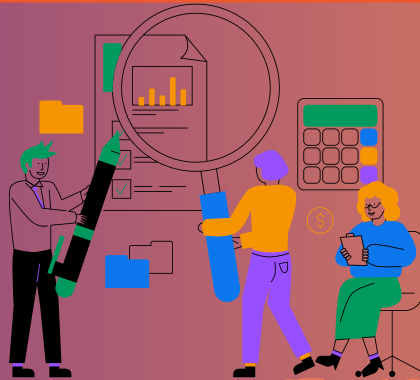


TEXTEL Credit Union 49TH AGM



AUDITOR'S REPORT



My CREDIT UNION
My ONLY CHOICE

Financial Statements of

**TEXTTEL CREDIT UNION
CO-OPERATIVE SOCIETY LIMITED**

December 31, 2022



TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Financial Statements for the year ended December 31, 2022

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TEXTEL CREDIT UNION

CO-OPERATIVE SOCIETY LIMITED

REG: # CU015

85 Henry Street, Port of Spain, Trinidad, West Indies. Telephone: 627-6503, 624-1244 • Fax: 627-2915
Website: www.textelcu.com

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of **Textel Credit Union Co-Operative Society Limited**, which comprise the statement of financial position as at **December 31, 2022**, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information;
- Ensuring that the Society keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Society's assets, detection/prevention of fraud and achievement of the operational efficiencies of the Society;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations and;
- Using reasonable and prudent judgment in the determination of estimates.

In preparing these audited financial statements, management utilized the International Financial Reporting Standards for Small and Medium Sized Entities, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago.

Nothing has come to the attention of management to indicate that the Society will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorized for issue, if later. Management affirms that it has carried out its responsibilities as outlined above.

Accountant

Date: April 4, 2023

Treasurer

Date: April 4, 2023

Madan Ramnarine & Company Limited

Chartered Accountants

#6 Xavier Street Extension,
Chaguanas, Trinidad, W.I.

Telephone: 665-1707
Email: admin@mramnarineco.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEXTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TEXTEL Credit Union Co-operative Society Limited ("the Society") which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in members' equity and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of 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 Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information consists of information included in the Society's Annual Report but does not include the financial statements and our auditors' report thereon. The Society's 2022 Annual Report is expected to be made available after the date of the auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 Society's 2022 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate it with those charged with governance.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs 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 statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Madan Ramnarine & Company Limited

Chartered Accountants

#6 Xavier Street Extension,
Chaguanas, Trinidad, W.I.

Telephone: 665-1707
Email: admin@mramnarineco.com

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


Auditors' Responsibility for the Audit of the Financial Statements

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

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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


MADAN RAMNARINE & COMPANY LIMITED
CHARTERED ACCOUNTANTS
CHAGUANAS, TRINIDAD
April 4, 2023.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Statement of Financial Position

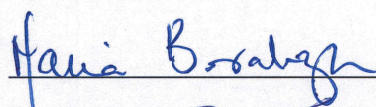
December 31, 2022

	Notes	2022 \$	2021 \$
ASSETS			
Property, plant and equipment	5	7,583,669	7,823,051
Receivables and prepayments	6	555,290	4,857,661
Members' loans	7	32,852,444	35,838,156
Investment securities:			
- measured at fair value through profit or loss	8(a)	16,321,015	18,509,172
- measured at amortised cost	8(b)	30,027,317	29,524,902
Cash and cash equivalents	9	43,431,926	38,793,712
Total assets		130,771,661	135,346,654
LIABILITIES AND MEMBERS' EQUITY & RESERVES			
Liabilities			
Payables and accruals	10	126,069	95,127
Members' shares		94,634,138	92,527,254
Members' deposits		18,299,458	19,413,679
		113,059,665	112,036,060
Members' Equity & Reserves			
Reserve fund		10,051,935	9,775,600
Education fund		1,193,332	1,372,095
Credit union projects		543,750	543,750
Undivided earnings		5,922,979	11,619,149
Total Members' Equity & Reserves		17,711,996	23,310,594
Total Liabilities and Members' Equity & Reserves		130,771,661	135,346,654

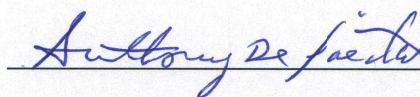
The accompanying notes form an integral part of these financial statements.

On April 4, 2023, the Board of Directors of TEXTTEL Credit Union Co-operative Society Limited authorised these financial statements for issue.

