TIP FRIENDLY SOCIETY

FINANCIAL STATEMENTS

31 DECEMBER 2020

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FINANCIAL STATEMENTS

31 DECEMBER 2020

I N D E X

BDO

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To: The Registrar of Co-operatives and Friendly Societies
Re: TIP Friendly Society

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TIP Friendly Society ("the Society") set out on pages 4 to 52, which comprise the statement of financial position as at 31 December 2020, and the statements of surplus or deficit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Society as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Friendly Societies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Friendly 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: TIP Friendly Society

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To: The Registrar of Co-operatives and Friendly Societies
Re: TIP Friendly Society

Auditors' 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.

Report on additional matters as required by the Friendly Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Friendly Societies Act, in the manner required.

BDO

Chartered Accountants

18 June 2021

TIP FRIENDLY SOCIETY

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Interest Income:			
Interest on loans	7	387,976	343,481
Interest on investments		16,624	19,823
		404,600	363,304
Interest Expense:			
Interest on members' investments		(45,887)	(34,821)
Net Interest Income		358,713	328,483
Provision for loan losses	12	(37,440)	(14,067)
Net Interest Income after Provision for Loan Losses		321,273	314,416
Members' contribution		280,502	279,812
Less – reinsurance cost		(52,608)	(50,588)
Net members' contribution		227,894	229,224
Other income/gains	8	55,367	41,444
		283,261	270,668
Net Interest and Other Income		604,534	585,084
Operating Expenses:			
Personnel	24	214,145	216,000
Establishment	25	12,070	11,485
Advertising and promotion	26	16,019	23,126
General	27	119,837	122,932
Financial	28	3,031	3,759
		365,102	377,302
NET SURPLUS FOR THE YEAR BEING TOTAL COMPREHENSIVE INCOME		239,432	207,782

TIP FRIENDLY SOCIETY

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
ASSETS:			
NON-CURRENT ASSETS:			
Earning Asset:			
Investment properties	9	35,000	35,000
Non-Earning Asset			
Property, plant and equipment	10	316,396	244,693
CURRENT ASSETS:			
Earnings Assets:			
Financial investments	11	600,811	692,352
Loans receivables	12	2,523,314	2,156,961
		3,124,125	2,849,313
Non-Earnings Assets:			
Cash and cash equivalents	13	125,792	54,926
Other assets	14	121,469	92,345
		3,371,386	2,996,584
TOTAL ASSETS		3,722,782	3,276,277
EQUITY AND LIABILITIES			
Capital and Reserves:			
Permanent shares	15	58,749	58,252
Reserves	16	1,180,820	1,047,021
		1,239,569	1,105,273
CURRENT LIABILITIES:			
Interest Bearing Liability:			
Members' savings	17	2,362,137	2,054,137
Non-Interest Bearing Liability:			
Payables	18	121,076	116,867
		2,483,213	2,171,004
TOTAL EQUITY AND LIABILITIES		3,722,782	3,276,277

Approved for issue by the Board of Directors on 18 June 2021 and signed on its behalf:

Ray Howell President

Clayton Hall Treasurer

TIP FRIENDLY SOCIETY

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

		Reserves						
	Note	Statutory Reserve $'000	Special Reserve $'000	Other Reserve $'000	Undistributed Surplus $'000	Total Reserves $'000	Permanent Shares $'000	Equity and Reserves $'000
Balance at 1 January 2019		96,580	422,187	342,201	121,176	982,144	51,551	1,033,695
Transactions with members								
Increase in permanent shares		-	-	-	-	-	6,701	6,701
Movement in reserves:								
5% transfer to statutory reserve		10,389	-	-	(10,389)	-	-	-
20% transfer to special reserve		-	45,844	-	(45,844)	-	-	-
Transfer to special reserve		-	45,844	-	(45,844)	-	-	-
Transfer to other reserve		-	-	55,178	(55,178)	-	-	-
Transfer from other reserves		-	-	(36,229)	-	(36,229)	-	(36,229)
Claim payments		-	(30,961)	-	-	(30,961)	-	(30,961)
Due to Errol Henry	22	-	-	-	(10,389)	(10,389)	-	(10,389)
Dividends		-	-	-	(59,326)	(59,326)	-	(59,326)
Appropriations from net surplus		-	-	-	(6,000)	(6,000)	-	(6,000)
Total comprehensive income		-	-	-	207,782	207,782	-	207,782
Balance at 31 December 2019		106,969	482,914	361,150	95,988	1,047,021	58,252	1,105,273
Transactions with members:								
Increase in permanent shares		-	-	-	-	-	497	497
Movement in reserves:								
5% transfer to statutory reserve		11,972	-	-	(11,972)	-	-	-
20% transfer to special reserve		-	45,579	-	(45,579)	-	-	-
Transfer to special reserve		-	45,579	-	(45,579)	-	-	-
Claim payments		-	(27,727)	-	-	(27,727)	-	(27,727)
Transfer to other reserve		-	-	20,323	-	20,323	-	20,323
Due to Errol Henry	22	-	-	-	(11,972)	(11,972)	-	(11,972)
Dividends		-	-	-	(80,257)	(80,257)	-	(80,257)
Appropriations from net surplus		-	-	-	(6,000)	(6,000)	-	(6,000)
Total comprehensive income		-	-	-	239,432	239,432	-	239,432
Balance at 31 December 2020		118,941	546,345	381,473	134,061	1,180,820	58,749	1,239,569

