,168	(3,874,168)	-
Financial investments		2,891,022	-	2,891,022
Total earning assets		19,763,147	(104,828)	19,658,319
NON-EARNING ASSETS		1,508,501	-	1,508,501
TOTAL ASSETS		21,271,648	(104,828)	21,166,820
LIABILITIES AND CAPITAL				
INTEREST BEARING LIABILITIES		17,768,758	-	17,768,758
NON-INTEREST BEARING LIABILITIES		713,115	-	713,115
TOTAL LIABILITIES		18,481,873	-	18,481,873
CAPTIAL				
Permanent shares		287,609	-	287,609
Institutional capital		2,273,718	-	2,273,718
		2,561,327	-	2,561,327
Non-institutional capital	(ii)(a)	228,448	(104,828)	123,620
TOTAL CAPITAL		2,789,775	(104,828)	2,684,947
TOTAL LIABILITIES AND CAPITAL		21,271,648	(104,828)	21,166,820

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35. Prior year adjustments (continued)

The impact of the restatement of the loan origination fees and the separation of income on financial instruments at FVTPL on the statement of profit or loss and other comprehensive income is presented in the tables below:

2021		**Group**		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
INTEREST INCOME				
Loans to members	(ii)(a)(b)	1,855,675	42,518	1,898,193
Earning liquid assets	(ii)(b)	104,020	(32,146)	71,874
Financial investments	(ii)(b)	129,200	(32,857)	96,343
		2,088,895	(22,485)	2,066,410
NET INTEREST INCOME		1,745,178	(22,485)	1,722,693
Nets income from financial instruments at FVTPL	(ii)(b)	-	65,003	65,003
		1,745,178	42,518	1,787,696
NET INCOME AFTER IMPAIRMENT LOSSES		1,473,444	42,518	1,515,962
NON- INTEREST INCOME				
Fees	(ii)(a)	229,643	(70,576)	159,067
Rental income		14,324	-	14,324
Others		108,451	-	108,451
		352,418	(70,576)	281,842
		1,825,862	(28,058)	1,797,804
OPERATING EXPENSES		(1,550,963)	-	(1,550,963)
SURPLUS BEFORE HONORARIA AND OTHER PAYMENTS		274,899	(28,058)	246,841
OTHER PAYMENTS		(15,342)	-	(15,342)
SURPLUS FOR THE YEAR		259,557	(28,058)	231,499
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		262,126	(28,058)	234,068

35. Prior year adjustments (continued)

The impact of the restatement of the loan origination fees and the separation of income on financial instruments at FVTPL on the statement of profit or loss and other comprehensive income is presented in the tables below (continued):

2021		**Co-operative**		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
INTEREST INCOME				
Loans to members	(ii)(a)(b)	1,855,018	42,518	1,897,536
Earning liquid assets	(ii)(b)	104,020	(32,146)	71,874
Financial investments	(ii)(b)	129,200	(32,857)	96,343
		2,088,238	(22,485)	2,065,753
NET INTEREST INCOME		1,744,524	(22,485)	1,722,039
Nets income from financial instruments at FVTPL	(ii)(b)	-	65,003	65,003
		1,744,524	42,518	1,787,042
NET INCOME AFTER IMPAIRMENT LOSSES		1,472,783	42,518	1,515,301
NON- INTEREST INCOME				
Fees	(ii)(a)	230,307	(70,576)	159,731
Rental income		14,324	-	14,324
Others		108,451	-	108,451
		353,082	(70,576)	282,506
		1,825,865	(28,058)	1,797,807
OPERATING EXPENSES		(1,549,851)	-	(1,549,851)
SURPLUS BEFORE HONORARIA AND OTHER PAYMENTS		276,014	(28,058)	247,956
OTHER PAYMENTS		(15,342)	-	(15,342)
SURPLUS FOR THE YEAR		260,672	(28,058)	232,614
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		263,241	(28,058)	235,183

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35. Prior year adjustments (continued)

The restatement of the fee income, reclassification of income on financial instruments at FVTPL to income on financial instruments at FVOCI, and reclassification of items in the statement of financial position from liquid assets to individual items, as well as moving external credits from operating to financing activities, had the following impact on the statement of cash flows:

2021

		Group		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year	(ii)(a)	259,557	(28,058)	231,499
Adjustment for:				
Interest income	(ii)(a)(b)	(2,088,895)	22,485	(2,066,410)
Other non-cash items		701,049	-	701,049
		(1,128,289)	(5,573)	(1,133,862)
Changes in operating assets and liabilities				
Loans to members	(ii)(a)	(55,955)	28,058	(27,897)
Saving deposits		1,362,726	-	1,362,726
Voluntary shares and deferred shares		203,181	-	203,181
Other assets		28,090	-	28,090
Non-interest-bearing liabilities		5,573	-	5,573
Due to other institutions		(6,311)	-	(6,311)
External credits	(iii)(b)	(113,856)	113,856	-
		295,159	136,341	431,500
Interest received	(ii)(a)(b)	2,092,993	(22,485)	2,070,508
Interest paid		(330,913)	-	(330,913)
Net cash provided by operating activities		2,057,239	113,856	2,171,095
CASH FLOWS FROM INVESTING ACTIVITIES				
Financial investments	(iii)(a)	(1,018,594)	1,018,594	-
Proceeds from financial investments	(iii)(a)	-	2,934,198	2,934,198
Acquisition of financial investments	(iii)(a)	-	(3,952,792)	(3,952,792)
Liquid assets – earning	(i)	(207,473)	207,473	-
Addition to certificate of deposits	(iii)(a)	-	(2,266,378)	(2,266,378)
Proceeds from maturity of certificate of deposits	(iii)(a)	-	2,024,224	2,024,224
Money market funds	(iii)(a)	-	(1,164)	(1,164)
Addition to resale agreements	(iii)(a)	-	(4,391,226)	(4,391,226)
Proceeds from maturity of resale agreements	(iii)(a)	-	3,793,562	3,793,562
Purchase of property, plant and equipment		(111,174)	-	(111,174)
Proceeds on disposal of property, plant and equipment		30	-	30
Net cash used by investing activities		(1,337,211)	(633,509)	(1,970,720)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan proceeds	(iii)(b)	-	140,000	140,000
Loan repayment	(iii)(b)	-	(253,856)	(253,856)
Other items		(6,399)	-	(6,399)
Net cash from financing activities		(6,399)	(113,856)	(120,255)
Increase in cash and cash equivalents	(iii)(a)	713,629	(633,509)	80,120
Cash and cash equivalents at beginning of year	(iii)(a)	1,370,797	(1,037,627)	333,170
Cash and cash equivalents at year of year		2,084,426	(1,671,136)	413,290

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35. Prior year adjustments (continued)

The restatement of the fee income, reclassification of income on financial instruments at FVTPL to income on financial instruments at FVOCI, and reclassification of items in the statement of financial position from liquid assets to individual items, as well as moving external credits from operating to financing activities, had the following impact on the statement of cash flows (continued):

2021		Co-operative		
	Notes	As previously presented $'000	Adjustments $'000	Current presentation $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year	(ii)(a)	260,672	(28,058)	232,614
Adjustment for:				
Interest income	(ii)(a)(b)	(2,088,238)	22,485	(2,065,753)
Other non-cash items		701,053	-	701,053
		(1,126,513)	(5,573)	(1,132,086)
Changes in operating assets and liabilities				
Loans to members	(ii)(a)	(67,069)	28,058	(39,011)
Saving deposits		1,362,726	-	1,362,726
Voluntary shares and deferred shares		203,181	-	203,181
Other assets		23,172	-	23,172
Non-interest-bearing liabilities		20,481	-	20,481
Due to other institutions		(6,311)	-	(6,311)
External credits	(iii)(b)	(113,856)	113,856	-
		295,811	136,341	432,152
Interest received	(ii)(a)(b)	2,092,345	(22,485)	2,069,860
Interest paid		(330,913)	-	(330,913)
Net cash provided by operating activities		2,057,243	113,856	2,171,099
CASH FLOWS FROM INVESTING ACTIVITIES				
Financial investments	(iii)(a)	(1,018,594)	1,018,594	-
Proceeds from f financial investments	(iii)(a)	-	2,934,198	2,934,198
Acquisition of financial investments	(iii)(a)	-	(3,952,792)	(3,952,792)
Liquid assets – earning	(i)	(207,473)	207,473	-
Addition to certificate of deposits	(iii)(a)	-	(2,266,378)	(2,266,378)
Proceeds from maturity of certificate of deposits	(iii)(a)	-	2,024,224	2,024,224
Money market funds	(iii)(a)	-	(1,164)	(1,164)
Addition to resale agreements	(iii)(a)	-	(4,391,226)	(4,391,226)
Proceeds from maturity of resale agreements	(iii)(a)	-	3,793,562	3,793,562
Purchase of property, plant and equipment		(111,174)	-	(111,174)
Proceeds on disposal of property, plant and equipment		30	-	30
Net cash used by investing activities		(1,337,211)	(633,509)	(1,970,720)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loan proceeds	(iii)(b)	-	140,000	140,000
Loan repayment	(iii)(b)	-	(253,856)	(253,856)
Other items		(6,399)	-	(6,399)
Net cash from financing activities		(6,399)	(113,856)	(120,255)
Increase in cash and cash equivalents	(iii)(a)	713,633	(633,509)	80,124
Cash and cash equivalents at beginning of year	(iii)(a)	1,356,237	(1,037,627)	318,610
Cash and cash equivalents at year of year		2,069,870	(1,671,136)	398,734