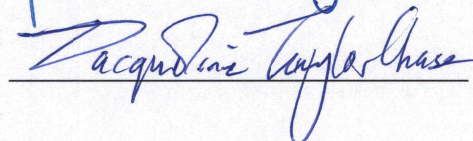
On behalf of the Board



President



Treasurer



Member of the Supervisory Committee

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Statement of Comprehensive Income

For the year ended December 31, 2022

	Notes	2022 \$	2021 \$
INCOME			
Interest on members' loans		4,088,701	4,230,855
Income from investments		1,880,795	3,612,847
Other income		<u>254,391</u>	<u>81,633</u>
Total income		<u>6,223,887</u>	<u>7,925,335</u>
EXPENDITURE			
Administrative expenses	12	1,330,461	1,376,173
CUNA insurance		461,460	450,334
Depreciation		253,939	255,559
Education		83,961	48,265
Expected credit loss on (IFRS 9)		151,886	328,715
Impairment of investments (IFRS 9)		(152,542)	-
Green fund levy		12,626	26,759
Interest on members' deposits		232,021	157,376
Personnel		1,089,071	1,043,926
Member receivables insurance write off		<u>-</u>	<u>558,653</u>
Total expenditure		<u>3,462,883</u>	<u>4,245,760</u>
Net surplus attributable to members for the year before fair value gain/(loss)		2,761,004	3,679,575
Net unrealized (loss)/gain on investments measured at fair value		<u>(4,526,367)</u>	<u>1,702,634</u>
Net (loss)/surplus attributable to members for the year		<u>(1,765,363)</u>	<u>5,382,209</u>

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

TEXTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Statement of Changes in Members' Equity and Reserves

For the year ended December 31, 2022

	Reserve Fund \$	Education Fund \$	Credit Union Projects \$	Investment Reserves \$	Undivided Earnings \$	Total \$
Year ended December 31, 2022						
Balance at January 1, 2022	9,775,600	1,372,095	543,750	-	11,619,149	23,310,594
Membership fees	235	-	-	-	-	235
Net loss attributable to members for the year	-	-	-	-	(1,765,363)	(1,765,363)
Dividends paid and rebates	-	-	-	-	(3,833,469)	(3,833,469)
Members education, training and development expense	-	(183,763)	-	-	183,763	-
<u>Appropriation of net surplus</u>						
(i) 10% to reserve fund	276,101	-	-	-	(276,101)	-
(ii) Transfer to Education fund (up to 5%)	-	5,000	-	-	(5,000)	-
Balance at December 31, 2022	10,051,936	1,193,332	543,750	-	5,922,979	17,711,997

Year ended December 31, 2021

Balance at January 1, 2021	9,407,547	1,491,016	543,750	3,055,969	7,374,879	21,873,161
Membership fees	95	-	-	-	-	95
Net surplus attributable to members for the year	-	-	-	-	5,382,209	5,382,209
Dividends paid and rebates	-	-	-	-	(3,944,871)	(3,944,871)
Transfer to investment reserves	-	-	-	(3,055,969)	3,055,969	-
Members education, training and development expense	-	(123,921)	-	-	123,921	-
<u>Appropriation of net surplus</u>						
(i) 10% to Reserve fund	367,958	-	-	-	(367,958)	-
(ii) Transfer to Education fund (up to 5%)	-	5,000	-	-	(5,000)	-
Balance at December 31, 2021	9,775,600	1,372,095	543,750	-	11,619,149	23,310,594

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

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Statement of Cash Flows

For the year ended December 31, 2022

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus attributable to members for the year	2,761,004	3,679,575
Adjustments to reconcile net surplus to net cash generated from operating activities:		
Expected credit loss provision	(239,466)	(177,865)
Depreciation	253,939	255,559
Operating surplus before working capital changes	2,775,477	3,757,269
Decrease in members' loans	3,225,178	3,367,926
Decrease/(increase) in receivables and prepayments	4,302,371	(3,500,457)
Decrease in members' deposits	(1,114,222)	(664,882)
Increase/(decrease) in payables and accruals	30,942	(485,093)
Net cash generated from operating activities	9,219,746	2,474,763
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(2,840,625)	(4,947,716)
Additions to property, plant and equipment	(14,557)	(112,847)
Net cash used in investing activities	(2,855,182)	(5,060,563)
CASH FLOWS FROM FINANCING ACTIVITIES		
Membership fees	235	95
Dividends paid and rebates	(3,833,469)	(3,944,871)
Net increase in members' shares	2,106,884	242,669
Net cash used in financing activities	(1,726,350)	(3,702,107)
Net increase/(decrease) in cash and cash equivalents	4,638,214	(6,287,907)
Cash and cash equivalents at beginning of year	38,793,712	45,081,619
Cash and cash equivalents at end of year	43,431,926	38,793,712

