



First Regional Co-operative Credit Union Ltd.

"Where you get interest on your money and interest in You!"

GROWTH

POSITIONING FOR CHANGE

ANNUAL REPORT 2023



1

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VISION STATEMENT

To become the benchmark and financial institution of choice, driven by members' demands to meet their financial needs worldwide, by offering a diversified range of products and services that are demographically based, available 24 hours, whilst offering competitive returns on shares and deposits, achieving realistic targets and improving profitability upon a foundation of exceptional member service delivered by competent and empowered staff.

MISSION STATEMENT

To efficiently provide world class financial products and services in order to foster a culture of growth and the development of our members and staff.

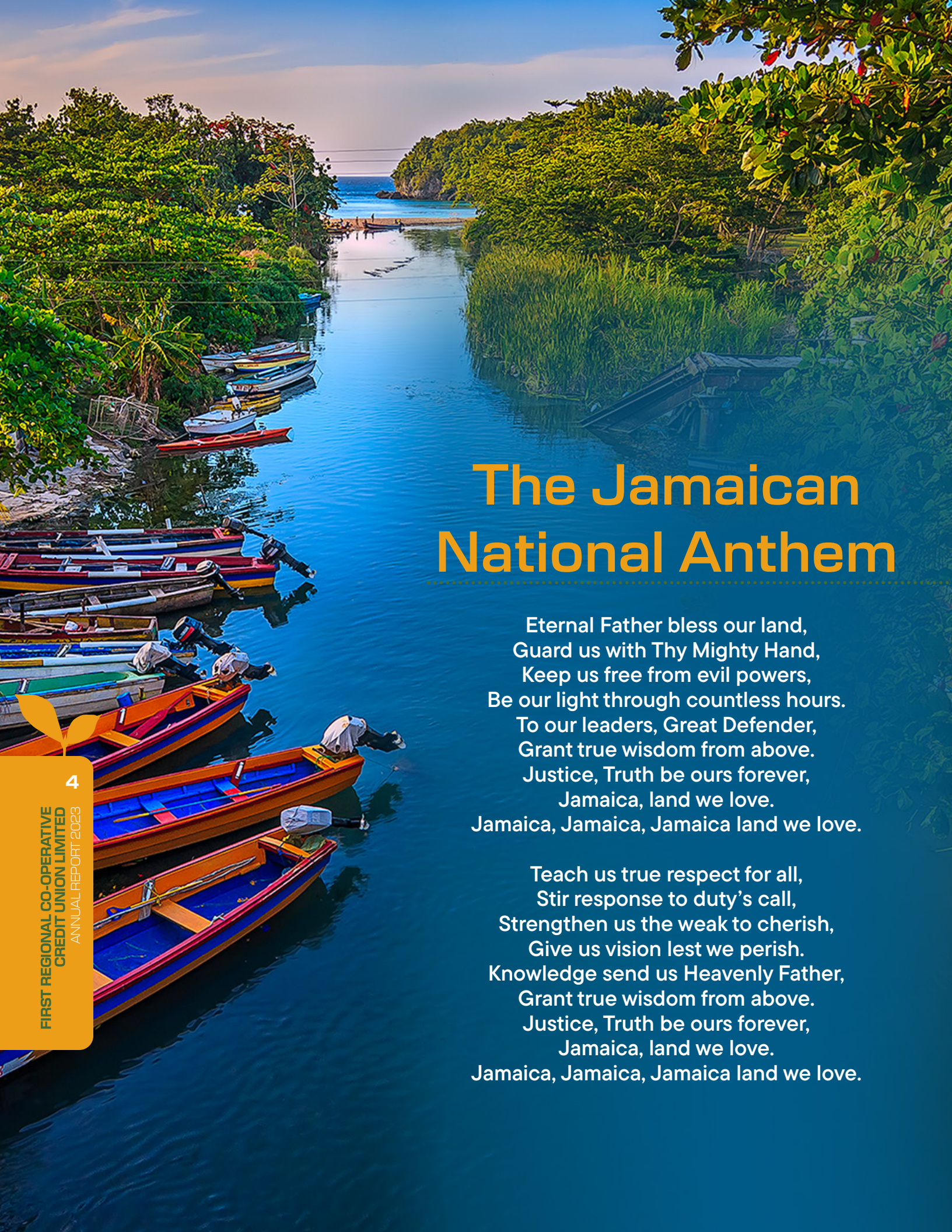
VALUE STATEMENT

To abide by fair competition practices within the regulatory guidelines and the credit union philosophy.



3

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The Jamaican National Anthem

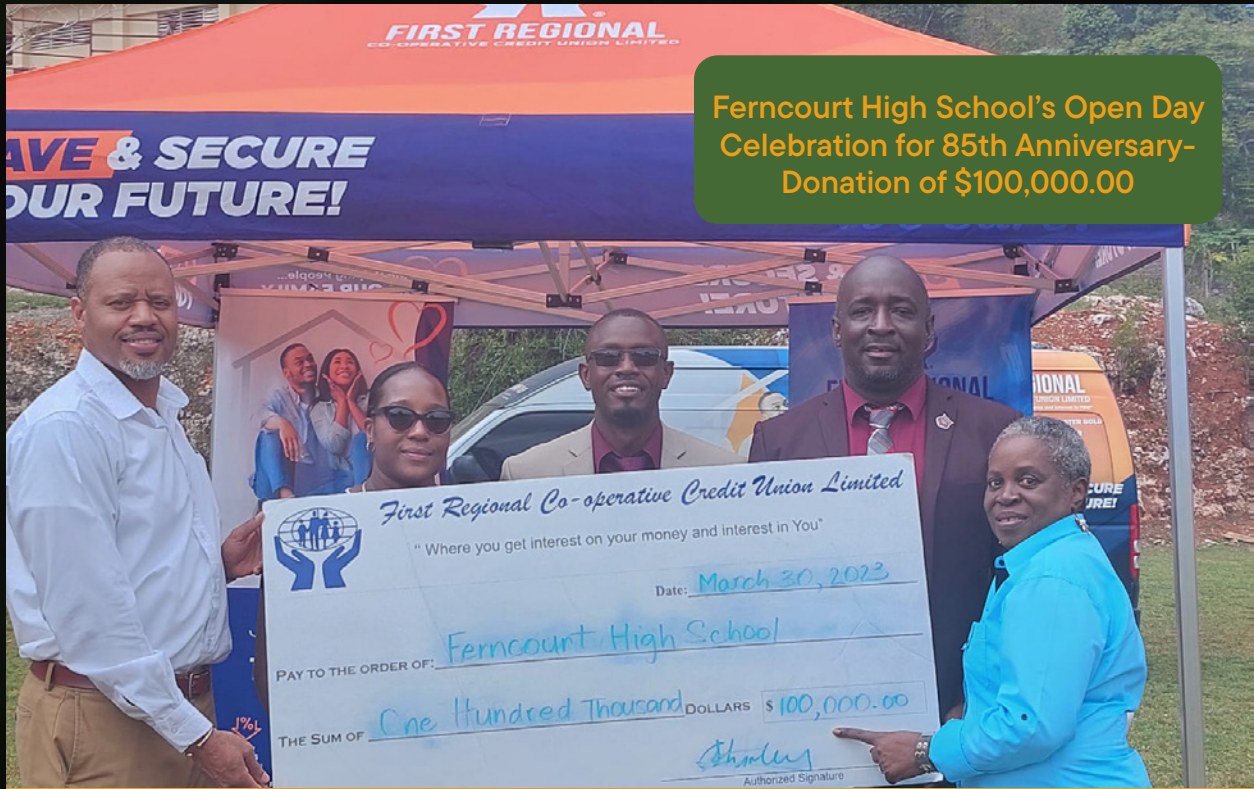
Eternal Father bless our land,
Guard us with Thy Mighty Hand,
Keep us free from evil powers,
Be our light through countless hours.
To our leaders, Great Defender,
Grant true wisdom from above.
Justice, Truth be ours forever,
Jamaica, land we love.
Jamaica, Jamaica, Jamaica land we love.

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



CONTENTS

- 7 Notice
- 9 Agenda
- 10 Minutes of the 45th AGM
- 14 Board of Directors
- 16 Report of The Board of Directors
- 21 Treasurer's Report
- 31 Report of the Credit Committee
- 33 Report of the Supervisory Committee
- 35 Report of the Nominating Committee
- 37 Standing Orders
- 39 Approval-Department of Co-operatives
- 41 Financial Statements
- 110 Senior Managers
- 111 Staff Photographs
- 124 Deceased Members



Ferncourt High School's Open Day Celebration for 85th Anniversary- Donation of \$100,000.00



Negril Staff donating food supplies to Salvation Army.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of First Regional Co-operative Credit Union Limited will be held by hybrid means at the **Sandals Ochi Beach Club Resort, Ocho Rios By-Pass, Ocho Rios, St. Ann on Saturday, August 31, 2024 commencing at 9:00 a.m.**

The purpose of the meeting is to:

1. Examine the operations of the Credit Union for the Year 2023
2. Consider any other business that may be properly transacted at the Annual General Meeting in accordance with the Rules of the Credit Union.

To attend the meeting online, members are invited to register on our website: www.firstregionalcreditunion.com. Registration online begins August 23, 2024 @ 8:00 a.m. and closes August 30, 2024 @11:59 p.m.

Members will need to verify their accounts in order to complete the registration online using their TRN and account numbers. For more information on attendance, participation, registration and the voting process, please visit our website: www.firstregionalcreditunion.com or any of our branches or call 876-707-2048.

Pearline Bailey

Secretary
Board of Directors

July 25, 2024



7

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Brittany Alexander, Ms. First Regional collecting gift certificate after placing 2nd in the St. Ann Festival Queen Competition.

Agenda

- **Ascertainment of Quorum**
- **Call to Order and Prayer**
- **Welcome and Apologies**
- **Reading of Notice**
- **Obituary**
- **Confirmation of the Minutes of the 45th Annual General Meeting**
- **Matters Arising**
- **Reports of:**
 - **Board of Directors**
 - **Credit and Supervisory Committees**
 - **Treasurer****Appropriation of Surplus**
Fixing of Maximum Liability
- **Resolutions**
- **Election of Officers**
- **Any Other Business**
- **Vote of Thanks**
- **Termination**



Minutes of the 45th Annual General Meeting

Of First Regional Co-operative Credit Union Limited

Held at the Sandals Ochi Beach Club Resort, Ocho Rios, St. Ann

On Saturday, 29th July 2023

1.1. Call to Order

The President, Mr. Cyril Mason, having ascertained that there was a quorum, called the meeting to order at 9:38 a.m.

1.2. Prayer

Bishop Rankin Clarke prayed for God's guidance after which, the Chairman invited attendees to recite the prayer of St. Francis of Assisi, regarded as the credit unions' prayer.

1.3. Reading of Notice and Registrar's Letter

The Assistant Secretary, Mr. Higilock Mullings, read the Notice and the Letter from the Registrar of Co-operatives and Friendly Societies, giving authority to convene the meeting – found on pages 7 and 39 of the 2022 Annual Report, respectively.

1.4. Welcome and Opening Remarks

The Chairman extended welcome to all including volunteers, staff, guests, members and those individuals who had joined virtually.

1.5. Introduction of Guests

The Chief Executive Officer introduced the guests, after which he gave a welcome speech, viz:

- **Mr. Alton Stamp**
Department of Co-operatives and Friendly Societies
- **Ms. Tashieka Howell**
Department of Co-operatives and Friendly Societies
- **Ms. Donnette Hunter**
CUNA Caribbean Insurance
- **Mr. Andrew Thompson**
Mair Russell Grant Thornton
- **Ms. Sharon Lazarus**
Mair Russell Grant Thornton

- **Mrs. Lisa Thompson**
Mair Russell Grant Thornton
- **Ms. Kimberly Lindo**
Jamaica Co-operative Credit Union League
- **Mrs. Michelle Bassaragh-White**
North-East Regional Health Authority
- **Ms. Lashane Mead**
Moon Palace Foundation Jamaica
- **Ms. Jennifer Chambers**
Associated Manufacturers Limited
- **Mr. Lanthony Williams**
Nominated to Serve on the Credit Committee
- **Ms. Judy Bell**
Nominated to Serve on the Credit Committee

1.6. Acceptance of Apologies

Apologies for absence were tendered on behalf of:

- Mr. Sean Harris
- Ms. Norma Walters
- Mrs. Eloise Brown-Panton
- Mr. Sixto Coy
- Mrs. Lorraine Brown-Wright
- Mr. Peter McHugh
- Mr. Mikhail McKenzie
- Ms. Tanesha Facey
- Mrs. Suzette Barnes-Wilson

1.7. Introduction of Directors and Chief Executive Officer

The Chairman introduced the Directors and the Chief Executive Officer, Mr. Ardford Billings.

2. Confirmation of Minutes of the 44th Annual General Meeting

The Minutes of the 44th Annual General Meeting (AGM) were taken as read on a motion by Ms. Sheka Strachan (Highgate), seconded by Ms. Suzette Robinson (Negril). There being no amendments, the minutes were confirmed on a motion by Mr. Patrick Haywood (Port Maria), seconded by Ms. Kay Windsor-Grant. The motion was carried.

3. Matters Arising from Minutes

3.1 Surplus Distribution 2022

Mr. Ralston Isaacs (Port Maria) asked about our 2022 position in relation to surplus distribution. In response, the President explained that there was no distribution for year ended December 2021 because there was no surplus; he continued by assuring that there would be a surplus distribution for year ended December 2022. Mr. Isaacs then congratulated First Regional on their financial position for the year.

4. REPORTS

4.1 The Board Of Directors

The President, Mr. Cyril Mason, presented a condensed version of the report found on pages 16-20 of the 2022 Annual Report. On a motion by Mr. Deslon Brown (Ocho Rios), seconded by Mr. Christopher Mazlin (Negril), the report was taken as read. The motion was carried. He then invited members' comments/questions.

Mr. Ralston Isaacs requested that the Annual Report booklets be distributed at least seven day prior to the Annual General Meeting. He also recommended that we implement an Education Committee to aid in increasing our membership. The President responded that such a committee has already been incorporated into the structure of the Credit Union as we now have a Marketing Department.

Mr. Maurice Bryson (Discovery Bay) and Ms. Millicent McKenzie (Highgate) enquired about the offering of USD accounts. The President explained to Ms. McKenzie that Credit Unions do not offer USD Accounts as it is a BOJ restriction. In response to Mr. Bryson, the President stated that the League could possibly look into negotiating with BOJ regarding the offering of USD Accounts.

There being no further questions, the Report of the Board of Directors was unanimously adopted on a motion by Mrs. Sharon O'Connor (Ocho Rios), seconded by Ms. Yvonne Silvera (Port Maria). The motion was carried.

At this stage, prizes were awarded to members who had correctly answered questions.

4.2. The Credit Committee

Ms. Marion Case, Committee Chairman, requested that a motion be moved to take the report on page 31 of the 2022 Annual Report as read. As such, on a motion by Mrs. Paulette Gardener-Johnson (Round Hill), seconded by Mrs. Carol Johnson-Bell, the report was taken as read. The motion was carried. She then invited members' comments/questions.

There being none, the Report of the Credit Committee was unanimously adopted on a motion by Ms. Eudalee Treasure (Ocho Rios), seconded by Mr. Ralston Isaacs. The motion was carried.

4.3. The Supervisory Committee

The Assistant Secretary, Ms. Althea Landell, requested that a motion be moved to take the report on page 33 of the 2022 Annual Report as read. As such, on a motion by Mr. Ralston Isaacs, seconded by Ms. Pitronia Bowen (Annotto Bay) the report was taken as read. The motion was carried. She then invited members' comments/questions.

There being none, the Report of the Supervisory Committee was unanimously adopted on a motion by Mrs. Narvelin Cammock (Ocho Rios), seconded by Mr. Orville Simmonds (Ocho Rios). The motion was carried.

At this stage, prizes were awarded to members who had correctly answered questions.

4.4. Treasurer's Report For The Year Ended December 31, 2022

Mr. Andrew Thompson, representative from Mair Russell Grant Thornton, was invited to present a condensed version of the financial report found on pages 43-48 of the 2022 Annual Report on a motion by Ms. Florette Henry, seconded by Ms. Marion Case. Mr. Patrick Bryan, Treasurer on the Board of Directors, was then invited to present the Treasurer's Report found on pages 21-26 of the 2022 Annual Report.

Director Bryan then invited members' comments and or questions.

In response to Mr. Maurice Bryson's query on the possibility of implementing a pension scheme for members, Director Bryan responded that Management would look into it. Mr. Bryson also requested an explanation on the Actuarial Loss in the Defined Benefit (DB) Pension plan. Director Bryan responded that the DB Pension fund would reflect a loss or surplus based on the return on investments from the pension fund for the year. Mr. Bryson extended commendations to First Regional on its financial stewardship for year ended 2022.

Director Bryan, in responding to Mr. Ralston Isaacs, explained that we increased our Capital Base to mitigate against unforeseen events that may deplete the credit

union's financial assets. Our Capital Base is similar to a contingency fund which would be separate and apart from our investments so we have cash readily available.

Mr. Patrick Haywood requested percentages for the different categories in our loan portfolio. Director Bryan responded that he would not be able to give exact percentages at the moment, however, we have increased our presence in real estate; giving examples such as the Drax Hall and St. Thomas developments which can be seen on page 36 of the 2022 Annual Report.

The reports of the Treasurer and Independent Auditor were unanimously adopted en bloc on a motion by Ms. Yvonne Silvera (Port Maria), seconded by Mr. Ralston Isaacs (Port Maria). The motion was carried.