TIP FRIENDLY SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net surplus		239,432	207,782
Adjustments for:			
Interest received		414,877	374,014
Interest income		(387,976)	(343,481)
Interest expense		45,887	34,821
Interest paid		(45,887)	(34,821)
Depreciation	10	15,382	16,969
Provision for loan losses		(37,440)	(14,067)
		244,275	241,217
Changes in operating assets and liabilities -			
Loans receivable		(355,814)	(222,156)
Other assets		(29,124)	18,128
Members' savings		308,000	122,077
Payables		4,209	25,770
Cash provided by operating activities		171,546	185,036
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	10	(87,085)	(30,959)
Financial investments		91,541	(35,164)
Cash provided by/(used in) investing activities		4,456	(66,123)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Permanent share		497	6,701
Claim payments		(27,727)	(30,961)
Due to Errol Henry	22	(11,972)	(10,389)
Appropriations		(6,000)	(42,229)
Dividends paid		(59,934)	(59,326)
Cash used in financing activities		(105,136)	(136,204)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		70,866	(17,291)
Cash and cash equivalents at beginning of year		54,926	72,217
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	125,792	54,926

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. **IDENTIFICATON AND PRINCIPAL ACTIVITIES:**

TIP Friendly Society (the Society) is incorporated under the laws of Jamaica and is registered under the Friendly Societies Act, and has its registered office at 80 Half Way Tree Road, Kingston 10, Jamaica.

The main activities of the Society are to provide specific benefits for members by voluntary subscription of the members with or without aid or donation and to solicit savings from its members in the form of deposits for the provision of sickness, accident and death benefits to members and their dependents.

Membership of the Society is opened to all employed persons in the field of education in Jamaica with certain provisions.

2. **REGULATION:**

The Friendly Societies Act requires, among other provisions, that at least 5% of net surplus and 20% of net contribution be transferred annually from the undistributed surplus to a Statutory and Special Reserve fund respectively. Section 27 (1 & 2) of the Act provides for the exemption from income tax and stamp duty for the Society.

3. **REPORTING 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 Jamaican dollars, which is considered the Society’s functional and presentation currency.

4. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and interpretations (collectively IFRS). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial assets that are measured at fair value or revalued amounts.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

New standards, interpretations and amendments effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Society has assessed the relevance of all such new standards, amendments and interpretation and has put into effect the following which are immediately relevant to its operations:

Revised Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework will be used in standard-setting decisions with immediate effect; however, no changes will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still appropriate under the revised Framework. There was no impact from the adoption of this amendment.

Amendments to IAS 1 'Presentation of financial statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of users of general purpose financial statements by defining them as existing and potential investors, lenders and other creditors. The Society has applied the guidance on materiality when preparing its financial statements.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorization, there are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Society has decided not to adopt early. The most significant of these are:

Annual Improvements to IFRS Standards 2018-2020 cycle (effective for annual periods beginning on or after 1 January 2022). These amendments include minor changes to the following applicable standards:

(i) IFRS 9 Financial Instruments amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

(ii) IFRS 16 Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Society is assessing the impact the amendment will have on its 2022 financial statements.

The Society does not expect any other standards or interpretations issued by the IASB, but not yet effective, to have a material effect on its financial position.