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

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

1. REGISTRATION AND ACTIVITIES

Textel Credit Union Co-operative Society Limited is registered in the Republic of Trinidad and Tobago under the Co-operative Societies Act Chapter 81:03. Its registered office is located at #85 Henry Street, Port of Spain. The Society's principal activities are to promote the economic and social welfare of its members, encouraging the spirit and practice of thrift, self-help and co-operation and to promote the development of co-operative ideas.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are stated below:

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs"), and are stated in Trinidad and Tobago dollars. These financial statements are stated on the historical cost basis, except for the measurement of investment securities at fair value through profit or loss and certain other financial instruments.

(i) New, revised and amended standards effective January 1, 2022.

There were no new standards, interpretations and amendments, which were applicable in the current year and having a material impact on the financial statements.

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

There were no new standards, interpretations and amendments, which were applicable in the current year and having a material impact on the financial statements.

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

The under listed IFRSs are not expected to have a significant impact on the Society's financial statements.

(iv) Standards, amendments and interpretations to existing standards early adapted by the Society.

There were no new standards, interpretations and amendments, which were applicable in the current year and having a material impact on the financial statements.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Use of estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Society's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) Foreign currency translation

These financial statements are presented in Trinidad and Tobago dollars which is the Company's functional currency.

Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates ('the functional currency'). These financial statements are presented in Trinidad and Tobago Dollars, which is the Society's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less accumulated depreciation. 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 Society and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on the straight-line basis at rates estimated to write-off the assets over their expected useful lives.

Current rates of depreciation are:

Building	2%
Furniture & fixtures	10%
Office equipment	20%
Computers & Website	20%

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted, if appropriate.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(e) *Revenue recognition*

Interest on Members' loans

Interest on members' loans is recognized using the effective interest method.

Interest income

Interest income is recognized using the effective interest method.

Dividend income

Dividend income from equities is recognized when the right to receive payment is established.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Cash and cash equivalents*

Cash and cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risks of change in value. These are shown at cost, which is equivalent to fair value.

Cash and cash equivalents also comprise cash balances which are payable on demand.

(g) *Financial assets*

The Society's financial assets comprises debt instruments and equity instruments.

The Society classifies its financial assets either at amortised cost (AC) or at fair value through profit and loss (FVPL). The classification depends on the purpose for which financial assets were acquired or originated as well as the type of instrument.

The classification for debt instruments depends on the entity's Business Model for managing those assets. It also requires the entity to examine the contractual terms of the cash flows, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

The Business Model test requires the entity to assess the purpose for holding debt securities (hold to collect, hold to collect and sell or to trade). All of the Society's debt instruments are held to collect cash flows and accordingly meet the 'hold to collect' criteria. All debt instruments passing the Business Model and SPPI tests are classified at AC.

Debt securities where the contractual cash flows are SPPI and the objective of the Society's business model is achieved both by collecting contractual cash flows and selling financial assets are classified at Fair Value Through Other Comprehensive Income (FVOCI). Currently there are no debt instruments classified at FVOCI.

On initial recognition, the Society has the option to irrevocably classify equity securities which are not held for trading at FVOCI. All other instruments are carried at Fair Value Through Profit or Loss (FVPL). The Society currently has no instruments in the FVOCI category and accordingly has classified all equity instruments at FVPL.

The Society reclassifies debt investments when and only when its business model for managing those assets changes.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Amortised cost*

Financial assets measured at amortised cost comprises all debt instruments, including corporate bonds, notes and repurchase agreements and other receivables.

(g) *Financial assets (continued)*

These are initially measured at cost, being the fair value plus the transaction cost that are directly attributable to the acquisition of the instrument. These are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. The amortisation of premiums and discounts is taken to the statement of comprehensive income.

Refer to Note 2(j) for further information on members' loans.

(ii) *Fair value through profit or loss*

Financial assets measured at fair value through profit or loss includes equity instruments.

These financial assets are investments that are intended to be held for trading to generate profit from fluctuations in price. These financial assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition.

After initial recognition, investments which are classified at FVPL are measured at fair value with gains or losses on revaluation recognised in the statement of comprehensive income within 'Net unrealised gain on investments measured at fair value' in the period in which it arises.