5. APPROPRIATION OF SURPLUS for 2022

On a motion by Ms. Tasheika Martin (Ocho Rios), seconded by Ms. Millicent McKenzie (Highgate), the Appropriation of Surplus for 2022 was unanimously approved by members as follows:

Proposed Distribution of Surplus for 2022			
Surplus for the year			270,162,839
Actuarial gain/(loss) on defined benefit plan			(31,697,000)
Fair Vaule Gain on Investment			12,047,592
Total Comprehensive Income for 2022			250,513,431
Statutory Reserve (20% of Surplus for the year)			54,032,567.80
			196,480,863
Undistributed surplus- 2021		201,630,996	
Add additional adjustments for 2021:			
Fair Value gain on investment	-		
Prior year Actuarial loss on defined benefit plan	-		
		201,630,996	
Less transfers approved at AGM for 2022:			
Dividend on Permanent Shares	-		
Capital Expenditure Reserve	-		
Statutory Reserve (additional)	-		
		201,630,996	201,630,996
			398,111,859
Less transfer to Non-Institutional Capital:			
Non-Distributable Gains	(17,591,005)		
Corporate Social Responsibility Reserve including Scholarship and grants			(17,591,005)
			415,702,864
Add transfer from Non-Institutional Capital:			
Amount spent from Capital Expenditure Reserve			-
Retirement Benefit Asset Reserve		31,265,000	
Amount spent from Corporate Social Responsibility Reserve		6,929,807	38,194,807
Undistributed surplus- 2022			453,897,671
Less accrued Interest Income on loans			57,619,236
			396,278,435
Proposed Appropriation for 2022:			
Additional transfer to Statutory Reserve	100,000,000		
Tertiary Scholarship	1,700,000		
Scholarship and other donations	6,000,000		
Honoraria	5,300,000		
Capital Expenditure Reserve			-
Dividend on permanent shares (15% of principal balance at year end)		25,680,000	
Total Distribution			138,680,000
Undistributed surplus			257,598,435

The motion was carried.

6. FIXING OF MAXIMUM LIABILITY

On a motion by Mr. Patrick Haywood (Port Maria), seconded by Ms. Claudia Lattibeaudierre (Kingston) and with the consensus of members present, the Maximum Liability was fixed at six (6) times the Institutional Capital of the Credit Union. The motion was carried.

7. AWARDS

Citations - The Chief Executive Officer issued citations to individuals who had contributed to the success of First Regional for the year 2022, as well as those who would be retiring absolutely. Each person, with the exception of Mrs. Lorraine Brown-Wright who was absent, was also presented with a token.

Retiring from the Board of Directors

- Mrs. Pollyanna Brown-Mullings
- Mrs. Lorraine Brown-Wright

Moon Palace Foundation Jamaica

- Ms. Lashane Mead

Associated Manufacturers Limited

- Ms. Jennifer Chambers

Mr. Billings further issued awards to the following staff members who had served at the Credit Union for ten (10) years:

- **Ms. Bridget Anderson**
(Highgate)
- **Ms. Stacy Johnson**
(St. Ann's Bay)
- **Ms. Rose-Marie Lyons**
(Brown's Town)
- **Ms. Eugenie Powell**
(Guy's Hill)
- **Ms. Sandra Reece**
(Port Maria)
- **Ms. Romayne Riley**
(St. Ann's Bay)
- **Mr. Rohan Stephenson**
(St. Ann's Bay)

8. ELECTION OF OFFICERS

Mr. Alton Stamp, representative from the Department of Co-operatives and Friendly Societies (DCFS), was invited to preside over the elections. Ms. Tashieka Howell, Compliance Officer of DCFS gave a congratulatory speech prior to the elections.

Mr. Stamp requested that a motion be moved to take the report of the Nominating Committee on page 34 of the 2022 Annual Report as

read. On a motion by Ms. Beverley Williamson (Annotto Bay), seconded by Ms. Marion Case the report was taken as read. The motion was carried. The report was adopted on a motion by Ms. Nordia Palmer (Discovery Bay), seconded by Mr. Cava White (Ocho Rios). The motion was carried.

Mr. Stamp requested that a motion be moved to accept the recommendations given in the Nominating Committee report for the elected volunteers for the year 2023-2024. On a motion by Mr. Antholon Jones (St. Ann's Bay), seconded by Ms. Monica Bryan, the volunteers were accepted to service. The motion was carried.

Mr. Stamp requested that a motion be moved to empower the Board of Directors to elect delegates and alternate delegates for the Jamaica Co-operative Credit Union League's (JCCUL) Annual General Meeting. On a motion by Mr. Orville Simmonds (Ocho Rios), seconded by Mrs. Kerry-Ann Logan (Kingston), the Board of Directors were given authority to elect delegates and alternate delegates to represent First Regional at the JCCUL's Annual General Meeting. The motion was carried.

At this stage, prizes were awarded to members who had correctly answered questions.

9. ANY OTHER BUSINESS

9.1. Tributes

With relation to the tributes found on pages 122-123 of the 2022 Annual Report, the President requested that we observe a moment of silence as a mark of respect for our volunteers who had passed during the year.

9.2. Vote of Thanks

The Operations Manager, Mrs. Carlene Shirley-Johnson, stated that as we closed the meeting of the 45th Annual General Meeting of First Regional there was much for which we should be grateful. She extended thanks to:

- ✓ Members for their attendance, participation, unwavering loyalty, trust and support over the years
- ✓ Volunteers – who served on the Board, Supervisory, Credit and Nominating Committees for their altruistic service and continued dedication to First Regional
- ✓ Specially invited Guests for attending – including representatives from the Jamaica Co-operative Insurance Agency, the Department of Co-operatives and Friendly Societies, the Jamaica Co-operative Credit Union League, CUNA Caribbean Insurance, external auditors- HLB Mair Russell Grant Thornton - whose opinion was highly valued.
- ✓ Jamaica Information Service (JIS) for assisting with the audio production
- ✓ The photographer, Mr. Chavez Munroe, for capturing the cherished moments
- ✓ The Sandals Ochi Beach Club Resort for accommodation and what was expected to be a sumptuous meal
- ✓ Managers and Staff for their dedication, loyalty and selfless service; with special recognition given to the I.T. and Business Development Departments

Mrs. Shirley-Johnson then invited Mr. Deslon Brown to apprise those in attendance of our "Back 2 School" Loan Special.

10. Termination of Meeting

The President, Mr. Cyril Mason, thanked all for attending the meeting. There being no further business, following grace and the singing of the National Anthem, the meeting was terminated at 12:58 p.m.

BOARD OF DIRECTORS



MR. CYRIL MASON
PRESIDENT



REV. DR. GLENROY LALOR
1ST VICE PRESIDENT



MRS. SUZETTE WILSON
2ND VICE PRESIDENT



MS. PEARLINE BAILEY
SECRETARY



MR. HIGILOCK MULLINGS
ASSISTANT SECRETARY



MR. PATRICK BRYAN
TREASURER



BISHOP RANKIN CLARKE
ASSISTANT TREASURER



MS. MARION CASE
DIRECTOR



MR. CECIL GORDON
DIRECTOR



PETER MCHUGH
DIRECTOR



MR. SEAN HARRIS
DIRECTOR



15

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REPORT OF THE BOARD OF DIRECTORS



MR. CYRIL MASON
PRESIDENT

Fellow Co-operators:

The Board of Directors is very pleased to present its report on the performance and operations of your Credit Union for the year 2023. I am elated and honoured to report that First Regional delivered an outstanding performance in 2023, capitalising on the continued improvement in the local economy since the COVID-19 pandemic and in so doing, surpassed the \$11 Billion mark in Total Assets in addition to achieving the highest total income in the history of the Credit Union's operations.

First Regional also copped the prestigious OJ Thorbourne Award for Corporate Social Responsibility in 2023 in recognition of our commitment to fostering growth and development in the communities we serve by contributing to initiatives and causes that make a difference.

Your Credit Union satisfactorily achieved its strategic objectives and has remained safe, solid, solvent, and secure. These outstanding achievements were attained through the combined efforts of your Board of Directors, Supervisory and Credit Committees, our Chief Executive Officer, Mr. Ardford Billings, his management team and the dedicated and hardworking staff of First Regional.

"There is no magic to achievement. It's really about hard work, choices, and persistence." – Michelle Obama

Sound Corporate Governance

In executing its fiduciary duties, your Board of Directors

exercised sound corporate governance as all the necessary measures were taken to ensure that:

- the Credit Union's operations were transparent, fair, disciplined and ethical
- all the regulatory financial practices were observed
- risks were carefully managed
- astute stewardship was displayed in the management of the Credit Union's resources
- the Credit Union actively engaged the community through its Corporate Social Responsibility programme.

Operating Environment

The Bank of Jamaica's (BOJ) Stability Report for 2023 posits that the local economy is estimated to have grown by 2.6% in 2023, a reduced pace when compared to the strong recovery in 2022 that recorded an expansion of 5.2%. Growth in the Mining & Quarrying sector, Tourism and its affiliated services were the main drivers behind the expansion in the Real GDP in 2023. The unemployment rate declined to a record low of 4.2% as at October 2023, a noticeable indication of the increase in economic activity. Annual headline inflation was lowered to 6.9% as at December 2023 from 9.4% for the same period in 2022 - marginally above the Bank of Jamaica's (BOJ) inflation target of 4% - 6%. The deceleration in headline inflation was primarily effected by the BOJ's monetary policy actions, falling international commodity prices (particularly for grains, crude oil and liquid natural gas) and the relative stability in the exchange rate.

Financial Performance

The macroeconomic growth augured well for the Credit Union and facilitated First Regional's delivery of another sterling financial performance.

In 2023, First Regional achieved:

1. another significant milestone in that our Total Assets surpassed the \$11 Billion mark – being \$11.075 Billion as at December 2023, an increase of 16.7% or \$1.5 Billion on

the **\$9.49 Billion** recorded in 2022

2. a **Net Surplus of \$268 Million**, marginally below the **\$270 Million** recorded in 2022
3. its highest **Total Income of \$1.026 Billion** – historically exceeding the billion dollar in **Total Income for the first time** – earning **\$153 Million** or **17.55% more** than the **\$873 Million** earned in 2022.

First Regional's Capital Base to Assets ratio in 2023 was 14.17%, a marginal decrease in comparison to the 14.85% recorded in 2022 but significantly higher than the 6% mandated by BOJ and the 8% required by the Jamaica Co-operative Credit Union League (JCCUL). This strong capital base will continue to ensure First Regional's long-term sustainability.

Despite intense competition on many fronts, First Regional's net loan to members was \$8.2 Billion at the end of 2023, an increase of \$1.5 Billion when compared to the previous year. As at December 2023, our Net Loans to Total Assets ratio stood at 74%, a 4% increase over the 2022 ratio and allowing First Regional to remain in the category of a good Credit Union according to the PEARLS-M standardized ratio of 60% - 80%.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a core element of First Regional's mission, vision, and values. The initiatives which we undertake support our mission to help our members, communities, civil society groups and causes that are aligned with the Credit Union's values and vision. In 2023, First Regional remained committed to the Credit Union Movement's core philosophy of 'People helping people to succeed' and our corporate social responsibility strategy was defined by our strategic focus in the following areas:

- **Education**
- **Health and Wellness**
- **Community Organizations and Civil Society Groups**
- **Staff Welfare, Team Member Engagement and Credit Union Community Engagement.**

Our Corporate Social Responsibility spend in 2023 totalled Six Million Two Hundred and Fifty-nine Thousand Five Hundred and Thirty-two Dollars and Ninety-three Cents (**\$6,259,532.93**).

Education

Our focus on education in 2023, saw us making donations to several educational initiatives undertaken by schools and colleges or to groups affiliated with education, such as Parent Teachers' Associations and

the Early Childhood Commission.

The flagship initiative of this aspect of our CSR Programme are our Primary Exit Profile (PEP) Scholarships, Tertiary Level Bursaries and Book Grant Initiatives for which we made a total spend of **\$2,170,000.00**. The recipients of the PEP Scholarships were: **Syrianna Cummings** - the Leyland Walker Scholarship, **Ethan Howe** - the Reynold Smith Scholarship, **Shemar Ducally** - the Herman Ming Scholarship, **Gabriella Hall** - the First Regional Scholarship, **Garfield Clarke** - the Hospitality Industry Scholarship and **Alliauna Steele** - the Radcliffe and Norma Walters Scholarship. The Tertiary Level Bursaries were awarded to **Jade Martin** (UWI), **Sherica McKane** (UTECH), **Elisa Calnick** (UCC) and **Sashell Wisdom** (UCC).

Our School Breakfast Programme is also an important aspect of the Education Initiative and saw us contributing \$431,995.21 to support the programme. Children who start the day with a nutritious breakfast are more likely to be at school, have increased alertness and improved moods throughout the morning, making for a better learning experience. Our programme provides breakfast items for students at the Runaway Bay Primary & Infant School, the Parry Town Primary & Infant School, both located in St. Ann, and the New Orange Hill Primary School located in St. Mary. These schools are in low income communities and are in need of support.

We supported basic schools to meet requirements for certification under the Early Childhood Commission's programme and schools in their celebration activities for Child Month for which we expended - **\$136,000.00**. We also purchased windows at a cost of \$66,000.00 for the Apostolic Ark Basic School with whom we have been partnering for the past four (4) years.

We contributed to the Jamaica Library Services (St. Ann & St. Mary branches) by participating in their Reading Competitions and also purchased a much needed laminating machine at a cost of **\$101,750.00** for one of the branches. Other initiatives in education which we supported at a value of \$650,425.00 were: school events such as Open Day and Fun Days, Teachers' Day and School Sports. We also purchased a refrigerator at a cost of \$97,295.00 for Edge Hill School of Special Education and assisted schools with fees for CSEC and other external examinations.

Health and Wellness

A healthy nation is critical for Jamaica's development. Over the years and in 2023, First Regional continued to support the North-East Regional Health Authority (NERHA), the Jamaica Cancer Society (St. Ann and St. Mary combined) in their efforts to educate citizens on various health issues through health fairs or to sensitize the populace about prostate or breast cancers. In this regard, we supported the:

- Jamaica Cancer Society in May 2023 with a donation of **\$182,000.00** to host their Men's Health Fair
- North-East Regional Health Authority (NERHA) – Poetry Competition in February 2023: **\$40,000.00** to purchase gift baskets for winners in four (4) different categories/age groups
- Jamaica Cancer Society Blue Run/ Walk in September 2023 - **\$50,000.00**
- Brown's Town Community College with a donation of **\$20,000.00** to stage a health fair in November 2023
- Jamaica Cancer Society - Pink Run/ Walk in November 2023 - **\$28,500.00**
- Claremont Apostolic Ark Pentecostal Church Cancer Awareness Seminar in November 2023: **\$15,000.00.**

Support for Community Organizations and Civil Society Groups

Partnering with community organizations and civil society groups, contribute to their effectiveness and strengthen the society. By themselves, these groups could not successfully or effectively function; hence, the support of organizations such as First Regional through our CSR initiatives are critical. In 2023, our contributions saw donations being made to:

- Security Forces - JCF and Constables and affiliated organizations - **\$170,000.00**
- Churches towards rebuilding fund, repairing car park, Father's Day Concert, and anniversary celebrations - **\$305,000.00.**
- Highgate United Church (host of First Regional's Credit Union Week Church Service) – a donation of **\$25,000.00** towards their Benevolence programme which assists the less fortunate within the community with care packages and funds the Soup Kitchen Ministry.
- Organisations such as Youth Clubs, Civic Groups such as Justices of the Peace Association and the Office of the Custos, groups that provide social intervention through education and feeding young children such as 876 CARE: **\$654,677.32**

Staff Welfare, Team Member Engagement and Credit Union

Community Engagement/Promotion.

Our staff members continue to be the strength on which we rely - the critical success factor of our outstanding performance in 2023. In 2023, we continued efforts to invest in their growth, potential and welfare through internal training and suitable external training programmes to improve their knowledge and effectiveness as they engaged with members.

Staff engagement and support are critical to the credit union's success as they can help build and improve organizational culture. Employees who feel connected to their work, colleagues, and the company's values are more likely to stay engaged and motivated.

In 2023, the following initiatives were successfully undertaken under this aspect of our CSR programme:

- **Staff Welfare: \$896,052.36** in educational grants to six (6) staff members studying at the tertiary level or who had completed their course of studies.
- **Team member engagement: members of staff participated in -**

Labour Day Activities at the Brown's Town Primary School and the Brown's Town Infant Schools in May 2023 - **\$138,493.04.**

the Cancer Society Blue & Pink run/walks.

promotion of the Credit Union and support for stakeholder activities through Gift Certificates and Gift Baskets: **\$168,040.00.**

Our staff members were also involved in speaking engagements at various functions such as graduations and Career Day, offered services through the Justices of the Peace programme by attending sittings of the Petty Session Court. We also made presentations to organizations on Financial Literacy such as the 'Importance of Saving'/ 'Why Save with a Credit Union?' In 2023, we made presentations to parents, teachers and students at educational institutions up to the college level, to employees of hotels including the popular 'Financial Fridays' at Moon Palace Hotel biweekly and 'Business Day' at Sandals Ocho Beach. We also made presentations at local businesses.

Through these efforts and initiatives, we continue steady progress towards achieving our CSR goals and remain focused on introducing new initiatives with the aim of strengthening the communities we serve.

In recognition of these efforts, First Regional was adjudged the winner OJ Thorbourne Award for Corporate Social Responsibility in 2023.

Information Technology

For the year under review, First Regional continued

to make technological advancements which have undoubtedly improved our service delivery and increased our competitiveness in the market. We also replaced a number of our UPS equipment and computers to ensure better service delivery and improved productivity.

- **MasterCard Debit Card Initiative – MasterCard Debit Cards are currently being issued at the St. Ann’s Bay, Ocho Rios, Negril and Port Maria Branches. Training was conducted at the Brown’s Town and Round Hill Branches and these branches should commence issuing of cards in short order. These cards can be used internationally.**
- **Online Banking – Work regarding our online platform continued in 2023. The online banking application is available; however, we are testing and enhancing the back-office processes before we present it to our members. A launch date will be communicated to members once the tests have been completed.**

Looking Forward

Fellow co-operators, with the local and global economies continuing to show signs of recovery, be assured that your Credit Union will continue to position itself to capitalise on the opportunities that will arise to increase revenues, enhance our service delivery and efficiently improve the core functions of our operations.