(b) **Foreign currency translation**

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

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

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

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

Items of property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment. 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. The carrying amount of any replaced part is derecognised. Repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the property revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in surplus or deficit.

Depreciation is calculated on the straight-line method at annual rates estimated to write off the costs of the assets over the period of their estimated useful lives. Annual rates are as follows:

Buildings	2½%
Leasehold improvement	10%
Computer equipment	25%
Computer software	33 1/3%
Furniture and fixtures	10%
Office equipment	20%
Motor bike	12½%

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of the assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

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

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

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

The carrying amounts of the Society's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit.

(e) **Financial assets**

Recognition and initial measurement

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

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

Classification and subsequent measurement

The Society classifies its financial assets based on the business model used for managing the financial assets and the asset's contractual terms. These are measured at either:

- Amortised cost, and;
- Fair value through profit or loss (FVPL).

Amortised cost

Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. The Society includes in this category cash and cash equivalents certificates of deposits repurchase agreements and loans receivables.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

Clasification and subsequent measurement (cont'd)

Fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

(a) the contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or

(b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or

(c) at initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Society includes in this category

- Unit trusts;
- Debt instruments - These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

After initial measurement, the Society measures financial assets which are classified as at FVPL as follows. Subsequent changes in the fair value of those financial instruments are recorded in revaluation unit trust PVTPL in income in surplus or deficit.

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest rate method less any allowance for impairment.

Derecognition

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

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial assets**

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in surplus or deficit.

Impairment

The Society assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets classified at amortised cost.

The ECL will be recognised in surplus before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 - 12 month ECL applies to all financial assets that have not experienced a significant increase in credit risk since origination and are not non-performing. The ECL will be computed using a 12-month PD that represents the probability of default occurring over the next 12 months.

Stage 2 – When a financial asset experiences a significant increase in credit risk subsequent to origination but is not non-performing, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

Classification and subsequent measurement (cont'd)

Derecognition (cont'd)

Impairment (cont'd)

Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

The Society uses judgement when considering the following factors that affect the determination of impairment:

Assessment of Significant Increase in Credit Risk (SICR)

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Society compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Society's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be assessed on a collective basis, this would require the segmentation of credit exposure on the basis of shared credit risk characteristics. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant.

Macroeconomic factors, forward looking information and multiple scenarios

The Society applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

Macroeconomic factors and forward looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Society uses three scenarios that are probability weighted to determine ECL: base, optimistic and pessimistic.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

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

Impairment (cont'd)

Expected Life

When measuring ECL, the Society considers the maximum contractual period over which the Society is exposed to credit risk. All contractual terms are considered when determining the expected life. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Society is exposed to credit risk and where the credit loss would not be mitigated by management's actions.

Application of the Simplified Approach

For other receivables, the Society applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for other receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

(f) **Financial liabilities**

The Society's financial liabilities net of transaction costs are initially measured at fair value and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the items classified as financial liabilities are members' savings and payables.

(g) **Repurchase agreements**

The purchase and sales of securities under resale and repurchase agreements are treated as collateral lending and borrowing transactions. The related interest income and expense are recorded on the accrual basis.

(h) **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 in bank and deposits not held to satisfy statutory requirements and short term highly liquid investments with original maturities of three months or less.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Other assets**

Other receivables are carried at anticipated realizable 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.

(j) **Members' saving**

Saving deposits are recognized initially at the normal amount when funds are received. Deposits are subsequently stated at amortised cost.

(k) **Investment properties**

Investment properties are comprised of land and buildings which are held for long term rental yields. Investment properties are treated as long term investments and are carried at fair value determined by an independent valuator at intervals such that the carrying value is not materially different from market value.

The fair values of the investment properties during the interval between independent valuations are determined by the directors. Fair value, representing open market values, are based on current prices in an active market for similar properties in the same location and condition.

Changes in fair values are recorded in the surplus or deficit in accordance with IAS 40 and are included in other income/gains.

(l) **Employment benefits**

Post employment benefit costs

The Society participates in a defined contribution pension scheme with Sagicor Life of Jamaica for employees who have satisfied certain minimum service requirements. The Scheme is funded by equal contributions of employer and employees of 5% of pensionable salaries with an option for employees to contribute up to an additional 10% of pensionable salaries.