In limited circumstances, cost might be used as an estimate of fair value, where information is insufficient to determine fair value; or where there is a wide range of possible fair value measurements, and cost represents the best estimate of fair value within that range.

(iii) *Impairment of financial assets*

At the reporting date, the Society assesses on a forward-looking basis, the credit losses associated with its financial assets measured at amortised cost.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Financial assets (continued)*

The Society measures loss allowances on its debt instruments at an amount equal to lifetime credit losses, except in the following cases, for which the amounts are recognised on the basis of twelve (12) months' credit losses.

For receivables, the Society applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of receivables.

(iv) *Impairment of non-financial assets*

The carrying amount of the Society's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is adjusted to reflect the revised estimate.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smaller group assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

(h) *Financial liabilities*

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognized when they are extinguished, that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Accounts receivable*

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(j) *Members' loans*

Members' loans are initially measured at cost, net of loan origination fees and inclusive of transaction costs incurred. They are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses. Loans to members are reported at their recoverable amount representing the aggregate amount of principal, less any allowance or provision for impaired loans.

Impairment provisions for loans to members are recognised based on the three stage approach within IFRS 9 as follow:

Stage 1 represents twelve (12) month expected credit losses (gross interest)

- Applicable when no significant increase in credit risk
- Entities continue to recognise twelve (12) month expected losses that are updated to each reporting date
- Presentation of interest on gross basis.

Stage 2 represents lifetime expected credit losses (gross interest)

- Application in case of significant increase in credit risk
- Recognition of lifetime expected losses
- Presentation of interest on gross losses

Stage 3 represents lifetime expected credit losses (net interest)

- Application in case of credit impairment
- Recognition of lifetime expected losses
- Presentation of interest on net basis

The Society maintained a loan loss provision, which in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. Provision for loan losses are calculated using a formula method taking into account recent loss experience.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss can be fully determined.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Taxation

The surplus arising from the Society are exempt from income tax, as per the Co-operative Societies Act Chapter 81:03 sections 76-77.

(l) Members' deposits

Members' deposits are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument. Member deposits are subsequently measured at amortised cost, using the effective interest rate method.

(m) Members' shares

According to the Bye-Laws of Textel Credit Union Co-operative Society Limited, the capital of the Society may be composed of an unlimited number of shares of \$5 each. In accordance with International Financial Reporting Interpretation (IFRIC) Interpretation 2, redeemable shares have been treated as liabilities.

(n) Dividends

Dividends are recommended by the Board of Directors and approved by the members at the Annual General Meeting following the year to which they relate. Dividends are an appropriation of undivided earnings and are recognized in the statement of changes in members' equity and reserves in the period when paid.

The dividends are computed on the basis of the average number of shares in issue throughout the year, the average being determined on the basis of the number of shares in issue at the end of each month.

(o) Accounts payable

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

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions

Provisions are recognized when the Society has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Comparative figures

Where necessary, comparative data has been adjusted to conform with changes in presentation of the current year.

(r) Reserve Fund

Section 47(2) of the Co-operatives Societies Act 1971 requires that at least 10% of the net surplus of the Society for the year is to be transferred to a reserve fund. In accordance with Bye-Law 16 of the Society, this reserve fund may be used only with the approval of the Commissioner of Co-operative Development for bad loans and other losses sustained through extraordinary circumstances over which the Society had no control.

(s) Education Fund

In accordance with Bye-Law 17 of the Society, the education fund shall be used for the education and training of the members and staff of the Society or any other organisations or persons which qualify under the Society's education policy. Bye-Law 14 of the Society establishes that an amount up to 5% of the net surplus for the year may be credited to the Education Fund.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Society's activities are primarily related to the use of financial instruments. The Society accepts funds from members and earns interest by investing in equity investments, securities and bonds.