Your Board of Directors will continue to update its corporate strategies and processes to remain competitive whilst holding firm to First Regional’s core values and principles.

We remain committed to:

- **consistently exceeding members’ expectations**
- **engaging in community building by continuing our Corporate Social Responsibility programme, which is geared towards addressing the social and economic issues of our members and the communities we serve.**
- **efficiently running the Credit Union across all delivery channels through improved business processes and a responsive IT system**
- **managing our operating expenses to ensure valuable returns to you, our members**

- **refurbishing the physical plant of a number of our branches to improve their aesthetics for the comfort of our staff and you, our members and**
- **expanding the number of schools on the Breakfast Feeding programme.**

Acknowledgement

On behalf of the Board of Directors, I want to wholeheartedly thank you, our members for your continued loyalty and support, which have contributed significantly to First Regional’s success.

Special recognition must be given to the Supervisory and Credit Committees for faithfully and selflessly discharging their duties.

Special thanks and appreciation must also be extended to:

- **our Chief Executive Officer, Management Team and employees for their dedication and commitment in giving members outstanding service and for becoming the embodiment of our tagline that First Regional is “Where you get interest on your money and interest in You”**
- **our umbrella organization, the Jamaica Co-operative Credit Union League and our affiliates Jamaica Co-operative Insurance Agency and CUNA Caribbean Insurance Agency for their support.**
- **our Regulators – the Department of Co-operative and Friendly Societies and the Bank of Jamaica for their guidance.**
- **our external auditors – HLB Mair Russell for preparing our Financial Statements**
- **my fellow directors for their support as well as their diligence and selflessness in executing the responsibilities associated with their stewardship and good corporate governance.**

Your Board of Directors will continue to provide sound corporate governance, which will ensure that First Regional will remain a trustworthy financial institution that is committed to providing long-term value to members, staff and by extension the communities we serve.

Cyril Mason

CYRIL MASON

President





First Regional Co-operative Credit Union Ltd.

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Conditions Apply***

20

FIRST REGIONAL CO-OPERATIVE
CREDIT UNION LIMITED
ANNUAL REPORT 2023

TREASURER'S REPORT

FOR YEAR ENDED DECEMBER 31, 2023



MR. PATRICK BRYAN
TREASURER

Fellow Co-operators,

I am pleased to present the Treasurer's Report of First Regional Co-operative Credit Union Limited for the financial year ended 31st December 2023. The financial results for 2023 were obtained in an economy that continues to show signs of improvement since the COVID-19 Pandemic. I am happy that through our diligent and prudent stewardship, the Board and Management of First Regional were able to leverage the continued upturns in the global and local economies in order to deliver positive financial results to our members and other stakeholders.

The continued upturns in the global economy were confirmed by the April 2024 edition of the World Economic Outlook, published by the International Monetary Fund. In this April 2024 edition, it was posited that: (1) the global economy has been surprisingly resilient, despite significant central bank interest rate hikes to restore price stability; and (2) the global economy experienced a growth rate of three point two

per cent (3.2 %) in 2023, which is expected to continue into 2024 and 2025. The World Economic Situation and Prospects 2024, published by the United Nations, also confirmed that: (1) global economic growth outperformed expectations in 2023, with several large economies showing remarkable resilience; and (2) global inflation which was a key concern over the past two years, showed signs of easing in 2023 and this was substantiated by the global inflation rate falling from eight point one per cent (8.1%) in 2022 to an estimated five point seven per cent (5.7%) in 2023.

Our local economic environment also showed positive results for 2023. The World Bank's Overview of Jamaica published on April 15, 2024, stated that the Jamaican economy surpassed its pre-pandemic levels, expanding in real terms by two point nine per cent (2.9%) year-over-year for the first three quarters of 2023, and that this growth was driven by net exports from a record expansion in tourism and mining. Despite the positive results for 2023, the April 15, 2024 publication cautioned that Jamaica is also highly vulnerable to external shocks, given its reliance on imports and tourism; especially because tourism and agriculture collectively account for more than a third of jobs in the economy.

In 2023, the Board of Directors and Management of First Regional continued to build on our strategy of reducing our concentration of loans in the Tourism and Transportation Sectors, and focus more on development loans that offered more stability and better collateral. As a result of this strategy, at the end of 2023, our loan portfolio consisted of seventy-one per cent

(71%) of loans that were secured by real estate and seventeen per cent (17%) that were secured by motor vehicles, compared to sixty-seven per cent (67%) of loans that were secured by real estate and twenty-one per cent (21%) that were secured by motor vehicles in 2022.

FINANCIAL PERFORMANCE FOR 2023

At First Regional, we constantly benchmark our financial performance against the performance of other credit unions of similar size and nature. However, the main criteria used is the PEARLS-M Ratios mandated by our regulators. The acronym PEARLS-M stands for:

- **Protection**
- **Effective financial structure**
- **Asset quality**
- **Rates of return and costs**
- **Liquidity**
- **Signs of growth**
- **Management**

The PEARLS-M standard ranks performance on a scale of 1 to 5 with Code 1 being the highest. For 2023, First Regional was able to attain Code 1 ratios for all our core areas of operation except for "Growth in Membership" which closed the year at a Code 3. We will continue to focus on recruitment and marketing strategies with the aim to return this ratio to a Code 1 as soon as possible.



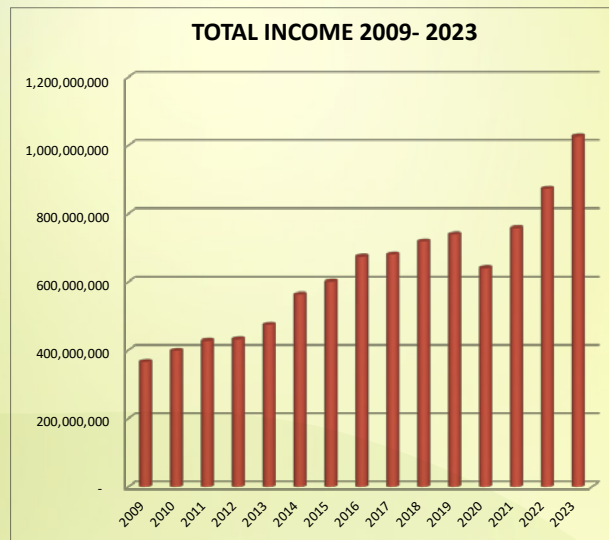
21

GROWTH
POSITIONING FOR CHANGE

Statement of Comprehensive Income

INCOME

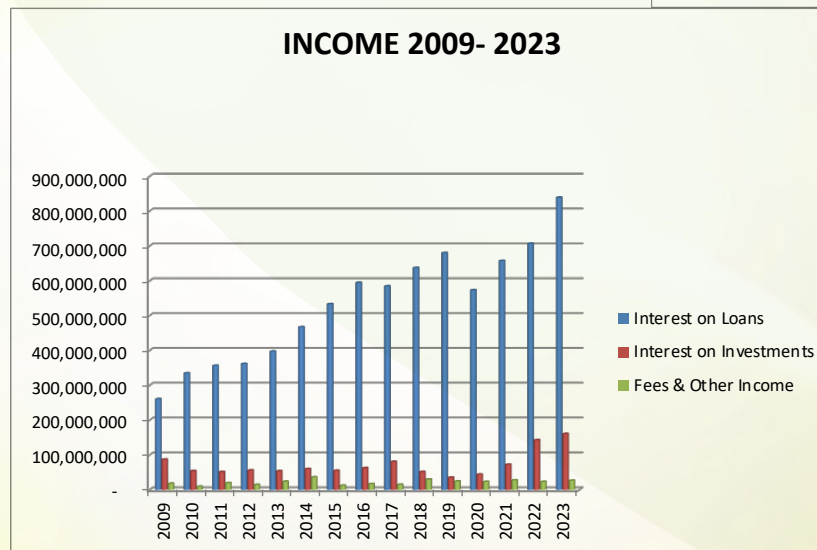
Figure 1



We are happy to report that in 2023, for the first time in our history, we were able to report total income in excess of \$1 Billion Dollars. The income for 2023 was \$ 1.026 Billion which was \$153 Million or seventeen point five-five per cent (17.55%) more than the \$873 Million reported in 2022. Eighty-two per cent (82%) of our income for 2023 was earned from loans and a reminder that loans remain the most important asset on our balance sheet.

Figure 2

Of the \$1.026 Billion reported as income for 2023, Figure

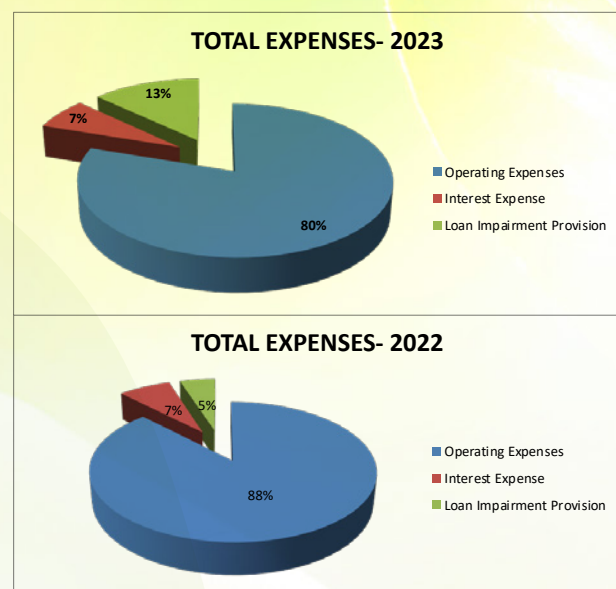


2 indicates that \$839 Million or eighty-two per cent (82%) was from loans, \$161 Million or sixteen per cent (16%) was from investments, and \$27 Million or three

per cent (3%) was from fees and other income. Please note that we did not increase our loan interest rate or our service fees in 2023, and that the interest earned from investment and fees for 2023 were relatively the same amounts earned in 2022. Therefore, the growth in income for 2023 was mainly attributable to the growth in our loan portfolio. At the end of 2023, our ratio of Net Loans to Total Assets stood at seventy-three point seven four per cent (73.74%), which is fast approaching the recommended limit of eighty per cent (80%). Therefore, we are actively looking at other strategies to increase our earnings from our other earning assets.

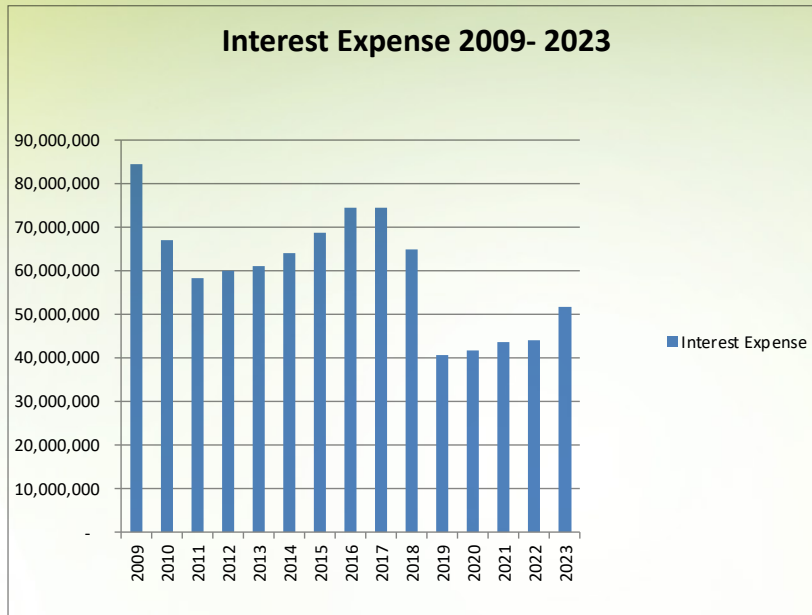
EXPENSES

Figure 3



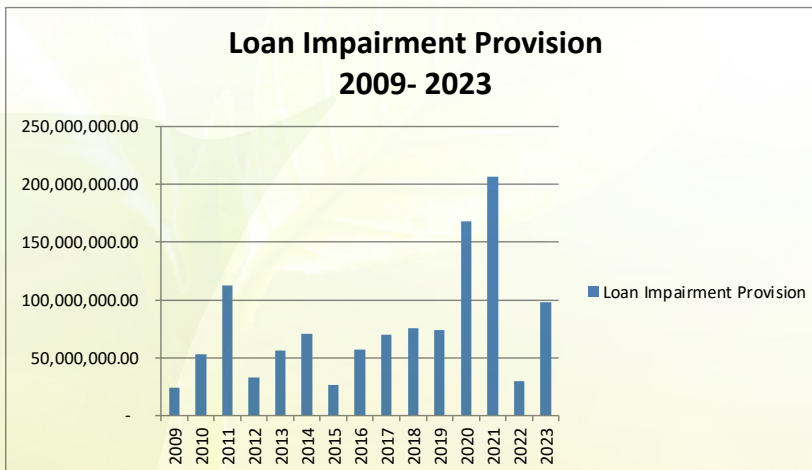
The Total Expenses of First Regional increased by \$148 Million or twenty-five per cent (25%) from the \$605 Million reported in 2022 to the \$753 Million reported in 2023. Total Expenses continued to be dominated by Operating Expenses that accounted for eighty per cent (80%) of Total Expenses. This was down from the ratio of eighty-eight per cent (88%) reported in the prior year and was mainly impacted by the fact that the ratio of Loan Impairment Provision to Total Expenses Ratio increased from the five per cent (5%) reported in 2022 to thirteen per cent (13%) reported in 2023.

Figure 4



The growth in Interest Expense reported for 2023 was a result of growth in savings held by our members, as there were no increases in the deposit rates paid to them. Despite the uptick in market interest rate, our current interest rates remained competitive during the year. We will continue to review the rates offered and will make the necessary rate adjustments when our rates are no longer competitive.

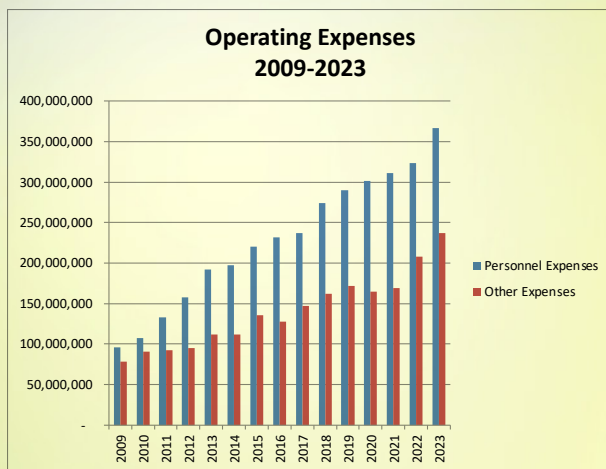
Figure 5



Our Loan Impairment Provision grew by \$68 Million or two hundred and twenty-nine per cent (229%) from the \$30 Million reported in 2022 to \$98 Million for 2023. Despite the massive percentage increase recorded for 2023, the provision was reasonable and was still below the levels reported during the height of the COVID-19 Pandemic. The growth in the provision was commensurate to the growth experienced in the loan portfolio in 2023. Also, it is worthy to note that our Total Delinquent Loans to Total Loans Ratio was at a Code 1 for 2023 compared to a Code 2 for 2022. This is confirmation that the increase in our Loan Impairment Provision was mainly attributable to the growth in our loan portfolio.



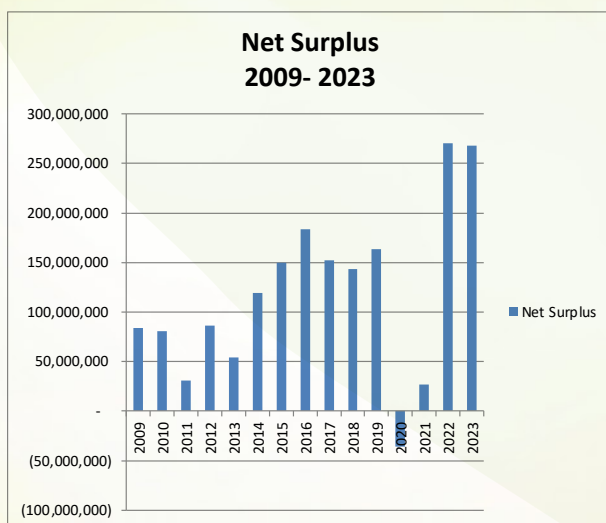
Figure 6



Operating Expenses to Average Asset Ratio for 2023 was five point two nine per cent (5.29%). This was significantly below the maximum amount of eight per cent (8%) allowed for a Code 1, and was also the best figure attained for this ratio in recent years. This steady and controlled growth in our Operating Expenses over the years is testament to your credit union's prudent fiscal management. Our Personnel Expenses to Total Operating Expenses Ratio for 2023 was sixty-one per cent (61%), similar to our achievement in 2022 but lower than the range of sixty-three per cent (63 %) to sixty-five per cent (65%) achieved between 2013 and 2021.

NET SURPLUS

Figure 7



The Net Surplus of \$268 Million recorded for 2023 was marginally below the \$270 Million reported for 2022, and represents another successful year of operation because the prior year surplus was an all-time high. Attaining a surplus each year will allow us to pay a dividend and also allow us to reinvest in key areas to secure future growth for you our valued members.

We realized an Actuarial Gain of \$41 Million on Retirement Benefit Asset (Pension Fund) which resulted in Total Comprehensive Income of \$308 Million for 2023.

Statement of Financial Position

First Regional aims to grow its financial position from year to year and to maintain Code 1 PEARLS-M Ratios for the key components of our Statement of Financial Position while we are growing. First Regional has participated in two mergers in the last decade but most of our growth was achieved organically. We are happy to report that in 2023, we were again able to achieve growth in our financial position and to strengthen the key components of our Statement of Financial Position. In 2023, the growth in our Statement of Financial Position was in excess of \$1.5 Billion.