The assets are held independently of the Society's assets in a separate trustee administered fund.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(l) **Employment benefits (cont'd)**

Leave accruals

The Society's vacation leave policy allows for unused vacation leave to be carried forward to a maximum of one (1) year. All outstanding leave is recognized in the surplus or deficit. All obligations in respect of outstanding leave are recognized in the statement of financial position in the year to which it relates.

(m) **Provisions**

The Society has recognised provision for liabilities of uncertain timing or amount. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(n) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business.

Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Society and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipt through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Rental income

Rental income is accrued when due.

Fee income

Fee income is generally recognized when the service has been provided.

(o) **Permanent shares**

Permanent shares may be redeemable subject to the sale, transfer, or repurchase of such shares. Dividends may be paid on permanent shares subject to the profitability of the Society. Permanent shares are equity shares and form part of the capital of the Society.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

The Society makes estimates and assumptions concerning the future. 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:

(i) **Fair value estimation**

A number of assets and liabilities included in the Society's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the Society's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on the degree to which the fair value is observable.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The society measures a number of items at fair value –

Financial investments - (note 11)
Revalued building - property, plant and equipment (note 10)
- Investment properties (note 9)

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NOTES TO THE FINANCIAL STATEMENTS

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5. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(ii) **Impairment losses on financial assets**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as 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:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weights of forward looking scenarios.
- Establishing groups of similar financial assets for the purpose of measuring ECL.

(iii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Society applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

6. **FINANCIAL RISK MANAGEMENT:**

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

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

- Credit risk
- Liquidity risk
- Market risk

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

In common with all other businesses, the Society's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the Society's objectives, policies and processes for managing those risks to minimize potential adverse Effects on the financial performance of the Society and the methods used to measure them.

(i) **Principal financial instruments**

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

- Financial investments
- Loans receivables
- Cash and cash equivalents
- Members' savings
- Payables

(ii) **Financial instruments by category**

Financial assets

	Assets at amortised cost $'000	Assets at fair value through profit or loss $'000	Total $'000
As at 31 December 2020:			
Cash and cash equivalents	125,792	-	125,792
Loans receivables	2,523,314	-	2,523,314
Financial investments	451,000	149,811	600,811
	3,100,106	149,811	3,249,917

	Assets at amortised cost $'000	Assets at fair value through profit or loss $'000	Total $'000
As at 31 December 2019:			
Cash and cash equivalents	54,926	-	54,926
Loans receivables	2,156,961	-	2,156,961
Financial investments	610,490	81,862	692,352
	2,822,377	81,862	2,904,239

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

Financial liabilities

	At amortised cost	
	2020	2019
	$'000	$'000
Payables	66,230	96,929
Members' savings	2,362,137	2,054,137
	2,428,367	2,151,066

(iii) **Financial instruments measured at fair value**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction.

The financial instruments are grouped into level 1 to 3 based on the degree to which the fair values are observable as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market date (unobservable inputs).

The following tables show the fair values of financial assets including their levels in the fair value hierarchy. The tables do not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of their fair value.

	2020	
	Level 2	Total
	$'000	$'000
Financial assets measured at fair value:		
Financial assets (note 11)	600,811	600,811

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31 DECEMBER 2020

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

(iii) **Financial instruments measured at fair value (cont'd)**

	2019	
	Level 2	Total
	$'000	$'000
Financial assets measured at fair value:		
Financial assets (note 11)	692,352	692,352

The carrying value of investments in unit trusts approximate their fair values as these values are based on prevailing market prices at period end. They are initially recognized at fair value and subsequently measured at year-end realization prices as quoted by the respective investment houses with changes in fair value being including in surplus or deficit.

The fair value of cash and bank balances maturing in one (1) year is assumed to approximate their carrying amount. This assumption applies to all other financial assets.

(iv) **Financial risk factors**

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

Three key committees for managing and maintaining risks are as follows:

(a) **Supervisory Committee**

The Supervisory Committee oversees the Internal Audit function of the Society and ensures that internal procedures and controls are adhered to. The Supervisory Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Supervisory Committee.

(b) **Credit Committee**

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

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

Three key committees for managing and maintaining risks are as follows (cont'd)

(c) **Finance Committee**

The Finance Committee is responsible for overseeing the management of the Society's assets and liabilities and the overall financial structure.

These committees comprise persons independent of management and reports to the Board on a monthly basis.