Financial Instruments

The following table summarises the carrying amounts and fair values of the Society's financial assets and liabilities:

	2022	
	Carrying Value	Fair Value
	\$	\$
Financial assets		
Cash and short term funds	43,431,926	43,431,926
Investment securities	46,348,332	46,348,332
Receivables	555,290	555,290
Members' loans	32,852,444	32,852,444
	<u>123,187,992</u>	<u>123,187,992</u>
Financial Liabilities		
Payables and accruals	126,069	126,069
Members' deposits	18,299,458	18,299,458
Members' shares	94,634,138	94,634,138
	<u>113,059,665</u>	<u>113,059,665</u>
	2021	
	Carrying Value	Fair Value
	\$	\$
Financial assets		
Cash and short term funds	38,793,712	38,793,712
Investment securities	48,034,074	48,034,074
Receivables	4,857,661	4,857,661
Members' loans	35,838,156	35,838,156
	<u>127,523,603</u>	<u>127,523,603</u>
Financial Liabilities		
Payables and accruals	95,127	95,127
Members' deposits	19,413,679	19,413,679
Members' shares	92,527,254	92,527,254
	<u>112,036,060</u>	<u>112,036,060</u>

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

The Society is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Society is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

(b) Credit risk

Credit risk is the risk of financial loss to the Society if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans to members and other banks, and investment debt securities. The Society relies heavily on a written Loan and Investment Policy Manual, which sets out in detail the current policies governing the lending and investment function and provides a comprehensive framework for prudent risk management of the credit function.

Adherence to these guidelines is expected to communicate the Society's lending and investment philosophy; provide policy guidelines to team members involve in lending; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

For risk management reporting purposes, the Society considers and consolidates all elements of credit risk exposure - e.g. individual obligor default risk, regional and industry sector risk.

The market risk in respect of changes in the value of financial assets measured at FVTPL arising from changes in market credit spreads applied to debt securities is managed as a component of market risk.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(i) Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to management and the Credit Committee. The loans and finance departments, reporting to the respective committees, are responsible for managing the Society's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Loan Officers and larger facilities require approval by the Credit Committee or the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Credit committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans, financial guarantees and similar exposures), and by issuer, credit rating band and market liquidity (for investment securities).
- Developing and maintaining the Society's Credit Scores used to categorize exposures according to the degree of risk of default. The responsibility for setting risk scores lies with the final approving executive or committee, as appropriate. Risk scores are subject to regular reviews by the Society's Board.
- Developing and maintaining the Society's processes for measuring the ECL: This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - incorporation of forward-looking information.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, regional risk and product types. Regular reports on the credit quality of local portfolios are provided to the Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowance.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Society in the management of credit risk.

(ii) Significant increase in credit risk

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

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

- the remaining lifetime probability of default ("PD") as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

(iii) Generating the term structure of PD

Historical patterns are a primary input into the determination of the term structure of PD for exposures. The Society collects performance and default information about its credit risk exposures. The Society analyses the data collected and estimates of the remaining lifetime PD of exposures.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of other key factors (e.g. period of employment, debt service ratio, securitization of loan) on the risk of default.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(iv) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by stages and include quantitative changes in PDs and qualitative factors.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Society's policy, installments in arrears determined to have increased significantly.

Using its credit judgement and, where possible, relevant historical experience, the Society may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria with the point in time when an asset becomes more than 30 days past due.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(v) Definition of default

The Society considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Society in full, without recourse by the Society to actions such as realizing security (if any is held);
- The borrower is past due more than 90 days on any material credit obligation to the Society.
- The Society agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- The Society has filed for the borrower's bankruptcy in connection with the credit obligation; or
- The borrower has sought or been placed in bankruptcy resulting in the delay or avoidance of repayment of the amount owing. In assessing whether a borrower is in default, the Society considers indicators that are:
 - Qualitative - e.g. breaches of covenant;
 - Quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Society; and
 - Based on data developed internally and obtained from external sources.
- Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Society for regulatory purposes.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(vi) Incorporation of forward-looking information

The Society incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Society formulates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome.

The Society has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past five (5) years.

(vii) Measurement of ECL

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

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag (i.e. 1 year). The Society intends to strengthen this model by using rating tools tailored to the various categories of loan and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(b) Credit risk (continued)

(vii) Measurement of ECL (continued)

LGD represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the measure of the exposure at the time of the event of default of the credit exposure. The Society derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

As described above, and subject to using a maximum of a twelve (12)-month PD for financial assets for which credit risk has not significantly increased, the Society measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Society considers a longer period. The maximum contractual period extends to the date at which the Society has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition (vintage);
- remaining term to maturity;

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Society has limited historical data, external benchmark information is used to supplement the internally available data.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

3. FINANCIAL RISK MANAGEMENT (continued)

Financial Instruments (continued)

(c) *Liquidity risk*

Credit risk is the risk of financial loss to the Society if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Society's loans to members and other banks, and investment debt securities. The Society relies heavily on a written Loan and Investment Policy Manual, which sets out in detail the current policies governing the lending and investment function and provides a comprehensive framework for prudent risk management of the credit function.