The key areas of the Statement of Financial Position are stated below:

ASSETS

Figure 8



Figure 8 above indicates that First Regional was able to achieve steady growth year-after-year since 2009. At the end of 2023, Total Assets stood at \$11.075 Billion, which represents a growth of \$1.5 Billion when compared to the 2022 figure of \$9.49 Billion. The current year's growth of \$1.5 billion is very impressive and was three times greater than the average annual growth of \$500 Million between 2009 and 2022. Also, none of the key components of our Financial Position were compromised in achieving this growth.



Figure 9



In 2023, we were able to grow our loans to members by \$1.5 Billion from \$6.7 Billion reported in 2022. In addition to achieving this growth, we were also able to improve the quality of our loans by further reducing our concentration in the Tourism and Transportation Sectors and increasing our concentration in real estate development loans. One area of concern for the current year was that we were not able to grow our investment portfolio. Our investment portfolio stood at \$2.389 Billion at the end of 2023, which represents a decline of \$3 Million when compared to the 2022 amount of \$2.392 Billion. The decline can be attributed to that we reduced investments to fund loan growth. One of our key objectives going forward, is to increase our investment portfolio and our earnings from investments, while at the same time slowing our loan growth rate which is approaching eighty per cent (80%) of our Total Assets.

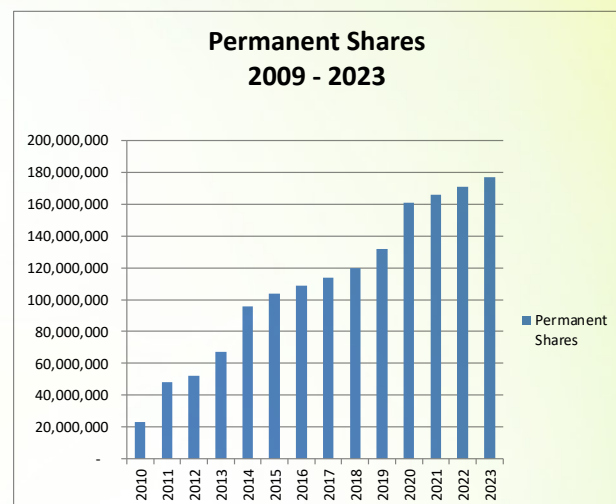
Figure 10



One of the indicators of our members' confidence in First Regional is our members' willingness to continue to invest in First Regional. Figure 10 above shows that there has been steady and consistent growth on both Voluntary Shares and Deposits since 2009. At the end

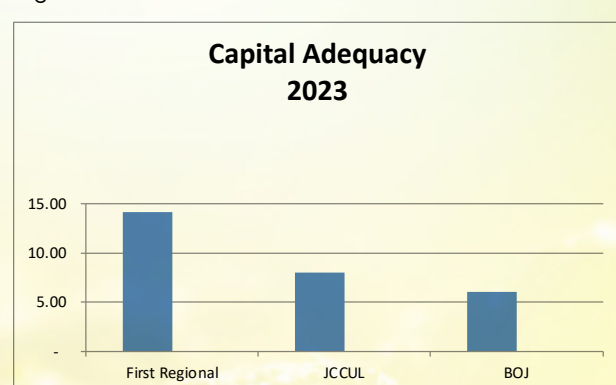
of 2023, Voluntary Shares stood at \$6.044 Billion which represents a growth of \$905 Million or eighteen per cent (18%) when compared to \$5.139 Billion for 2022. There was also growth of \$376 Million or seventeen (17%) in our Deposits when we compared the 2023 amount of \$2.629 Billion to the 2022 amount of \$2.253 Billion. We are happy for this vote of confidence from you our members and we aim to continue to operate in a prudent manner that will provide you with future returns on your investment.

Figure 11



We experienced growth in our Permanent Shares of \$6 Million or four per cent (4%) for 2023. While we are happy that our Permanent Shares have been on a growth trajectory since 2010, we are disappointed that we were not able to return our Growth in Membership Ratio to a Code 1 ratio in 2023. We will continue to focus on marketing and other growth strategies with the aim of returning this ratio to a Code 1.

Figure 12



A strong capital base is an important component of a strong financial institution. At the end of 2023, the Capital Base Ratio of First Regional was 14.17%. This means that First Regional is well capitalized and boasts a Capital Base Ratio that is significantly higher than that which is required by our regulators.

Income, Expenditure & Appropriation Account for year ended 31st December 2023

	\$'000	\$'000
Income as obtained from interest on:		
Members' loans	839,141	
Liquid assets	14,891	
Investments	145,819	
Making a total of	<u>999,851</u>	999,851
From this we paid interest expenses totaling		51,610
Leaving Net Interest Income of		<u>948,241</u>
From this was taken:		
Provision for loan loss		98,053
Net interest income after provision		<u>850,188</u>
We also earned income from:		
Dividends	366	
Fees and other income	26,209	26,575
Therefore our Net Interest and other Income was	<u>26,209</u>	<u>876,763</u>
From this we paid:		
Administrative expenses	552,688	
Other operating expenses	50,886	
Loss/(Gain) on disposal of property, plant and equipment	297	
Honorarium	5,300	609,171
Leaving a Net Surplus of	<u>5,300</u>	267,592
This was adjusted for:		
Actuarial gain/(loss) on defined benefit plan		40,611
Leaving Total Comprehensive Income for the Year of		<u>308,203</u>
From this was taken:		
Statutory Reserve (20% of net income)		53,519
Leaving a Net Surplus of		<u>254,684</u>
From this was taken:		
Net transfer to Non-Institutional Capital		(30,684)
		<u>224,000</u>
Add undistributed Net Income at the beginning of the year		453,898
		<u>677,898</u>
Less transfers approved at AGM for 2022:		
Dividend on Permanent Shares	25,675	
Statutory Reserve	100,000	125,675
Surplus available for distribution	<u>100,000</u>	<u><u>552,223</u></u>

Balance Sheet as at 31st December 2023

	\$'000	\$'000
Assets (The value of all we own)		
<u>Earning Assets</u>		
Loans to Members (after provision)		8,226,870
To this is added:		
Our Liquid Assets		
Saving and Call Deposits		526,681
Short Term Investment		6,247
Reverse Repurchase Agreements		1,090,378
Financial Investments		765,480
		<hr/> 10,615,656
<u>Non-Earning Assets</u>		
Cash	89,567	
Income Receivable & Prepayments	33,472	
Intangible Assets	6,968	
Property, Plant and Equipment	243,904	
Retirement Benefit Asset	85,257	459,168
		<hr/> 11,074,824
Liabilities and Equity		
<u>Interest Bearing Liabilities</u>		
Members' Deposits were	2,628,527	
Members' Voluntary Shares were	6,043,786	
Borrowings	-	8,672,313
		<hr/> 8,672,313
<u>Non-Interest Bearing Liabilities</u>		
Accounts Payable		98,896
		<hr/> 8,771,209
Total Liabilities		
Members' Permanent Share Capital	176,890	
Institutional Capital	1,392,814	
Non-Institutional Capital	181,688	
Accumulated Surplus	552,223	
		<hr/> 2,303,615
Total Equity		<hr/> 11,074,824
TOTAL LIABILITIES AND EQUITY		<hr/> 11,074,824

Therefore, at December 31, 2023 the value of all we owned (Total Assets) stood at \$11,074,824,000 compared to \$9,489,508,000 for the previous year.

Conclusion

Our financial results for 2023 were very impressive and were in line with the track record that we have developed over the years. While we celebrate these results, I want to assure you that we will not become complacent, but instead, we will continue to work hard to ensure that we remain the financial institution of choice for you, our members and other stakeholders.

At First Regional, we are confident that our better days are still ahead of us, but please be assured that through good times and bad, the Volunteers, Management Team and Staff of First Regional are committed to building lasting relationships that will sustain the long-term value of membership.

Finally, I want to express my profound thanks and appreciation to the Board of Directors, Volunteers, Management, and Staff of First Regional for their contribution to a successful 2023. I also want to thank you our members and other stakeholders for your investment in First Regional, and I implore you to continue to work with your credit union as we aim to build a brighter future for all of us.

Patrick Bryan

PATRICK BRYAN

TREASURER

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PLAN**



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CREDIT COMMITTEE



MR. ROBERT SHIPPEY
CHAIRMAN



MS. FLORETTE HENRY
SECRETARY



MR. LANTHONY WILLIAMS
ASSISTANT SECRETARY



MS. KERRI-ANN BROWN
MEMBER



CREDIT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023.

The Credit Committee of First Regional Co-operative Credit Union Limited comprises four volunteers who were duly nominated and elected to serve. They are:

- Ms. Florette Henry – Secretary
- Ms. Kerri-Ann Brown
- Mr. Robert Shippey
- Mr. Lanthony Williams

The Members, during the year 2023, served the Credit Union by completing core functions as they worked closely with the Manager and those tasked to give oversight to the Committee. The Committee was mandated to:

- Examine loan applications that required the Committee's approval based on the nature of the loans.
- Ensure that the supporting documents for loan applications met the required standard.
- Through a quorum, determine whether the processing of loans was being carried out according to the established standards.
- Review and sign off on loan applications each month.
- Make valuable contributions to the Credit Union through attendance and participation at Joint Committee Meetings.

The Committee conducted regular reviews of a range of loan applications for special lending purposes such as Purchase of Land, Building and Repairs, Business Investments, Motor Vehicle Purchase and Repairs,

Personal and Domestic Expenses, Agriculture and Education.

For the period, approximately 3,590 loan applications were reviewed and loans disbursed totalling \$3,605,521,849.50. The loan applications processed contained all the relevant supporting documents, and discrepancies identified were actioned by the specified branches.

The Credit Union continues to make the necessary adjustments to its services and offerings with its members in mind. This has shown not just interest in the members' money but undoubtedly in the members' welfare and development.

We thank the members of First Regional for their loyalty and support, which they continue to exhibit. The Credit Committee believes that the Credit Union will definitely continue to be there for its members, and will make lives better through financial partnerships.

The Credit Committee is grateful for the trust and confidence reposed in our team, and is particularly pleased that we are able to serve the needs of our members. We are truly appreciative of the cooperation and support given to us by the Board of Directors, Management and Staff and are satisfied that the Credit Union can only get better as we ensure compliance to its policies and continued commitment to its tagline "where you get interest on your money and interest in You".

Thank you.

Florette Henry

Florette Henry

Secretary

SUPERVISORY COMMITTEE



MRS. SUZETTE BARNES-WILSON
CHAIRMAN



MRS. ELOISE BROWN-PANTON
SECRETARY



MS. ALTHEA LANDELL
ASSISTANT SECRETARY



MR. ANDRE YEE-SHUI
MEMBER



MR. MIKHAIL MCKENZIE
MEMBER



REPORT OF THE SUPERVISORY COMMITTEE

FOR THE YEAR ENDED DECEMBER 31, 2023

Members of the Committee were:

- Mrs. Suzette Barnes - Wilson, Chairperson
- Mrs. Eloise Panton, Secretary
- Ms. Althea Landell
- Mr. Andre Yee Shui
- Mr. Mikhail Mckenzie

The Internal Audit department is an independent function of the Credit Union's operations. Its primary function is conducting risk-based audits of the Credit Union's operations. The department is supervised by the Supervisory Committee who provides guidance on the assessment of the Credits Union's risk management, controls and governance.

The Committee is required to meet on a monthly basis to review and discuss Audit Reports. The Committee was successful in convening ten meetings during the year 2023 where the following Audits were tabled, findings discussed and recommendations noted:

1. **Branch Operations – Annotto Bay, Port Maria, Claremont and Brown's Town Branches**
2. **Succession Planning**
3. **Investment Risk Management**
4. **Disaster Management and Contingency Plans
Information Technology & Vital Records Preservation.**

We are pleased with the continued improvement in the adherence to the Credit Union's policies and procedures. The Committee continues to execute its roles and responsibilities and provide support to the Credit Union through its challenges. We extend gratitude to the Internal Audit team for the work they have done throughout the year and the Management team and staff for their support.

Suzette Barnes – Wilson

Mrs. Suzette Barnes – Wilson

Chairman



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34

FIRST REGIONAL CO-OPERATIVE
CREDIT UNION LIMITED
ANNUAL REPORT 2023



Conditions Apply: Become a First Regional Member.

REPORT OF THE NOMINATING COMMITTEE 2024

The Nominating Committee met on April 24, 2024 at the Ocho Rios branch at 2:06 pm and June 12, 2024 at 12:14 pm to consider the vacancies that will arise on the Board of Directors, Supervisory and Credit Committees for the year 2024.

Members of the Committee that were present were:
Bishop Rankin Clarke, Rev. Dr. Glenroy Lalor (Chairman) and Ms. Jodi-Ann Pryce

BOARD OF DIRECTORS		
Retiring	Recommended	Term in Office
Mr. Sean Harris (eligible for re-election)	Mr. Sean Harris	2 years
Bishop Rankin Clarke (retiring)	Mrs. Lorraine Brown- Wright	2 years
Mr. Peter McHugh (eligible for re-election)	Mr. Peter McHugh	2years
Mr. Cyril Mason (retiring)	Dr. Linton Francis	2years
Rev. Glenroy Lalor (retiring)	Mrs. Pollyanna Brown-Mullings	2years
Mr. Higilock Mullings (retiring)	Mrs. Barrett-Glasgow	2 Years
SUPERVISORY COMMITTEE		
Retiring	Recommended	Term in Office
Mr. Andre Yee-Shui	Mr. Andre Yee-Shui	1 year
Ms. Althea Landell	Ms. Althea Landell	1 year
Mrs. Suzette Barnes-Wilson	Mrs. Suzette Barnes Wilson	1 year
Ms. Eloise Brown-Panton	Eloise Brown-Panton	1 year
Mr. Mikhail McKenzie	Mikhail McKenzie	1 year
CREDIT COMMITTEE		
Retiring	Recommended	Term in Office
Ms. Judy Bell	Sandra Mitchell-Small	1 Year
Mr. Robert Shippey	Mr. Jeffery Gallimore	1 Year
Ms. Kerry-Ann Brown	Mr. Lascelles Hamilton	1 Year



First Regional Co-operative Credit Union Ltd.
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WEALTH MASTER GOLD



Standing Orders

1. The meeting is open to all members of the First Regional Co-operative Credit Union Limited with the right to participate in the proceedings.
2. A member shall only address the meeting when called upon by the Chairman to do so. Member shall stand when addressing the Chair, after which he or she shall immediately take his or her seat.
3. Speeches must be clear and relevant to the subject before the meeting.
4. No member shall address the meeting except through the Chairman.
5. All persons desiring the floor shall rise and address themselves to the Chair.
6. All speakers are to identify themselves and make use of the desk and floor microphones when addressing the Meeting in order that their comments or questions may make a permanent record in the meeting's proceedings.
7. Should two or more persons rise at the same time, the Chair shall decide without debate, who is entitled to the floor.
8. If a speaker is called to order while speaking, the speaker should take his or her seat until the question of order is determined.
9. Any member desirous of introducing business for the consideration of the meeting may do so after the business on the Agenda has been completed.
10. A member shall not speak twice on the same subject, except;
 - a. He or she is the mover of the motion and has the right to reply.
 - b. He or she rises to object or explain (with permission of the Chair).
11. No speeches to be made after the 'Question' has been put and carried or negated.
12. A member rising on a 'Point of Order' is to state the point clearly and precisely. (A 'Point of Order' must have relevance to the "Standing Orders").
13. A member should not 'call' another member 'to order; but may draw the attention of the Chair to a 'Breach of Order.'
14. In no event shall a member call the Chair to order.
15. A 'Question' should not be put to the vote if a member desires to speak on it or move an amendment to it- except that a Procedural Motion, the 'Previous Question' proceed to the next 'Business' or the closure that the question be now 'put' may be moved at any time.
16. Only one amendment should be before the meeting at one, and the same time.
17. When a motion is withdrawn any amendment to it fails.
18. The Chairman has the right to a casting vote.
19. If there is equality of voting on an amendment and if the Chairman does not exercise his casting vote, the amendment fails.
20. The Chair should not be subject to any personal abuse or verbal attack from any speaker.
21. No member shall impute improper motives to another.



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Ministry of Industry, Investment and Commerce

2 Musgrave Avenue, Kingston 10

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

S1
R402-229/04/24

April 8, 2024

The Secretary
First Regional Co-operative Credit Union Limited
14 Bravo Street
St. Ann's Bay
St. Ann

Dear Sir/Madam:

I forward herewith the Financial Statements of your Society for the year ended December 31, 2023.

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

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

Kindly advise me of the date of the Annual General Meeting, so that arrangements may be made for the Department to be represented.

Yours truly,

.....
Lavern Gibson-Eccleston (Mrs.)
(For) REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES.

HOPE GARDENS

Hope Gardens
Kingston 6
(876) 648-6870

MANDEVILLE, MANCHESTER

23 Caledonia Road
(RADA Bldg.)
(876) 615-9083

MONTEGO BAY, ST. JAMES

10 Delisser Drive
(The Office of the Prime Minister)
(876) 952-7913

First Regional Co-operative Credit Union Ltd.