(d) *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's measurement currency. The Society is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Society's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(e) *Operational risk*

Operational risk is derived from deficiencies relating to the Society's information technology and control systems, as well as the risk of human error and natural disasters. The Society's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimize human error.

(f) *Compliance risk*

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Commissioner for Co-operative Development division, as well as by the monitoring controls applied by the Society.

(g) *Reputation risk*

The risk of loss of reputation arising from the negative publicity relating to the Society's operations (whether true or false) may result in a reduction of its membership, reduction in revenue and legal cases against the Society. The Society engages in public social endeavors to engender trust and minimize this risk.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Society's 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 Society makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. 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:

Changes in accounting estimates are recognised in the statement of comprehensive income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- (i) Whether investments are classified as fair value through profit and loss or amortised cost.
- (ii) Which depreciation method for property, plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the statement of financial position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Impairment of assets

Management assesses at each statement of financial position date whether the assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

(b) Property, plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditure to be capitalised and in estimating the useful lives and residual value of these assets.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) *Estimation of expected credit losses*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of members defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Management exercises judgement in determining whether future economic benefits can be derived from expenditure to be capitalised and in estimating the useful lives and residual value of these assets.

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Had there been a 5% shift in the average ECL rate for all financial instruments carried at amortised cost, the Society's ECL allowance would have been higher by \$14,446.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

5. Property, Plant and Equipment

	Land and Buildings	Furniture and Fittings	Office Equipment	Computers and Website	Total
	\$	\$	\$	\$	\$
Year ended December 31, 2022					
Cost	9,456,127	361,482	930,586	902,431	11,650,626
Accumulated depreciation	<u>(2,150,508)</u>	<u>(300,611)</u>	<u>(909,076)</u>	<u>(706,762)</u>	<u>(4,066,957)</u>
Balance as at December 31, 2022	<u>7,305,619</u>	<u>60,871</u>	<u>21,510</u>	<u>195,669</u>	<u>7,583,669</u>
Net book value					
Balance at January 1, 2022	7,471,041	54,934	35,446	261,630	7,823,051
Additions	-	14,557	-	-	14,557
Depreciation charge	<u>(165,422)</u>	<u>(8,620)</u>	<u>(13,936)</u>	<u>(65,961)</u>	<u>(253,939)</u>
Balance as at December 31, 2022	<u>7,305,619</u>	<u>60,871</u>	<u>21,510</u>	<u>195,669</u>	<u>7,583,669</u>
Year ended December 31, 2021					
Cost	9,456,127	346,925	930,586	902,431	11,636,069
Accumulated depreciation	<u>(1,985,086)</u>	<u>(291,991)</u>	<u>(895,140)</u>	<u>(640,801)</u>	<u>(3,813,018)</u>
Balance as at December 31, 2021	<u>7,471,041</u>	<u>54,934</u>	<u>35,446</u>	<u>261,630</u>	<u>7,823,051</u>
Net book value					
Balance at January 1, 2021	7,636,464	16,412	51,559	261,328	7,965,763
Additions	-	44,176	-	68,671	112,847
Depreciation charge	<u>(165,423)</u>	<u>(5,654)</u>	<u>(16,113)</u>	<u>(68,369)</u>	<u>(255,559)</u>
Balance as at December 31, 2021	<u>7,471,041</u>	<u>54,934</u>	<u>35,446</u>	<u>261,630</u>	<u>7,823,051</u>

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
6. RECEIVABLES AND PREPAYMENTS		
Sundry receivables and prepayments	555,290	4,857,661
7. MEMBERS' LOANS		
(a) Credit concentration		
Ordinary loans	30,625,341	32,985,644
Vehicle loans	1,696,047	2,032,316
Now loans	37,478	41,959
Education loans	367,269	508,043
Wedding loans	37,547	64,785
Student loans	48,260	32,291
Stress free loans	70,414	184,703
Seasonal loans	680,678	938,471
	33,563,034	36,788,212
Less: Expected credit loss	(710,590)	(950,056)
Total loans net of expected credit loss	<u>32,852,444</u>	<u>35,838,156</u>
(b) Analysis of movement in loan principal		
Principal balance at the beginning of the year	36,788,212	40,156,138
Principal amount of loans issued	35,090,981	27,538,591
Principal amount of loans repaid	(37,924,808)	(30,399,938)
Principal loan amounts written off	(391,351)	(506,579)
Principal balance at the end of the year	<u>33,563,034</u>	<u>36,788,212</u>
(c) Credit concentration		
Principal neither past due nor impaired	29,298,900	26,911,043
Principal which is past due but not impaired	434,985	2,026,317
Principal which is impaired	3,829,149	7,850,852
Gross loans	33,563,034	36,788,212
Less: Provision for loan losses	(710,590)	(950,056)
Total loans net of provision for loan losses	<u>32,852,444</u>	<u>35,838,156</u>