LIST OF PRODUCTS

Savings Plans:

Paadna Plan

- Minimum throw of \$500.00 weekly
- Throw your hand weekly, fortnightly or monthly
- Reap sweet bonus

Solid Saver

- Start with a minimum of \$5,000.00
- Interest paid monthly

Fixed Deposits

- 30 days, 60 days, 90 days, 180 days, 365 days
- Attractive interest rates



Wealth Master Gold

- Start with a minimum of \$10,000.00
- Interest paid quarterly

Goal Enabler/Golden Harvest

- Insured Savings at no direct cost to you
- No minimum Savings Goal
- No minimum Monthly Deposit

Loan Products

Unsecured Loans:

Easi Loan

- (Regular, Hospitality, Educator's & N.E.R.H.A)

Auto & Home Insurance

Secured Loans:

Mortgage

- (Buy, Equity, Build, Improvement)

Motor Vehicle

Share and Deposit

Within Shares



Insurance Products:

Family Indemnity Plan

(covers funeral expenses for you and up to five (5) other eligible family members)

Life Savings Insurance

Group Creditor Life Insurance

Loan Protection Insurance





**First Regional Co-operative
Credit Union Limited**

Financial Statements

December 31, 2023

First Regional Co-operative Credit Union Limited

December 31, 2023

Contents

	Page
Independent auditor's report	1 - 6
Financial statements	
Statement of financial position	7
Statement of financial position	8
Statement of income and expenditure	9
Statement of other comprehensive income	10
Statement of changes in equity	11
Statement of changes in equity	12
Statement of changes in equity	13
Statement of changes in equity	14
Statement of cash flows	15
Notes to the financial statements	16 - 67

Independent auditor's report

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(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 First Regional Co-operative Credit Union Limited (“the Credit Union”), which comprise the statements of financial position as at December 31, 2023, statement of income and expenditure, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Co-operative Societies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

Loan and allowances for credit losses on loans

As at December 31, 2023 loans after allowances for credit losses of \$371.3 Million amounted to \$8.2 Billion or 74% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgement by management, including:

- Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie one year or lifetime expected loss calculations.
- Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters.
- For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters.
- Use of multiple economic scenarios that are forward looking.
- Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets.
- We evaluated the appropriateness of the Credit Union's staging and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.
- We obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. We tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.
- We evaluated the appropriateness of management's judgement pertaining to forward looking information, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.
- We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.
- We performed the calculation of days past due, a key data input into the PD parameter, in the Credit Union's banking system on a sample basis.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Loan and allowances for credit losses on loans (cont'd)

- We tested the completeness and accuracy of the historical data used by agreeing details on default rates and recovery rates. The data used for these assessments were based on the Credit Union's internal default experience segmented by loan type. For a sample of credit exposures, we agreed the critical data fields, such as origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, used in developing default, recovery and utilisation rates to source documents.
- For a sample of stage 3 loans we obtained an understanding of the latest developments at the borrowers and the basis of measuring the impairment provisions and considered whether key judgements were appropriate given the borrower's circumstances. We re-performed management's impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of the valuation of real estate collateral with the assistance of auditors' expert.
- Based on the procedures described above, no material exceptions were noted in our assessment of the Credit Union's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit.

The criteria we used to determine if there is objective evidence of impairment included:

- Default or delinquency in interest or principal payments;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty.

We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. Based on the testing, no adjustments were considered necessary.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

How our audit addressed the key audit matter (cont'd)

We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

Other information

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

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance 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 and the Co-operative Societies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the financial statements

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

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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

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

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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, related safeguards.

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

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 auditor's report is Sixto Coy.

Kingston, Jamaica

April 4, 2024

HLB Mair Russell
Chartered Accountants

First Regional Co-operative Credit Union Limited

Statement of financial position

December 31, 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Non-current assets			
Earning			
Reverse repurchase agreements	(4)	1,090,378	1,001,846
Financial investments	(5)	363,893	467,688
Loans, after provision for expected credit losses	(6)	8,088,736	6,547,776
		9,543,007	8,017,310
Non-Earning			
Property, plant and equipment	(7)	243,904	247,383
Intangible asset	(8)	6,968	8,599
Retirement benefit asset	(9)	85,257	36,312
		336,129	292,294
Total non-current assets		9,879,136	8,309,604
Current assets			
Earning			
Financial investments	(5)	401,587	458,667
Loans, after provision for loan impairment	(6)	138,134	158,996
Liquid assets	(10)	532,928	463,363
		1,072,649	1,081,026
Non-earning			
Bank and cash balances	(11)	89,567	63,940
Receivables and prepayments	(12)	33,472	34,938
		123,039	98,878
Total current assets		1,195,688	1,179,904
Total assets		11,074,824	9,489,508


First Regional Co-operative Credit Union Limited


Statement of financial position

December 31, 2023

	Note	2023 \$'000	2022 \$'000
Capital and liabilities			
Capital			
Members' permanent share capital	(13)	176,890	171,200
Institutional capital	(14)	1,392,814	1,237,981
Non-institutional capital	(15)	181,688	151,004
Undistributed surplus		552,223	453,898
Total capital		2,303,615	2,014,083
Liabilities			
Non-current			
Interest bearing			
Members' deposits	(16)	2,628,527	2,253,089
Members' voluntary shares	(17)	6,043,786	5,138,849
Total non-current liabilities		8,672,313	7,391,938
Current			
Non-interest bearing			
Accounts payable and accruals	(18)	98,896	83,487
Total current liabilities		98,896	83,487
Total liabilities		8,771,209	7,475,425
Total capital and liabilities		11,074,824	9,489,508

Approved for issue by the Board of Directors on April 4, 2024 and signed on its behalf by:

) President
Cyril Mason

) Treasurer
Patrick Bryan

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

First Regional Co-operative Credit Union Limited

Statement of income and expenditure

Year ended December 31, 2023

	Note	2023 \$'000	2022 \$'000
Interest income			
Members' loans		839,141	707,078
Liquid assets		14,891	7,497
Investments		145,819	135,318
		999,851	849,893
Interest expense			
Interest on members' fixed deposits		6,247	4,862
Interest on members' other deposits		14,707	8,464
Interest on voluntary shares		30,656	30,661
		51,610	43,987
Net interest income		948,241	805,906
Net movement on loan impairment provision	(6c)	(98,053)	(29,799)
Net interest income after loan impairment provision		850,188	776,107
Non-interest income			
Fees and other income		26,575	23,291
		26,575	23,291
Net interest and other income		876,763	799,398
Less: Operating expenses	(23)	603,574	530,972
(Loss)/gain on disposal of property, plant and equipment		(297)	1,736
Surplus for the year before honorarium		272,892	270,162
Less: Honorarium		(5,300)	-
Surplus for the year		267,592	270,162

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

First Regional Co-operative Credit Union Limited

Statement of other comprehensive income

Year ended December 31, 2023

	2023 \$'000	2022 \$'000
Surplus/(deficit) for the year (page 9)	267,592	270,162
Other comprehensive income:		
Actuarial gain/(loss) on defined benefit plan (9)	40,611	(31,697)
Fair value gain on investments	-	12,048
Other comprehensive income for the year	40,611	(19,649)
Total comprehensive income for the year	308,203	250,513

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

First Regional Co-operative Credit Union Limited

Statement of changes in equity

Year ended December 31, 2023

	Permanent Share Capital \$'000	Institutional Capital \$'000	Non-Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
Balance at January 1, 2023	171,200	1,237,981	151,004	453,898	2,014,083
Surplus for the year	-	-	-	267,592	267,592
Other comprehensive income					
Actuarial gain on defined benefit plan	-	-	-	40,611	40,611
Total other comprehensive income for the year	-	-	-	40,611	40,611
Transaction with owners:					
20% statutory reserve	-	53,519	-	(53,519)	-
Retirement benefit asset reserve	-	-	48,945	(48,945)	-
Dividend to members	-	-	-	(25,675)	(25,675)
Share capital issued	5,690	-	-	-	5,690
Transfer to members share capital	-	100,000	-	(100,000)	-
Scholarship and other donations	-	-	6,000	(6,000)	-
Tertiary scholarship	-	-	1,700	(1,700)	-
Educational and other outreach expenditure for the year	-	-	(6,312)	6,312	-
Entrance fees	-	1,314	-	-	1,314
Prior year remeasurement loss on retirement benefit asset	-	-	(31,697)	31,697	-
Prior year remeasurement gains on investments	-	-	12,048	(12,048)	-
Balance at December 31, 2023	176,890	1,392,814	181,688	552,223	2,303,615

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

First Regional Co-operative Credit Union Limited

Statement of changes in equity

Year ended December 31, 2023

	Permanent Share Capital \$'000	Institutional Capital \$'000	Non- Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
Balance at January 1, 2022	165,932	1,182,706	206,803	201,631	1,757,072
Surplus for the year	-	-	-	270,162	270,162
	-	-	-	270,162	270,162
Other comprehensive income					
Actuarial loss on defined benefit plan	-	-	-	(31,697)	(31,697)
Fair value gain on Investments	-	-	-	12,048	12,048
Total comprehensive income for the year	-	-	-	(19,649)	(19,649)
Transaction with owners:					
20% statutory reserve	-	54,033	-	(54,033)	-
Retirement benefit asset reserve	-	-	(31,265)	31,265	-
Share capital issued	5,268	-	-	-	5,268
Transfer to members share capital	-	-	(13)	-	(13)
Scholarship and other donations	-	-	(6,930)	6,930	-
Entrance fees	-	1,242	-	-	1,242
Accumulated remeasurement loss on retirement benefit asset	-	-	(29,639)	29,639	-
Remeasurement of fair value gains on investments	-	-	12,048	(12,048)	-
	5,268	55,275	(55,799)	1,753	6,492
Balance at December 31, 2022	171,200	1,237,981	151,004	453,898	2,014,083

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

First Regional Co-operative Credit Union Limited

Statement of changes in equity

Year ended December 31, 2023

	Institutional Capital				Total \$'000
	Statutory Reserve \$'000	Permanent Share Capital \$'000	Business Combinations Reserve \$'000	Total \$'000	
Balance at January 1, 2022	1,162,533	5,539	14,634		1,182,706
Appropriations from 2022 surplus					
Transfer from accumulated surplus	54,033	-	-		54,033
Entrance fees	1,242	-	-		1,242
Balance at December 31, 2022	1,217,808	5,539	14,634		1,237,981
Appropriations from 2023 surplus					
20% statutory reserve	100,000	-	-		100,000
Additions transfer to statutory reserve	53,519	-	-		53,519
Entrance fees	1,314	-	-		1,314
Balance at December 31, 2023	1,372,641	5,539	14,634		1,392,814

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

First Regional Co-operative Credit Union Limited

Statement of changes in equity

Year ended December 31, 2023

	Non-Institutional Capital						Total \$'000
	Retirement Benefit Asset Reserve \$'000	Capital Expenditure Reserve \$'000	Non- distributable Reserve \$'000	Share Transfer Fund \$'000	Corporate Social Responsibility Reserve \$'000	Total \$'000	
Balance at January 1, 2023	36,312	75,000	35,504	87	4,101	151,004	
Transfer from surplus account	-	-	-	-	7,700	7,700	
Outreach expenditure for the year	-	-	-	-	(6,312)	(6,312)	
Transfer of gain on pension plan	-	-	(19,649)	-	-	(19,649)	
Transfer of decrease in retirement benefit assets	48,945	-	-	-	-	48,945	
Balance at December 31, 2023	85,257	75,000	15,855	87	5,489	181,688	

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

First Regional Co-operative Credit Union Limited

Statement of cash flows

Year ended December 31, 2023

	2023 \$'000	2022 \$'000
Cash flows from operating activities:		
Surplus for the year	267,592	270,162
Adjustments for:		
Depreciation	18,190	17,347
Actuarial gain/(loss) on defined benefit plan	40,611	(31,697)
Transfer from members share capital	-	(13)
Fair value gains on investment	-	(12,048)
Loss/gain on disposal of property, plant and equipment	297	(1,736)
Cash generated from operations	326,690	266,111
Changes in operating activities:		
Loans after provision for expected credit loss	(1,520,098)	(1,414,571)
Accounts receivables	1,466	(7,497)
Accounts payable	15,409	8,641
Retirement benefit asset	(48,945)	31,265
Net cash used in operating activities	(1,225,478)	(1,116,051)
Cash flows from investing activities:		
Liquid assets	(69,565)	70,150
Financial investments	72,343	264,754
Purchase of property, plant and equipment	(13,377)	(24,764)
Proceeds from sale of property, plant and equipment	-	1,750
Net cash (used in)/provided by investing activities	(10,599)	311,890
Cash flows from financing activities:		
Members' voluntary shares	904,937	586,104
Members deposits	375,438	226,115
Entrance fees	1,314	1,242
Permanent shares	5,690	5,268
Dividends paid	(25,675)	-
Net cash provided by financing activities	1,261,704	818,729
Net increase in bank and cash balances	25,627	14,568
Bank and cash balances at beginning of year	63,940	49,372
Bank and cash balances at end of year	89,567	63,940

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

First Regional Co-operative Credit Union Limited

Notes to the financial statements

December 31, 2023

1. General information and nature of operations

First Regional Co-operative Credit Union Limited (the Credit Union) is incorporated under the laws of Jamaica and is registered under The Co-operative Societies Act. The Credit Union's registered office is located at 14 Bravo Street, St. Ann's Bay, St. Ann, and its operations are concentrated in the parishes of St. Ann, St. Mary and Hanover.

Pursuant to the provisions of Section 53 of the Co-operative Societies Act, and by resolutions passed at the Annual General meetings of the Hospitality Industries Co-operative Credit Union Limited (HICUL) held on March 27, 2020 and the Round Hill Hotel Staff Co-operative Credit Union Limited (RHCUL) held on March 7, 2022, the members of HICUL and RHCUL authorised the transfer of all their assets and liabilities to the Credit Union. This was followed by a resolution passed at the Annual General Meeting of the Credit Union on June 8, 2020 accepting all assets, liabilities and other engagements of HICUL and RHCUL. The effective date of transfer was July 1, 2013.

Membership in the Credit Union is obtained by holding a minimum of \$2,000 in permanent shares and a minimum of \$500 in voluntary shares. Individual membership may not exceed 20% of the total share capital of the Credit Union. Membership is primarily available to individuals who live or work and or were born in the parishes of St. Ann and St. Mary, employees and related parties of Round Hill Hotel, all current and past employees of the hospitality industries throughout Jamaica, and staff of the Credit Union.

At our last AGM a resolution was passed to increase permanent share from \$2,000 to \$2,500 for each member; the effective month of the increase was November 2020.

The main activities of the Credit Union are to promote thrift amongst its members by affording them an opportunity to accumulate their savings and to create for them a source of credit, for provident or productive purposes at reasonable rates of interest.

The Credit Union is a member of the Jamaica Co-operative Credit Union League Limited (JCCUL/the League), which provides financial services, technical support and sets prudential standards for the credit union movement.

2. Regulation

The Co-operative Societies Act requires, amongst other provisions, that at least twenty percent (20%) of the net surplus of the Credit Union be transferred to a reserve fund each year. Section 59 of the Act provides for the exemption from income tax and stamp duty for the Credit Union.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies

The Credit Union's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and equity investments.

These financial statements are expressed in Jamaican Dollars (J\$).

a Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Changes in accounting policies

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

Certain new standards, interpretations and amendments to existing standards have been published and became effective during the current financial year. The Credit Union has assessed the relevance of all such new standards, interpretations and amendments and determined that the following will have an impact on the Credit Union.

Amendments to IAS 1, Practice Statement 2, and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Standards, amendments, and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank.

Amendments to IAS 1, Presentation of financial statements, on classification of liabilities, (effective for annual periods beginning on or after 1 January 2024). Amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The Bank is currently assessing the impact of this amendment.

Amendment to IAS 16- Leases on sales and leaseback (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

The Bank is currently assessing the impact of this amendment.

Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangement, (effective for annual periods beginning on or after 1 January 2024). The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including:

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies

a Basis of preparation (cont'd)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Bank (cont'd)

Terms and Conditions

1. As at the beginning and end of the reporting period:
 - The carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented.
 - The carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables.
 - The range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.
2. The type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable.

The Bank is currently assessing the impact of this amendment.

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information, (effective for annual reporting periods beginning on or after January 1, 2024) (with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied).

IFRS S1 requires an entity to disclose information about its sustainability-related risks and opportunities that are useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures and sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

The Bank is assessing the impact of the standard.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies

a Basis of preparation (cont'd)

IFRS S2 — Climate-related Disclosures (effective for annual periods beginning on or after January 2024). (with earlier application permitted as long as IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is also applied). IFRS S2 requires entities to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity. The standard also requires entities to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S2 applies to climate-related physical risks; climate-related transition risks; and climate-related opportunities available to an entity.

The Bank is assessing the impact of the standard.

b Property, plant and equipment

- (i) Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. No depreciation is considered necessary in respect of land and work-in-progress. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

- (ii) Depreciation is charged on assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost or revalued assets over the period of their expected useful lives. The useful lives are:

Buildings	2½%
Computers	33⅓%
Furniture fixtures and equipment	10%
Motor vehicle	12½%
Reducing balance basis-Roadways	2½%

No depreciation is provided on land. Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

b Property, plant and equipment (cont'd)

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the revenue and expenditure statement when the expenditure is incurred.

(iii) Repairs and renewals

The costs of repairs and renewals which do not increase the expected useful lives of assets or enhance their carrying values, are charged to the Revenue and Expenditure Statement when incurred.

c Intangible assets

i Computer software

Computer software are capitalised on the basis of the costs incurred to acquire and install the specific software.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 5o. The useful lives approximate to four (4) years. The initial amortisation period will commence in the year following capitalisation.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

ii Customer relationships

Customer relationships are shown at historical cost less impairment 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 asset over its estimated useful lives of ten years.

iii Co-operative society bond

The co-operative society bond is shown at historical cost less impairment and is deemed to have an indefinite useful life. The co-operative society bond is the estimated economic benefits derived from the incremental revenues and related cash flows as a direct result of the acquisition of a co-operative society bond versus having to apply for one. No amortisation is considered in respect of the co-operative society bond.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

d Foreign currency translation:

Functional and presentation currency

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the company.

Foreign currency translations and balances

- (i) Foreign currency balances at the date of the statement of financial position have been translated at rates of exchange ruling at that date;
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions;
- (iii) Gains/losses arising from fluctuations in exchange rates are included in the Statement of comprehensive income.

e Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis, using the effective yield method, based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where collection of interest income is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

f Fees and other income

Fees and other income are recognised on an accruals basis. Loan origination fees are deferred and are recognised over the life of the loan, as an adjustment to the effective yield on the loans.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

g Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Bank incurs an obligation, which is typically when the related goods are sold.

h Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

h Financial instruments (cont'd)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The category also contains equity investments that are held for trading purposes.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet both of the following conditions:

- they are held under a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments are measured at FVTPL (see above) unless they are not held for trading purposes, in which case, an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification on to profit or loss.

Any gains or losses are recognised in other comprehensive income (OCI).

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

h Financial instruments (cont'd)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Other receivables and contract assets

The company makes use of a simplified approach in accounting for impairment of other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of other receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Classification and measurement of financial liabilities

The company's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

i Reverse repurchase agreements

A reverse repurchase agreement (“reverse repo”) is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

The Credit Union 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 “securities purchased under resale agreements” and are collateralised by the underlying securities.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the transaction, using the effective interest method, and is included in interest income.

j Accounts receivable

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

k Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank and deposits with original maturities of less than 90 days, not held to satisfy League requirements, net of bank overdrafts. Bank overdrafts are shown within borrowings on the statement of financial position.

l Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

m Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

n Employee benefits

(i) Pension plan

The Credit Union participates in a multi-employer defined benefit pension plan. The pension plan is generally funded by payments from employees and by the participating Credit Unions, taking into account the recommendations of independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Past-service costs are recognised immediately in the statement of comprehensive income.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Credit Union before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Credit Union recognises termination benefits at the earlier of the following dates: (a) when the Credit Union can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

o Accounts payable

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost using the effective interest method.

p Provisions

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

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

q Members' voluntary shares

Members' voluntary shares represent withdrawable deposit holdings of the Credit Union's members to facilitate eligibility for loans and other benefits. Interest paid on these shares are determined at the discretion of the Credit Union and reported as interest expense in the statement of comprehensive income in the period in which they are approved.

r Members' permanent share capital

Members' permanent share capital represents shares paid up in cash and form part of the risk capital of the Credit Union. Members' permanent share capital may be redeemable subject to the sale, transfer or repurchase of such shares. Dividends on members' permanent share capital are recognised in members' voluntary shares in the period in which they are approved by the Credit Union's members.

s Institutional capital

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

t Non-institutional capital

Non-institutional capital includes various reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union.

u Investment property

Property that is held for capital appreciation and that is not occupied by the Credit Union, is classified as investment property. Investment property comprises land, for which no depreciation is provided, and is carried at cost, including transactions costs.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred.

v Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

w Leases

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Receipts under operating leases are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

x Business combinations

The Credit Union uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Credit Union. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Credit Union recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In business combinations involving mutual parties, one of the previously existing entities is normally deemed to be the acquirer for accounting purposes. In these situations, the deemed acquirer uses principles in IFRS 3 – Business Combinations, to account for the net assets of the deemed acquiree. Goodwill or negative goodwill is determined by using the acquisition-date fair value of the acquiree's equity interest instead of the acquisition-date fair value of the acquirer's equity interests transferred as a consideration. In addition, the acquiree's net assets are recognised as an addition to capital or equity in the acquirer's statement of financial position.

y Critical accounting estimates and judgements in accounting policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Credit Union makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

3. Summary of significant accounting policies (cont'd)

y Critical accounting estimates and judgements in accounting policies (cont'd)

Pension and post-retirement benefits

The cost of these benefits and the net present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and discount rate. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect Planned funding of the pension plans.

The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long term investment returns. The actuaries determine the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on data supplied by the Jamaica Co-operative Credit Union League as well as on current market conditions.

4. Reverse repurchase agreements

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its collateral obligations. At December 31, 2023, the Credit Union held securities representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements as follows:

	2023 \$'000	2022 \$'000
Credit Union Fund Management Company	16,579	15,753
CUMAX Wealth Management	110,529	57,353
Jamaica Money Market Brokers Limited	559,683	565,974
NCB Capital Markets Limited	403,587	362,766
Total	1,090,378	1,001,846

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

5. Financial investments

	2023 \$'000	2022 \$'000
Non-current		
At amortised cost		
Credit Union Fund Management Company Special Mortgage fund	225	215
First Global Bank Limited Fixed deposit (d)	3,223	3,162
	3,448	3,377
Government of Jamaica securities JA\$ Benchmark investment notes	-	10,000
Certificate of deposit	-	83,344
Cumax Bond	25,000	25,000
Treasury Bill	-	59,000
	25,000	177,344
National Commercial Bank Financial Group	193,800	143,800
	193,800	143,800
Credit Union Fund Management Company Mortgage funds (e)	7,232	7,054
	7,232	7,054
Fair value through profit or loss		
Jamaica Money Market Brokers Limited	311	395
	311	395
Fair value through other comprehensive income		
Shares – Jamaica Co-operative Credit Union Limited (a)	70,934	70,934
Shares – Quality Networks Co-operative Limited (b)	1,125	1,125
Shares – Credit Union Fund Management Company	10,000	10,000
Shares – Credit Union Fund Management Company (c)	500	500
Shares – Jamaica Money Market Brokers equity fund	1,545	2,161
Shares – Jamaica Money Market Brokers	49,998	50,998
	134,102	135,718
	363,893	467,688
Current		
At amortised cost		
FCIB investment notes	401,587	458,667

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

5. Financial investments (cont'd)

- (a) The unquoted equity investment in the League is the aggregate of the minimum shares previously held by member societies which were merged and is a requirement for the Credit Union to retain membership status.
- (b) The unquoted equity investment in Quality Network Co-operative Limited is to help facilitate the development of the QNET software by that company.
- (c) This represents unquoted equity investment in Credit Union Fund Management Company (formerly held in Jamaica Co-operative Insurance Agency Limited).
- (d) The fixed deposit held with First Global Bank Limited (FGB) is used to secure credit cards issued to members at the Round Hill branch by FGB.
- (e) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in CUFMC's mortgage fund instruments.

6. Loans, after provision for loan impairment

- (a) Movement in loans during the year

	2023 \$'000	2022 \$'000
Balance at the beginning of the year	7,101,310	5,292,202
Add: Disbursement during the year	3,605,522	3,537,633
Interest receivable	49,752	57,619
	10,756,584	8,887,454
Less: Repayment	2,158,374	1,786,144
	8,598,210	7,101,310
Less: Expected credit losses	371,340	394,538
	8,226,870	6,706,772
Less: Current portion	138,134	158,996
Total	8,088,736	6,547,776

- (b) Expected credit losses

	2023 \$'000	2022 \$'000
Provision for impairment at beginning of year	394,538	356,948
Increase amounts provided for during the year	162,512	131,018
Bad debt written-off	(185,710)	(93,428)
Provision for impairment at end of year	371,340	394,538

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

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

(c) Net movement on loan impairment provision:

	2023 \$'000	2022 \$'000
Increase on loan loss provision during the year	162,512	131,018
Loans recovered that were previously provided for	(64,459)	(101,219)
Charged to income and expenditure and appropriations account during the year	98,053	29,799

(d) Delinquent loans

At December 31, 2023, there were three hundred and sixty (360) (2022 – five hundred and twenty seven (527)) delinquent loans aged as disclosed below. At minimum, the total loan provision derived below is consistent with the loan loss provisioning rules of the League. The total provision for 2023 was not in excess (2022 - was not in excess) of the provision required under IFRS provisioning rules as indicated in Note 6 (e) below. These loans are summarised as follows:

2023

Number of Months in Arrears	Total number of loans	Delinquent loans \$'000	Savings held against loans \$'000	Exposure \$'000	Rates %	PEARLS Provision Required \$'000
Less than 2	70	93,732	1,149	92,584	-	-
2 to 3	45	36,686	455	36,231	10	3,669
3 to 6	90	88,665	1,262	87,404	30	26,600
6 to 12	155	153,302	1,824	151,476	60	91,981
Total	360	372,385	4,690	367,695		122,250

2022

Number of Months in Arrears	Total number of loans	Delinquent loans \$'000	Savings held against loans \$'000	Exposure \$'000	Rates %	PEARLS Provision Required \$'000
Less than 2	78	70,562	969	69,593	-	-
2 to 3	59	61,763	649	61,113	10	6,176
3 to 6	167	126,100	1,844	124,256	30	37,830
6 to 12	223	221,137	3,210	217,928	60	132,682
Total	527	479,562	6,672	472,890		176,688

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

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

(e) Provision for loan impairment	2023	2022
	\$'000	\$'000
Provision at beginning of year IFRS	394,538	356,948
Additional amounts provided for during the year	162,512	131,018
Bad debt written off	(185,710)	(93,428)
Provision for impairment at end of year	371,340	394,538
Provision for impairment in accordance with League provisioning rules	122,249	176,688

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

7. Property, plant and equipment

The carrying amounts for property, plant and equipment for the years included in these financial statements as at December 31, 2023 can be analysed as follows:

	Work-In-Progress \$'000	Land & Buildings \$'000	Furniture & Fixtures \$'000	Roadway \$'000	Computer \$'000	Motor Vehicles \$'000	Total \$'000
Gross carrying amount							
Balance at January 1, 2023	770	263,292	64,934	509	56,351	5,350	391,206
Additions	4,529	-	3,305	-	5,543	-	13,377
Transfer	(4,299)	-	2,759	-	1,540	-	-
Disposal	-	-	(4,197)	-	(3,978)	-	(8,175)
Balance at December 31, 2023	1,000	263,292	66,801	509	59,456	5,350	396,408
Depreciation							
Balance at January 1, 2023	-	(48,736)	(45,960)	(218)	(48,240)	(669)	(143,823)
Charge for the year	-	(4,565)	(4,134)	(7)	(7,184)	(669)	(16,559)
Eliminated on disposal	-	-	3,924	-	3,954	-	7,878
Balance at December 31, 2023	-	(53,301)	(46,116)	(225)	(51,524)	(1,338)	(152,504)
Carrying amount at December 31, 2023	1,000	209,991	20,685	284	7,932	4,012	243,904

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

7. Property, plant and equipment (cont'd)

	Work-In-Progress \$'000	Land & Buildings \$'000	Furniture & Fixtures \$'000	Roadway \$'000	Computer \$'000	Motor Vehicles \$'000	Total \$'000
Gross carrying amount							
Balance at January 1, 2022	2,413	263,292	55,715	509	47,711	3,000	372,640
Additions	11,260	-	9,693	-	8,676	5,350	34,979
Transfer	(12,903)	-	-	-	-	-	(12,903)
Disposal	-	-	(474)	-	(36)	(3,000)	(3,510)
Balance at December 31, 2022	770	263,292	64,934	509	56,351	5,350	391,206
Depreciation							
Balance at January 1, 2022	-	(44,172)	(42,551)	(210)	(42,536)	(3,000)	(132,469)
Charge for the year	-	(4,564)	(3,835)	(8)	(5,794)	(669)	(14,870)
Eliminated on disposal	-	-	480	-	36	3,000	3,516
Balance at December 31, 2022	-	(48,736)	(45,906)	(218)	(48,294)	(669)	(143,823)
Carrying amount at December 31, 2022	770	214,556	19,028	291	8,057	4,681	247,383

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

8. Intangible assets

Details of the intangible assets and their carrying amounts are as follows:

	Computer Software \$'000	Customer Relationship \$'000	Co-operative Social Bond \$'000	Total \$'000
Gross carrying amount				
Balance at January 1, 2023	15,580	4,400	6,000	25,980
Balance at December 31, 2023	15,580	4,400	6,000	25,980
Amortisation and impairment				
Balance at January 1, 2023	(12,981)	(4,400)	-	(17,381)
Charge for the year	(1,631)	-	-	(1,631)
Balance at December 31, 2023	14,612	4,400	-	19,012
Carrying amount at December 31, 2023	968	-	6,000	6,968

	Computer Software \$'000	Customer Relationship \$'000	Co-operative Social Bond \$'000	Total \$'000
Gross carrying amount				
Balance at January 1, 2022	12,892	4,400	6,000	23,292
Addition	2,688	-	-	2,688
Balance at December 31, 2022	15,580	4,400	6,000	25,980
Amortisation and impairment				
Balance at January 1, 2022	(10,924)	(3,960)	-	(14,884)
Charge for the year	(2,057)	(440)	-	(2,479)
Balance at December 31, 2022	(12,981)	(4,400)	-	(17,381)
Carrying amount at December 31, 2022	2,599	-	6,000	8,599

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

9. Retirement benefit

The Credit Union participates in a joint contributory pension scheme, which is open to all permanent employees of the Credit Union and operated by the Jamaica Co-operative Credit Union League Limited. The plan provides benefits to members based on average earnings for their final 3 years of service with the Credit Union and employees each contributing 5% - 10 % of pensionable salaries. The plan is valued annually by independent actuaries.

The disclosures below are based on the actuarial valuation which was carried out as at December 31, 2023.

Asset recognised in the statement of financial position

	2023 \$'000	2022 \$'000
Present value of funded obligation	422,701	274,600
Fair value of plan assets	(507,958)	(460,423)
Change in effect of asset ceiling	-	149,511
Asset recognised in the statement of financial position	(85,257)	(36,312)

The movement in the defined benefit obligation over the year is as follows:

	2023 \$'000	2022 \$'000
Balance at beginning of year	274,600	385,019
Current service cost	5,226	11,882
Interest cost	35,107	30,379
	314,933	427,280
Re-measurements		
Gain from changes in demographic assumptions	105,022	(135,376)
Experience gains	(1,188)	(18,228)
	103,834	(153,604)
Members' contributions	13,020	11,500
Benefits paid	(9,086)	(10,576)
	3,934	924
Balance at end of year	422,701	274,600

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

9. Retirement benefit (cont'd)

The movement in the defined benefit asset during the year is as follows:

	2023 \$'000	2022 \$'000
Balance at beginning of year	460,423	452,596
Interest income	60,760	36,600
Re-measurements		
Return on plan assets, excluding amounts included in interest income	(24,502)	(35,791)
Members' contributions	13,019	11,500
Employer's contributions	9,983	8,896
Benefits paid	(9,086)	(10,575)
Administrative expenses	(2,639)	(2,803)
Balance at end of year	507,958	460,423

The amounts recognised in the net surplus are as follows:

	2023 \$'000	2022 \$'000
Current service cost	5,226	11,882
Administrative expenses	2,638	2,803
Interest income (net)	(6,217)	(6,222)
Total, included in staff costs (Note 26)	1,647	8,463

As at the last valuation date, the present value of the defined benefit obligation was \$422,701,000 (2022 - \$274,600,000).

Plan assets are comprised as follows:

	2023 \$'000	2023 %	2022 \$'000	2022 %
Quoted equities	103,988	20	102,168	22
Real estate	116,157	23	102,274	23
Government bonds	184,336	36	151,487	33
Repurchase Agreements	25,763	5	43,433	9
US\$ Bonds	28,291	6	33,013	7
Other	49,423	10	28,048	6
	507,958	100	460,423	100

Expected contributions to the post-employment plan for the year ending December 31, 2023 are \$10,000,000.

Movements in the amounts recognised in the statement of financial position:

	2023 \$'000	2022 \$'000
Asset at beginning of year	(36,312)	(67,577)
Amounts recognised in the net surplus	1,649	8,463
Contributions paid	(9,983)	(8,895)
Total re-measurements included in other comprehensive income	(40,611)	31,697
Asset at end of year	85,257	36,312

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

9. Retirement benefit (cont'd)

The significant actuarial assumptions used were as follows:

	2023 %	2022 %
Discount rate	11	13
Future salary increases	8	7.5
Expected pension increase	6	5.5
Long-term inflation rate	6	5.5

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

Impact on Post-employment obligations			
	Change in assumption %	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	11	(51,184)	66,254
Future salary increases	8	23,253	(19,764)
Expected pension increase	6	36,781	(31,133)

	Increase in assumption by one year \$'000	Decrease in assumption by one year \$'000
Life expectancy	11,580	-

Risk associated with pension plans and post-employment plans

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

Asset volatility

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

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

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

Changes in bond yields

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

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

9. Retirement benefit (cont'd)

Inflation risk

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted.

Life expectancy

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

The Credit Union ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plan. Within this framework, the Credit Union's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Credit Union actively monitors how duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Credit Union does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2023 consist of Government bonds and Repurchase Agreements.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% - 10% of pensionable salaries. The next triennial valuation is due to be completed as at December 31, 2023. The Credit Union considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

The liability duration for each category of Member as at the current and prior period measurement dates is shown below:

Category of Participant	Liability duration (years)	
	2023 \$'000	2022 \$'000
Active Members	16.5	11
Deferred Pensioners	19.1	15.6
Retirees	8.4	7.6
All Participants	15.3	10.5

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

10. Liquid assets

	2023 \$'000	2022 \$'000
Call deposits		
CUMFC – CU cash	138	95
Credit Union Fund Management Company	6,247	10,193
CUFMC – Liquidity Reserve	526,543	453,075
Total	532,928	463,363

Savings deposits comprises an Equity Money Market Fund Account (EMMA) maintained with Jamaica Money Market Brokers Limited. Interest is earned on the account until the Credit Union decides which stock or equity to invest the funds in.

A minimum of 8% is required to be invested with the Credit Union Fund Management Company (CUFMC) and a maximum of 2% with any other approved financial institution. Of the 8% requirement, a minimum of 2% must be invested in call deposits and the balance to be invested in reverse repurchase agreements or call deposits or a mixture of the both. As at December 31, 2023, the Credit Union was in compliance with these requirements.

Call deposits are cash management call accounts which are required to be maintained with CUFMC and should represent a minimum of 3.5% of the monthly average of members' savings deposits and voluntary shares. CUFMC is the investment arm of the League and was established to provide a wide array of investment and wealth management products to satisfy the needs of the League's members.

All savings and call deposits are expected to mature within 12 months of the end of the financial year.