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
7. MEMBERS' LOANS (continued)		
(d) Loans past due but not impaired		
30-90 days	136,959	1,397,450
91-365 days	167,795	531,463
Greater than 365 days	<u>130,231</u>	<u>97,404</u>
	<u>434,985</u>	<u>2,026,317</u>

The table below shows the staging of loans to members and the related expected credit losses based on the Society's adoption of IFRS 9 in the year 2022.

	Stage 1 0-30 days in arrears \$	Stage 2 31-90 days in arrears \$	Stage 3 >90 days in arrears \$	Total \$
Principal	25,207,610	4,183,881	4,171,543	33,563,034
Credit losses	<u>(173,785)</u>	<u>(43,257)</u>	<u>(493,548)</u>	<u>(710,590)</u>
	<u>25,033,825</u>	<u>4,140,624</u>	<u>3,677,995</u>	<u>32,852,444</u>

The table below shows the staging of loans to members and the related expected credit losses based on the Society's adoption of IFRS 9 in the year 2021.

	Stage 1 0-30 days in arrears \$	Stage 2 31-90 days in arrears \$	Stage 3 >90 days in arrears \$	Total \$
Principal	29,997,430	1,962,162	4,828,620	36,788,212
Credit losses	<u>(184,173)</u>	<u>(18,126)</u>	<u>(747,757)</u>	<u>(950,056)</u>
	<u>29,813,257</u>	<u>1,944,036</u>	<u>4,080,863</u>	<u>35,838,156</u>

	<u>2022</u>	<u>2021</u>
	\$	\$
(e) Movement in the provision for loan losses		
Provision for loan losses brought forward	950,056	1,127,921
Principal loan amounts written off during the year	(391,351)	(506,579)
Movement in the expected credit loss on loans (IFRS 9)	<u>151,885</u>	<u>328,715</u>
Provision for loan losses	<u>710,590</u>	<u>950,056</u>

TEXTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
8. (a) INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equity Instruments		
KSBM Asset Management Ltd - Managed Portfolio	16,284,723	18,465,662
Jamaica Money Market Brokers Group Limited	<u>36,290</u>	<u>43,508</u>
	<u>16,321,013</u>	<u>18,509,170</u>
Unquoted investments		
Co-operative Credit Union League of Trinidad & Tobago - 5,000 shares	5,000	5,000
The Central Finance Facility		
Co-operative Society of T&T Limited - 1 share	<u>25,000</u>	<u>25,000</u>
	30,000	30,000
Provision for diminution in value of investments	<u>(29,998)</u>	<u>(29,998)</u>
	<u>2</u>	<u>2</u>
Sub-total	<u>16,321,015</u>	<u>18,509,172</u>
8. (b) INVESTMENT SECURITIES MEASURED AT AMORTISED COST		
GRUPO Unicomer Co. Limited	1,825,701	1,899,810
KCL Capital Market Brokers Limited - Managed Portfolio	5,250,000	12,121,238
National Investment Funds (NIF) Series A & B 4.50 - 5.7%	8,263,403	8,277,954
NIPDEC TT\$ Fixed Rate Bond	1,000,000	1,000,000
The Republic of Trinidad and Tobago Unsecured 4.375% Bond	998,245	1,042,392
The National Gas Company of Trinidad & Tobago Bond 2036	815,217	906,686
Sagicor Financial Corporation Limited – Repo 2022	2,000,000	-
T&T Housing Development Corporation ("HDC")		
TTD 4.15% GORT	428,572	714,268
KSBM Bonds	4,690,210	-
Telecommunications Services of Trinidad & Tobago		
8.3% SNR Secured notes	2,000,000	2,000,000
REPO Agreement – KSBM	1,546,619	2,004,000
JMMB – Managed Portfolio	1,498,272	-
Deduct: Provision for Impairment	<u>(288,922)</u>	<u>(441,464)</u>
Sub-total	<u>30,027,317</u>	<u>29,524,902</u>
Grand total of investments	<u>46,348,332</u>	<u>48,034,074</u>