11. Bank and cash balances

	2023 \$'000	2022 \$'000
Cash in hand	49,899	28,203
Current accounts	39,668	35,737
Total	89,567	63,940

12. Receivables and prepayments

	2023 \$'000	2022 \$'000
Prepaid expenses	27,319	30,165
Other	6,153	4,773
Total	33,472	34,938

All amounts are short-term and the carrying value is considered as reasonable approximation of fair value.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

13. Members' permanent share capital

Members' permanent share capital represents shares invested by members of the Credit Union. These shares are not available for withdrawal. During the year 2013, equity with net fair value of \$2,704,000 was created as a result of the acquisition of Round Hill Hotel Staff Co-operative Credit Union Limited and Hospitality Industries Co-operative Credit Union Limited. The attribution of the permanent shares at December 31 is as follows:

	2023 \$'000	2022 \$'000
Balance at beginning of year	171,200	165,932
Share capital issued	5,690	5,268
Balance at end of year	176,890	171,200

The Credit Union may purchase shares from a member out of its Share Transfer Fund Reserve (Note 15 (c)) for transfer to the Credit Union.

Dividends may be paid on permanent shares subject to the profitability of the Credit Union.

14. Institutional capital

	2023 \$'000	2022 \$'000
Statutory reserve	1,372,641	1,217,808
Permanent capital reserve	5,539	5,539
Business combinations reserve	14,634	14,634
Total	1,392,814	1,237,981

(a) Statutory reserve

As required by the Co-operative Societies Act and the rules of First Regional Co-operative Credit Union Limited, a minimum of twenty percent (20%) of the annual surplus before entrance fees, and amounts collected for entrance fees must be transferred to this reserve.

(b) Permanent capital reserve

This reserve transfers from accumulated surplus on the recommendation of the Directors, for the purpose of strengthening institutional capital.

(c) Business combinations reserve

This reserve represents equity acquired arising from the business combinations with Round Hill Hotel Staff Co-operative Credit Union Limited and Hospitality Industries Co-operative Credit Union Limited.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

15. Non-institutional capital

	2023 \$'000	2022 \$'000
(a) Retirement benefit asset reserve	85,257	36,312
(b) Capital expenditure reserve	75,000	75,000
(c) Share transfer fund	87	87
(d) Corporate social responsibility reserve	5,489	4,101
(e) Remeasurement (loss)/gain on retirement benefit asset	(86,002)	(26,302)
(f) Fair value gains on investment	101,857	61,806
Total	181,688	151,004

(a) Retirement benefit asset reserve

This reserve was created to match the retirement benefit asset of the Credit Union. Movement on this reserve passes through accumulated surplus.

(b) Capital expenditure reserve

The capital expenditure reserve was initially established by transfers from the contingency reserve. Subsequently transfers to the reserve are approved by the members at the Annual General Meeting. It is available for future projects undertaken by the Credit Union.

(c) Share transfer fund reserve

The share transfer fund reserve was established in accordance with Rule 15 and the Special Bye-laws relating to Rule 11 of the Credit Union Rules, for the purpose of redeeming permanent shares from a member to the Credit Union. Shares purchased through this reserve must be sold to members of the Credit union before any new shares may be issued.

(d) Corporate social responsibility reserve

This reserve was set up to facilitate donations, scholarships and grants. It is available for future activities that the Credit Union decides to undertake to promote its corporate social responsibilities. The amounts are transferred to the reserve from accumulated surplus and are approved at the Annual General Meeting. Costs incurred are recognised in the statement of comprehensive income.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

16. Members' deposits

	2023 \$'000	2022 \$'000
(a) Members' Fixed deposits-		
Opening balance	660,489	578,465
Deposits during the year	264,317	255,843
Interest credited during the year	5,407	3,818
	930,213	838,126
Less: Withdrawals during the year	(191,515)	(177,637)
	738,698	660,489
(b) Members' Ordinary deposits		
Opening balance	238,081	253,905
Deposits during the year	306,698	225,773
Interest credited during the year	1,561	1,411
	546,340	481,089
Less: Withdrawals during the year	(281,349)	(243,009)
	264,991	238,080
(c) Members' Golden Harvest deposits		
Opening balance	1,350	1,015
Deposits during the year	3,732	2,696
Interest credited during the year	21	15
	5,103	3,726
Less: Withdrawals during the year	(2,546)	(2,376)
	2,557	1,350
(d) Members' Solid Saver deposits		
Opening balance	560,565	506,692
Deposits during the year	456,872	376,572
Interest credited during the year	4,617	4,055
	1,022,054	887,319
Less: Withdrawals during the year	(353,969)	(326,754)
	668,085	560,565
(e) Members' Fixed deposits-		
Opening balance	720,410	622,160
Deposits during the year	1,236,525	1,043,369
Interest credited during the year	4,804	4,855
	1,961,739	1,670,384
Less: Withdrawals during the year	(1,090,767)	(949,974)
	870,972	720,410
(f) Members' Ordinary deposits		
Opening balance	71,131	64,290
Deposits during the year	30,988	28,416
Interest credited during the year	362	372
	102,481	93,078
Less: Withdrawals during the year	(21,151)	(21,947)
	81,330	71,131
(g) Interest payable on members' deposits	1,894	1,064
Total	2,628,527	2,253,089

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

17. Members' voluntary shares

	2023 \$'000	2022 \$'000
Balance at the beginning of the year	5,138,848	4,552,745
Shares issued	5,674,245	5,040,975
Interest paid during the year	30,294	30,294
Shares withdrawn or transferred	(4,830,251)	(4,515,815)
	6,013,136	5,108,199
Add: Interest payable	30,650	30,650
Total	6,043,786	5,138,849

18. Accounts payables

	2023 \$'000	2022 \$'000
Other payables	61,075	48,205
Accruals	37,821	35,282
Total	98,896	83,487

19. Commitments

- (a) At December 2023, there were commitments of approximately \$401,966,558 (2022 - \$533,702,691) in respect of loans approved, but not disbursed.
- (b) At December 2023, there were no commitments in respect of payments not yet disbursed as part of the Credit Union's capital expenditure projects.

- (c) The Credit Union leases commercial space to its tenants under non-cancellable operating lease agreements. The future minimum lease payments receivable are as follows:

	2023 \$'000	2022 \$'000
Not later than 1 year	5,780	6,047
Later than 1 year but not later than 5 years	477	507
Balance at end of year	6,257	6,554

- (d) The Credit Union entered into non-cancellable operating lease agreements with its lessors for commercial space. The future minimum lease payments are as follows:

	2023 \$'000	2022 \$'000
Not later than 1 year	2,384	2,384
Balance at end of year	2,384	2,384

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

20. Comparison of ledger balances

	Voluntary Shares \$'000	Deposits \$'000	Loans \$'000
Balance per members' ledgers	6,013,136	2,626,633	8,719,911
Add: Accrued interest	30,649	1,894	49,752
Less: Amortisation of commitment fees	-	-	(171,453)
	6,043,785	2,628,527	8,598,210
Less: Expected credit loss	-	-	(371,340)
Balance per general ledger	6,043,785	2,628,527	8,226,870

21. Insurance

(a) Fidelity insurance coverage

Fidelity insurance coverage was maintained during the year.

(b) Life savings and loan protection insurance

There were life and savings and loan protection insurance during the year.

22. Related party transactions and balances

Related parties of the Credit Union include staff members, committee members and Board of Directors. The following transactions were carried out with related parties:

(a) Key management compensation

	2023 \$'000	2022 \$'000
Salaries and other short-term employee benefits	104,007	62,173
Statutory contributions	8,059	6,769
Pension benefits	4,784	4,259
Other	11,304	12,053
Total	128,154	85,254

(b) Loans, shares and savings

Loans, shares and savings to directors, committee members, staff members and key management of the Credit Union (and their families):

	2023 \$'000	2022 \$'000
Directors, committee members, key management (and their families) -		
Shares and savings	32,928	25,171
Loans, including interest	133,566	99,139
Staff members -		
Shares and savings	41,943	30,525
Loans, including interest	143,989	100,506

No provision for impairment is required for these loans.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

23. Operating expenses

	2023 \$'000	2022 \$'000
Staff costs		
Salaries and allowances	300,865	259,840
Travelling and subsistence	1,475	1,058
Statutory deductions	32,743	28,679
Pension cost	6,032	12,045
Other	25,327	21,660
	366,442	323,282
Administrative		
Audit fees and related costs	5,028	4,589
Insurance	25,517	25,104
Software maintenance	3,819	4,168
Office expense	17,417	13,558
Security services	42,509	27,684
Printing, stationery and postage	43	12
Repairs and maintenance	10,101	6,927
Property taxes and rates	492	525
Utilities	33,391	36,147
Rental – branch offices	2,384	2,384
Scholarship and grants	3,359	2,362
Bank charges	697	673
Depreciation	16,559	14,870
Amortisation of intangible assets	1,631	2,479
Professional fees	2,190	278
GCT expenses	18,897	16,356
Miscellaneous	7	35
ATM expense	2,205	4,442
Total administrative expenses	186,246	162,593
Representation and affiliation		
League fees	18,906	16,689
Stabilisation dues	9,240	8,224
Board and committee meetings	5,125	3,612
International Credit Union month	2,327	730
Annual general meeting	3,822	4,597
Credit union meetings	5,052	4,292
Total representation and affiliation expenses	44,472	38,144
Marketing and promotion		
Advertising and promotion	2,815	3,057
Donations	3,599	3,896
Total marketing and promotion expenses	6,414	6,953
Total operating expenses	603,574	530,972

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies

The Credit Union's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial services industry, and operational risk is an inevitable consequence of being in business. The Credit Union's aim is therefore to achieve an appropriate balance between risk and returns and minimise potential adverse effects on the Credit Union's financial performance. The Credit Union's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the adherence to limits by means of reliable and up-to-date information systems. The Credit Union regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Credit Union's risk management policies and strategies and is committed to complying with all the regulations and legislation under which the Credit Union operates. In addition, an effective compliance programme is an important element of its risk management system.

The Board has established committees/units for managing and monitoring risks as follows:

(i) Risk Compliance Unit

This unit ensures conformity with regulatory requirements. A Risk and Compliance Manager ensures that all regulatory requirements of the Bank of Jamaica, the League and the Financial Investigating Unit of the Ministry of Finance and Planning are met.

(ii) The Treasury and Investment Committees

The Treasury Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Credit Union. The Investment Committee is responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union.

(iii) Asset and Liability Committee

The Asset and Liability Committee is responsible for establishing appropriate trading limits and reviewing reports on compliance controls to ensure that its mandate is properly followed.

(iv) Credit Committee

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

(v) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors through the Supervisory Committee.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

(v) Supervisory Committee (cont'd)

In addition, the League has established a Risk Management Unit for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.

The Credit Union is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises mainly from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk and Compliance Officer who monitors price movements of financial assets on the local market. Market risk exposures are measured using sensitivity analysis. There has been no change to the Credit Union's exposure to market risk or the manner in which it manages and measures the risk.

i Currency risk

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

Foreign exchange risk occurs when the Credit Union takes on open positions in a currency. To control this exchange risk, the Investment Committee has approval limits for net open positions and has also adhered to the mandate of the Bank of Jamaica to discontinue additional foreign currency investments.

The Credit Union also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Credit Union's net exposure is kept to an acceptable level as it has not been purchasing new investments in foreign currencies. Foreign currencies purchased/(received) are sold immediately to the commercial banks.

Concentrations of currency risk-on-and off-statement of financial position financial instruments

The Credit Union is exposed to foreign currency movement through investments held in reverse repurchase agreements and financial investments as follows:

	2023		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Reverse repurchase agreements	1,073,799	16,579	1,090,378
Financial investments	765,480	-	765,480
Total	1,839,279	16,579	1,855,858

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

a Market risk (cont'd)

i Currency risk (cont'd)

	2022		
	Jamaican \$'000	US\$ \$'000	Total \$'000
Reverse repurchase agreements	986,093	15,753	1,001,846
Financial investments	926,355	-	926,355
Total	1,912,448	15,753	1,928,201

Foreign currency sensitivity

The following table indicates the currencies to which the Credit Union had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for the percentage changes in foreign currency rates as indicated below. The sensitivity of the net surplus was as a result of reverse repurchase agreements and financial investments. There would be no impact on equity other than through net surplus.

	Change in currency rate 2023 %	Effect on net surplus 2023 \$'000	Change in currency rate 2022 %	Effect on net surplus 2022 \$'000
Currency:				
Devaluation				
USD	4	663	4	630
Revaluation				
USD	1	(166)	1	(158)

ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates, and arises mainly from investments, loans and deposits.

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

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Asset and Liability Committee and the Treasury Committee.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

The following tables summarise the Credit Union's exposure to interest rate risk. It includes the Credit Union's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2023						Total \$'000
	Within One Month \$'000	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	
Financial assets							
Earning assets							
Liquid assets	526,543	196,003	211,832	-	-	3,976	938,354
Reverse repurchase agreements	-	1,078,567	16,579	-	-	14,907	1,110,053
Financial investments	-	26,256	200,000	-	-	138,629	364,885
Loans, net of impairment provision	-	56,903	118,446	1,984,914	5,895,355	-	8,055,618
Non-earning assets	-	-	-	-	-	98,533	98,533
Total financial assets	526,543	1,357,729	546,857	1,984,914	5,895,355	256,045	10,567,443
Interest bearing liabilities							
Members' deposits	-	1,406,783	959,826	16,232	-	1,067	2,383,908
Members' voluntary shares	-	36,021	88,964	1,490,852	4,427,949	-	6,043,786
Non-interest bearing liabilities	-	-	-	-	-	8,749	8,749
Total financial liabilities	-	1,442,804	1,048,790	1,507,084	4,427,949	9,816	8,436,443
Total interest rate Sensitivity Gap	526,543	(85,075)	(501,933)	477,830	1,467,406	246,229	2,131,000
Cumulative Gap	526,543	441,468	(60,465)	417,365	1,884,771	2,131,000	-

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

2022

	Within One Month \$'000	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial assets							
Earning assets							
Liquid assets	453,075	261,913	290,292	-	-	7,522	1,012,801
Reverse repurchase agreements	-	610,327	396,842	-	-	12,419	1,019,588
Financial investments	-	215	-	-	-	122,000	122,215
Loans, net of impairment provision	-	101,881	349,348	1,800,942	4,556,292	4,840	6,813,303
Non-earning assets	-	-	-	-	-	73,827	73,827
Total financial assets	453,075	974,336	1,036,482	1,800,942	4,556,292	220,608	9,041,735
Interest bearing liabilities							
Members' deposits	-	1,221,053	809,616	13,121	-	1,064	2,044,854
Members' voluntary shares	-	37,251	110,195	1,414,015	3,577,388	-	5,138,849
Non-interest bearing liabilities	-	-	-	-	-	2,528	2,528
Total financial liabilities	-	1,258,304	919,811	1,427,136	3,577,388	3,592	7,186,231
Total interest rate Sensitivity Gap	453,075	(283,968)	116,671	373,806	978,904	217,016	1,855,504
Cumulative Gap	453,075	169,107	285,778	659,584	1,638,488	1,855,504	

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

- a Market risk (cont'd)
 - ii Interest rate risk (cont'd)

Average effective yields on interest rate sensitive financial instruments by the earlier of the contractual re-pricing or maturity dates:

	2023				
	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
Financial assets					
Earning assets					
Liquid assets	3	-	-	-	3
Short-term investments (Local)	1	8	-	-	4
Reverse repurchase agreements					
Local	8	-	-	-	8
Foreign currencies	3	8	-	-	3
Financial investments					
Local	3	8	-	-	6
Foreign currencies	10	10	10	10	10
Loans					
Interest bearing liabilities					
Members' deposits	1	1	1	-	1
Members' voluntary shares	1	1	1	1	1

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

- a Market risk (cont'd)
- ii Interest rate risk (cont'd)

	2022				
	Within Three Months %	Three to Twelve Months %	One to Five Years %	Over Five Years %	Weighted Average %
Financial assets					
Earning assets					
Liquid assets	3	-	-	-	3
Short-term investments (Local)	3	7	-	-	5
Reverse repurchase agreements					
Local	7	7			7
Foreign currencies	3	7	-	-	5
Financial investments					
Local	3	7	-	-	5
Foreign currencies					
Loans	10	10	10	10	10
Interest bearing liabilities					
Members' deposits	1	1	1	-	1
Members' voluntary shares	1	1	1	1	1

(1) Yields are based on book values, net of allowances for credit losses and contractual interest rates.

(2) Yields are based on contractual interest rates.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

a Market risk (cont'd)

ii Interest rate risk (cont'd)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Credit Union's net surplus.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on liquid assets, reverse repurchase agreements, financial investments and members' deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to the changes in each variable, variables had to be analysed on an individual basis. It should be noted that movements in these variables are non-linear.

	Change in Basis points 2023	Effect on Net Surplus 2023 \$'000		Change in basis points 2022	Effect on Net Surplus 2022 \$'000
J\$ instruments			J\$ instruments		
-25		(1,211)	-50		(3,604)
+25		1,211	+100		7,208
US\$ instruments			J\$ instruments		
-25		(41)	-50		(79)
+25		41	+100		158

iii Other price risk

The Credit Union is exposed to equity securities price risk because of investments classified at fair value through profit or loss. The investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

a Market risk (cont'd)

iii Other price risk

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Surplus for the Year \$'000		Equity \$'000	
	+6%/ (+6%)	-3%/ (-6%)	+6%/ (+6%)	-3%/ (+6%)
December 31, 2023	3,019	(1,059)	3,019	(1,059)
December 31, 2022	3,084	(3,084)	3,034	(3,084)

b Credit risk analysis

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.

Credit review process

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

(i) Loans

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

(ii) Investments

The Credit Union limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the member and the size of the loan. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

- Mortgages over real estate
- Bills of sale on motor vehicles
- Hypothecated financial instruments such as certificates of deposits with regulated banks
- Liens on members' deposits maintained with the Credit Union

Management monitors the market value of collateral, during its review of the adequacy of the provision for credit losses.