KSBM Asset Management Ltd, Jamaica Money Market Brokers Group Limited and KCL Capital Market Brokers are brokerage institutions. The investments held through these institutions relate to several individual balances.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
9. CASH AND CASH EQUIVALENTS		
Cash in hand	237,828	150,880
Republic Bank Limited	13,711,766	8,854,345
First Citizens Bank Limited	2,621,763	654,300
JMMB Bank Limited	12,870	-
Scotiabank (Trinidad & Tobago) Limited	405	200,320
Cash at Bank and at Hand	<u>16,584,632</u>	<u>9,859,845</u>
ANSA Merchant Bank Limited - TT\$ Income Fund	2,870,354	2,808,190
ANSA Merchant Bank Limited - US\$ Income Fund	160,295	159,444
Guardian Group Trust Limited - TT\$ Income Fund	1,201,635	1,182,707
RBC Royal Bank (T&T) Limited - TT\$ Income & Growth Fund	1,626,617	1,831,834
Republic Bank Limited - TT\$ Money Market Fund	2,036,187	2,017,964
Savinvest India Asia - US\$ Fund	23,647	27,321
Scotiabank Limited - US\$ Mutual Fund	-	532,817
T & T Unit Trust Corporation - US\$ Income Fund	8,556	127,157
T & T Unit Trust Corporation - TT\$ Income Fund	5,950,370	5,879,887
T & T Unit Trust Corporation - TT\$ Income Fund	314,901	311,171
T & T Unit Trust Corporation - TT\$ Income & Growth Fund	12,580,867	13,919,853
Sheppard Securities Cash and Cash Equivalents	73,865	135,522
Short Term Investments	<u>26,847,294</u>	<u>28,933,867</u>
Cash and Cash Equivalents	<u>43,431,926</u>	<u>38,793,712</u>
10. PAYABLES AND ACCRUALS		
Sundry payables and accruals	<u>126,069</u>	<u>95,127</u>
11. RELATED PARTY TRANSACTIONS		

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Credit Union.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
11. RELATED PARTY TRANSACTIONS (continued)		
Statement of Financial Position		
<u>Members' Loan</u>		
Board of Directors	1,420,508	1,770,271
<u>Members' Shares and Deposits</u>		
Board of Directors	4,416,771	3,877,530
Statement of Comprehensive Income		
Directors and Committee members expenses	248,053	199,145
Key Management Compensation	336,110	288,732
12. ADMINISTRATIVE EXPENSES		
Annual general meeting	72,133	59,040
Bank charges	16,022	15,251
Board & committee meetings	43,833	58,345
Building maintenance	186,821	207,370
Computer services and supplies	116,759	73,623
Credit union week	42,879	7,717
Donations	12,657	46,773
Electricity	75,803	74,965
Insurances	39,367	29,901
League dues and membership fees	15,795	15,795
Marketing and promotions	13,176	12,188
Members' social activities	27,313	900
Officers' allowances	204,220	140,800
Office expense	79,583	56,964
Professional	175,634	360,975
Rent	48,000	42,000
Telephone and internet services	44,695	61,554
Security	114,543	111,041
Water rates	1,228	972
	<u>1,330,461</u>	<u>1,376,173</u>

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

13. FAIR VALUE MEASUREMENTS

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available.

In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

(a) Current assets and liabilities

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

(b) Members loans

Loans are net of specific provisions for losses. These assets result from transactions conducted under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

(c) Investments

The fair values of investments are determined on the basis of quoted market prices available at December 31, 2021.

14. CAPITAL RISK MANAGEMENT

The Credit Union manages its capital to ensure that it will be able to continue as a going concern while maximising the return to members, whilst providing value to its members by offering loan and savings facilities. The Credit Union's overall strategy remains unchanged from previous years.

TEXTTEL CREDIT UNION CO-OPERATIVE SOCIETY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2022

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Society has no contingent liabilities and capital commitments as at year end.

16. SUBSEQUENT EVENTS

Since March 2020, the spread of COVID-19 has severely impacted many economies around the globe.

In many countries, businesses are being forced to cease or limit operations for indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and temporary closures of non-essential business services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize businesses and economic conditions.

As a result, management has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended, have not been adjusted to reflect their potential impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of the government and central bank's responses, remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their potential impact on the financial position and results of the Society's operations for the foreseeable future.

Other than the above, there were no significant events that occurred after the Statement of Financial Position date affecting the financial performance, position or changes therein for the reporting period in the financial statement.