Loans to members and expected credit loss

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

- Probability of Default – This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.
- Loss Given Default – The LGD represents the expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The “three stage” model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.
- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Transfer between stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

In measuring the expected credit losses, the loan to member have been assessed on a case by case basis as they possess different credit risk characteristics. They have been grouped based on the loan type (motor vehicle, real estate, cash secured and unsecured), past due days and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for customers over the past three years before December 31, 2023 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

On the above basis the expected credit loss for loan members receivables as at December 31, 2023 and January 1, 2023 was determined as follows:

Expected credit loss summarise by stage

Loan stage	December 31, 2023		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	8,226,439	219,892	2.7
Stage 2	130,139	21,178	16.3
Stage 3	241,632	130,270	53.9
Total	8,598,210	371,340	

Expected credit loss summarise by stage

Loan stage	December 31, 2022		Expected credit loss rate %
	Total loan balance \$'000	Expected credit loss \$'000	
Stage 1	6,622,116	213,467	3.2
Stage 2	141,952	21,647	15.2
Stage 3	337,242	159,424	47.3
Total	7,101,310	394,538	

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

Maximum exposure to credit risk

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

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

The following table explains the changes in the loan loss provision between the beginning and the end of the financial year.

(i) Expected credit losses on loans

	2023 \$'000	2022 \$'000
Provision for impairment at beginning of year	394,538	356,948
Increase in amounts provided for during the year	41,161	168,609
Bad debt written-off	(64,359)	(131,019)
Provision for impairment at end of year	371,340	394,538

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2022 and 2023, there were no renegotiated loans.

(iii) Repossessed collateral

The Credit Union obtained assets by taking possession of collaterals held as security. The forced sale value of these assets were as follows:

	2023 \$'000	2022 \$'000
Real estate	171,100	209,400
Motor vehicles	25,492	30,282
Total	196,592	239,682

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

b Credit risk analysis (cont'd)

(iii) Repossessed collateral (cont'd)

These assets were to cover outstanding debts including interest as detailed below:

	2023 \$'000	2022 \$'000
Motor vehicles	5,910	-
Total	5,910	-

Repossessed collateral is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not occupy repossessed property for business use. There is no transfer of title to the Credit Union and it therefore does not recognise the property as an asset.

(iv) Debt securities

The following table summarises the Credit Union's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2023 \$'000	2022 \$'000
Government of Jamaica	-	10,000
Banks and securities dealers	1,855,858	1,906,154
Total	1,855,858	1,916,154

The disclosures provided in this note are based on the Credit Union's investment portfolio as at December 31, 2023 and 2022.

(v) Loans

The following table summarises the Credit Union's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	2023 \$'000	2022 \$'000
Construction and real estate	5,498,309	4,036,433
Education	92,295	89,406
Business investment	533,920	433,669
Agriculture	49,729	49,474
Motor vehicle	1,534,969	1,581,648
Personal and other	839,236	853,061
	8,548,458	7,043,691
Less: Provision for impairment	(371,340)	(394,538)
	8,177,118	6,649,153
Interest receivable	49,752	57,619
Total	8,226,870	6,706,772

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

c Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its commitments associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

Liquidity risk management process

The Credit Union's liquidity risk management processes are monitored by the Treasury Committee includes:

- (i) monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash outflows and the availability of cash to meet these outflows;
- (ii) maintaining a balanced portfolio between financial investments and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) optimising cash returns on investments;
- (iv) maintaining committed lines of credit; and
- (v) monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Credit Union. It is unusual for financial institutions to ever be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Credit Union and its exposure to changes in interest rates and exchange rates.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

c Liquidity risk (cont'd)

Financial liabilities and assets held for managing liquidity risk

The tables below present the cash flows receivable and payable of the Credit Union for financial liabilities and assets held for managing liquidity risk by remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows (principal and interest cash flows).

2023

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	No Specific Maturity \$'000	Total \$'000
Financial assets						
Earning assets						
Liquid assets	739,885	233,076	-	-	-	972,961
Reverse repurchase agreements	1,182,191	17,179	-	-	-	1,199,370
Financial investments	28,446	222,293	-	-	133,006	383,745
Loans, net of impairment provision	552,256	1,408,633	4,954,677	8,479,841	-	15,395,407
Non-earning assets	39,668	6,153	-	-	52,712	98,533
Total financial assets	2,542,446	1,887,334	4,954,677	8,479,841	185,718	18,050,016
Financial liabilities						
Interest bearing liabilities						
Members' deposits	1,419,294	967,681	16,356	-	-	2,403,331
Members' voluntary shares	36,021	88,964	1,490,852	4,427,949	-	6,043,786
Non-interest bearing liabilities	8,749	-	-	-	-	8,749
Total financial liabilities	1,464,064	1,056,645	1,507,208	4,427,949	-	8,455,866
Net position	1,078,382	830,689	3,447,469	4,051,892	185,718	9,594,150

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

c Liquidity risk (cont'd)

2022

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	No Specific Maturity \$'000	Total \$'000
Financial assets						
Earning assets						
Liquid assets	736,365	318,102	-	-	-	1,054,467
Reverse repurchase agreements	663,568	429,565	-	-	-	1,093,133
Financial investments	39,471	228,957	-	-	122,000	390,428
Loans, net of impairment provision	525,205	1,281,592	4,161,544	6,343,851	-	12,312,192
Non-earning assets	34,868	8,487	-	-	30,472	73,827
Total financial assets	1,999,477	2,266,703	4,161,544	6,343,851	152,472	14,924,047
Financial liabilities						
Interest bearing liabilities						
Members' deposits	1,231,374	816,178	13,224	-	-	2,060,776
Members' voluntary shares	37,251	110,195	1,414,015	3,577,387	-	5,138,848
Non-interest bearing liabilities	2,528	-	-	-	-	2,528
Total financial liabilities	1,271,153	926,373	1,427,239	3,577,387	-	7,202,152
Net position	728,324	1,340,330	2,734,305	2,765,464	152,472	7,721,895

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, investment securities and loans. In the normal course of business, a proportion of members' loans contractually repayable within one year will be extended. The Credit Union is also able to meet unexpected net cash outflows by selling securities and accessing overdraft facilities from its main financing institutions.

The members' voluntary shares are contractually on call except in cases where these balances are held as security for loan facilities.

Off-statement of financial position items

All loan commitments existing at year end (Note 23 (a)) expire within 12 months.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

24. Risk management policies (cont'd)

d Operational risk

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

The Credit Union'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.

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

- (i) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- (ii) requirements for the appropriate segregation of duties, including the independent authorisation of transactions
- (iii) requirements for the reconciliation and monitoring of transactions
- (iv) compliance with regulatory and other legal requirements
- (v) documentation of controls and procedures
- (vi) requirements for the reporting of operational losses and proposed remedial action
- (vii) development of contingency plans
- (viii) training and professional development
- (ix) ethical and business standards
- (x) risk mitigation, including insurance where this is effective

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

25. Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Credit Union. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

25. Fair value estimation (cont'd)

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used in determining or estimating the fair value of the Credit Union's financial instruments:

- (i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vi) Financial investments classified as held-to-maturity are measured at amortised cost with a carrying value of \$25,000,000 (2022 - \$177,344,000) for which the fair value has been estimated at \$25,000,000 (2022 - \$177,344,000).
- (vii) The estimated fair values of the off-statement of financial position financial instruments is assumed to approximate the amount committed at year end.
- (viii) The carrying value of borrowings approximates fair value as the borrowings are carried at amortised cost reflecting its contractual obligations, and the interest rates are reflective of current rates for similar transactions.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

25. Fair value estimation (cont'd)

Financial instruments that are measured in the statement of financial position at fair value are grouped based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Credit Union's financial assets that are measured at fair value:

December 31, 2023

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Quoted equities	50,309	-	-	50,309
Fixed and other deposits	137	2,581,646	-	2,581,783
Total	50,446	2,581,646	-	2,632,092

December 31, 2022

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Quoted equities	51,393	-	-	51,393
Fixed and other deposits	95	2,475,025	-	2,475,119
Total	51,488	2,475,025	-	2,526,513

There has been no transfer between levels 1 and 2 in the reporting period.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

Year ended December 31, 2023

26. Capital management, policies and procedures

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

- (i) to maintain the members' confidence in the safety and viability of the Credit Union
- (ii) to safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for its members;
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies, the Bank of Jamaica and the Jamaica Co-operative Credit Union League Limited;
- (iv) to maintain a strong capital base to support planned expansion and the development of new lines of business.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management according to the guidelines in its Capital Adequacy Management Policy. The computation is reported to the Board of Directors each month and the Credit Union's capital adequacy ratio currently exceeds the benchmarks set by the regulatory authorities.

The League currently requires member credit unions to maintain a minimum level of the institutional capital at 8% of total assets. The proposed Bank of Jamaica regulations require the League to ensure that member credit unions:

- (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 determining the Credit Union's capital base, the institutional capital of Hospitality Industries Employees Co-operative Credit Union Limited (HICUL) and Round Hill Hotel Staff Co-operative Credit Union Limited (RHCUL) which merged with First Regional Co-operative Credit Union Limited on July 1, 2013 were included. As at the date of the merger, HICUL and RHCUL had institutional capital of \$5,287,000 that comprised the following balances;

	HICUL \$'000s	RHCUL \$'000s	Total \$'000s
Statutory reserve	498	2,871	3,369
Institutional capital reserve	250	1,668	1,918
Total	748	4,539	5,287

All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2023 and 2022.

There was no change to the Credit Union's approach to capital management during the year.

The Credit Union complied with all externally imposed capital requirements to which they were subjected.

SENIOR MANAGERS



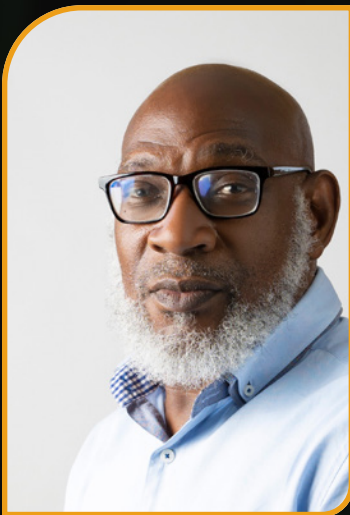
ARDFORD BILLINGS
CEO



SEFTON CUMMINGS
SENIOR MANAGER, FINANCE



CAVA WHITE
MANAGER, RISK & COMPLIANCE



PATRICK CAWLEY
CREDIT MANAGER



DANIEL ELVEY
IT MANAGER



ROMAYNE RILEY
INTERNAL AUDITOR



SEVEENE THAME
HR & ADMIN MANAGER



JODI-ANN PRYCE
LEGAL OFFICER



CARLENE SHIRLEY-JOHNSON
OPERATIONS MANAGER

ANNOTTO BAY



ALECIA KENNEDY-LAIDLEY



ANNITIA SEYMOUR-STRACHAN



EUGENIE THOMAS-GRAY



SYSSIREE CALDER

BROWN'S TOWN



DEANNA SMITH



NICOLE MCKIGHT-SMITH



ROSEMARIE LYONS



CLAREMONT



JADIAN ROSE



JENNIFER CAMPBELL



KAREEN BORELAND

DISCOVERY BAY



GEORGIANA PINNOCK



LORILEE WALTERS



PHILLIPA GREEN



RENEE GRAHAM

GUY'S HILL



COLETTE MURRAY



EUGENIE POWELL



SHASHA HAMILTON

HIGHGATE



BRIDGET ANDERSON



JAHVINE GILLETTE



MELISSA HENRY



SHEKA STRACHAN



VERONA WALKER



KINGSTON



ANNETTE BRYAN



KARL McGRATH



KERRY-ANN JULIUS-LOGAN



RAYMOND KIRLEW



NEGRIL



EUPHEMIA EARLE



EVETTE MOXIE-DALEY



ROXANNE HAUGHTON



SHADAE WOOLLOCK-MORRIS



OCHO RIOS



BRITANIA SPENCER



DESLON BROWN



DYLAN JONES



GENESHA BROWN



JAVIA FRANCIS



JUDALE JUMP



KAYLA DACOSTA



MARSHA SIMPSON



NARVELIN CAMMOCK



PSALMONIE SMITH



SHANE RILEY



SHARON O'CONNOR



SHEREE DENNIS



TASHEIKA MARTIN



TAVAR RICHARDS



DANIELLE BROWN



JULIET TAYLOR



PORT MARIA



DEON ROPER-LANGRIN



JANIELE JONES



OBRIAN DENNIS



SANDRA REECE



TAJDICE THOMPSON-SIMPSON



TAKIECE BROWN



WAYNE WILLIAMS

ROUND HILL



MANSEL DUNKLEY



PAULETTE GARDENER



TERESA THOMPSON



ST. ANN'S BAY



BRIGSENA PHILLIPS



CERETA GREGG



DORECHA BROWN



JAHANE BROWN



JERIMENE BLACK



KAMAINE WILLIAMSON



KIRK BROWN



LURLINE JOHNSON-CHANG



PEGGY HARRIAGE

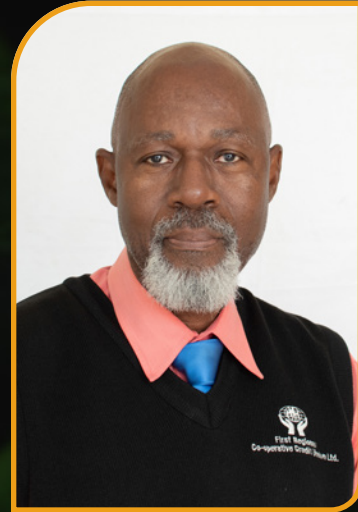




PHILENE INGRAM



RANIEL RILEY



ROHAN STEPHENSON



SADE McLEOD



SASHOYE DANIELS



SHA-SHANA McFARLANE



SHANELLE MORRIS



SHAVEL COLE



SHENOI CAMPBELL





SHEVONISE ANDERSON



STACY JOHNSON



TIFFANY DRUMMONDS



TREVON CAMPBELL



YANIQUE TULLOCH





123

GROWTH
POSITIONING FOR CHANGE

Deceased Members

STANFORD PERRY
ERGA LYNCH-THOMAS
ERNEST TAYLOR
OLGA HARRIS
CICELINE GREEN
NELLIE STEWART
JUDITH WHYTE
CHARLES ATKINSON
LUCIEN STEPHENS
BEVERLY GRAY-ELLIS
SHELDON MILLS
NEVILLE SMITH
SEION COPELAND
WILLIAM CHRISTIE
SHORNA MULLINGS
PATRICK FRANCIS
ALTHEA FRANCIS
KINGSLEY FAGAN
WILLIAM KING
GEORGE WILSON
MARCIA DYER-WALKER

SELVIN GARRIQUES
GREGORY McINTOSH
OLDAIN DUNN
PAULINE DAVIS
TREVOR SMITH
KENRICK MIGNOTT
ELIHU PHILLARCHIE
BERYL PHILLIPS
ASTON SMITH
MAUREEN STEER
DELROY BROWN
SELMA ALLEN
PATSY JENNIFER TRACEY
DOREEN JACKSON-GRANT
HERMAN STEWART
HUGH MIGNOTT
IVETOR EDWARDS
DEBBYON HARRIS
SHELTON WATSON
DENNIS SCOTT
DEBBIE GREEN-McKOY

DAHLIA ANDERSON
HYCOL McKNIGHT
ASTON WEST
SYDNEY DALEY
BERNARD WHYTE
BLOSSOM THOMAS-WRIGHT
MARLON McINTOSH
ISABELLE RIDLEY
SHAUN BURFORD
ANDREA GRAY-FRANCIS
JOSEPHINE PATTERSON
DIONNE STENNETT
LASCELLES CUNNINGHAM
ROGESHA JOHNSON-ROBINSON
ZELPHA DALEY-LEDIARD
JOAN McFARLANE
ROY CONSTANTINE BROWN
MILLICENT BYLES
LANCE RHODEN
DERK E. GREEN
VIOLET DALEY

**OLIVER SHAND
SHENIECE WISDOM
MERSADES ROBB
TIMOTHY BROWN
MARY BOSWELL
DENIS NEWBY
JOY RILEY
ASTON HENRY
CECIL HAUGHTON
OLGA BROWN
ROLAND JONES
HENRY SMITH
SHASHANE WHITTAKER
DORRETT ARMSTRONG-FRANCIS
BRUCE CAMPBELL
INEZ WYNTER
LAWRENCE CARTER
VERNICA WILLIAMS-HINDS
NORVAL NELSON
ROSA JOHNSON
O'NEAL SMITH**

**SHARON DAVIS
HECTOR BROWN
WINDELL LAWRENCE
MARSHA LEE
ELMER HARLEY
WINSOME McPHERSON
DAYNE FRAZER
KARLENE BAKER
EVALEATH CAMPBELL
RUTHLYN WRIGHT
MAVIS BAILEY
EVADNE RUSSELL
THELMA ENNIS
CLAUDETH WILLIAMS
VELCENA THOMPSON
JOSEPH STERLING
VEVENE MORRISON
ROY VASSELL
RUDOLPH WILLIAMS
LYNFORD HENDRICKS
JERONE BATTICK**

**RYAN DAWKINS
KADIAN CAMPBELL
CAROL REID
MELVINA DEROUX
AZAN J. WRAY
SYLVIAN BROWN
PATRICK CAMPBELL
PAUL CAMPBELL
MYRTLE EDWARDS-ALLEN
JOHN PARKER
ADASSA ROBINSON
JULIAN TAYLOR
CARMEN STEWART
KARAN LLEWELLYN
KENT PATTERSON
GINEVRA JAMES
SHEREENE MITCHELL**





Herman Ming Scholarship
SHEMAR DUCALLY

Reynold Smith Scholarship
NATHAN HOWE

First Regional Scholarship
GABRIELLA HALL

Sherica McKane

P.E.P Scholarships and Tertiary
Bursaries Awards Ceremony 2023.



Prayer of St. Francis of Assisi

Lord, make me an instrument
of your peace,

Where there is hatred, let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
Where there is sadness, joy.

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

For it is in giving that we receive;
It is in pardoning that we are pardoned;
And it is in dying that we are
born to eternal life.