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

(a) **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 primarily from the Society loans to members, deposits with other institutions and investment securities.

Credit review process

The management of credit risk in respect of loans to members is delegated to the Credit Committee. The Committee is responsible for oversight of the Society's credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

Loans to members

Management of risk

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

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

TIP FRIENDLY SOCIETY

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31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Loans to members (cont'd)

Management of risk (cont'd)

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

Credit quality

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

	2020			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	2,499,681	26,855	-	2,526,536
Non-performing	-	-	86,275	86,275
	2,499,681	26,855	86,275	2,612,811
Loss allowance	(67,369)	(4,033)	(18,095)	(89,497)
Carrying amount	2,432,312	22,822	68,180	2,523,314

	2019			
	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Performing	2,057,735	-	-	2,057,735
Non-performing	-	52,270	99,013	151,283
	2,057,735	52,270	99,013	2,209,018
Loss allowance	(38,155)	(3,736)	(10,166)	(52,057)
Carrying amount	2,019,580	48,534	88,847	2,156,961

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

(iv) **Financial risk factors (cont'd)**

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

Loans to members (cont'd)

Concentration of risk

Loans

The following table summarises the Society's credit exposure for consumer loans at their carrying amounts:

	2020 $'000	2019 $'000
Real	17,261	3,772
Unsecured	1,310,639	1,014,802
Cash secured	432,119	334,058
Motor vehicle	852,792	856,386
	2,612,811	2,209,018
Less: Allowance for impairment losses	(89,497)	(52,057)
	2,523,314	2,156,961

Financial investments

Management of risk

The Society limits its exposure to credit risk by investing only in liquid assets and only with counterparties that have a high credit quality and Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

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

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Financial investments (cont'd)

Credit quality

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

Impairment

Inputs, assumptions and techniques used for estimating impairment

See accounting policy at note 4 (e).

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 third party policies including forward-looking information.

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

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

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

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

(iv) **Financial risk factors (cont'd)**

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

Impairment (cont'd)

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

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

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

Credit risk grades

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

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

- Information obtained during periodic review of customer files.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

Determining whether credit risk has been increased significantly

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

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Impairment (cont'd)

Credit risk is deemed to increase significantly where the credit rating of a security decreased from grade 1 to grade 3 and the risk grade of loans has moved from grade 1 (standard) to grade 3 (sub-standard).

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

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

Definition of default

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 do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

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

(iv) **Financial risk factors (cont'd)**

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

Impairment (cont'd)

Definition of default (cont'd)

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 realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Society; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the 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.

Incorporation of forward-looking information

The Society incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Impairment (cont'd)

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

Definition of default (cont'd)

The Society uses a forward looking scorecard model to estimate the potential impact of future economic conditions. It formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, assigned a 20% and 30% probability of occurring respectively. Each scenario considers the expected impact of inflation, interest rates, unemployment rates and gross domestic product (GDP). The base case is aligned with information used by the Society for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica, supranational organisations and selected private-sector and academic forecasters.

The economic scenarios used as at 31 December 2020 assumed no significant changes in key indicators for Jamaica within the next year.

Measurement of ECLs

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

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

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

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Impairment (cont'd)

Measurement of ECLs (cont'd)

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

Maximum exposure to credit risk

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

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

(b) **Liquidity risk**

Liquidity risk is the risk that the Society is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Society's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Society's reputation.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

The key measure used by the Society for managing liquidity risk is the ratio of liquid assets to members' savings. For this purpose, liquid assets include cash and bank balances and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 30.76 (2019: 26.77). The minimum standard is 15%.

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

Liquidity risk management process

The Society's liquidity management process, as carried out within the Society, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
(iii) Optimising cash returns on investments;
(iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of an analysis of the cash balances and expected investment maturity profiles for the next day, week and month, 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 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 Society and its exposure to changes in interest rates and exchange rates.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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

(iv) **Financial risk factors (cont'd)**

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

The tables below present the undiscounted contractual maturities of the Society's financial liabilities.

	Up to 3 $'000
As at 31 December 2020:	
Members' savings	2,362,137
Payables	66,230
Total financial liabilities	2,428,367
As at 31 December 2019:	
Members' savings	2,054,137
Payables	96,929
Total financial liabilities	2,151,066

(c) **Market risk**

The Society takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the general manager which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

Currency risk

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

The Society is primarily exposed to the United States (US$) and at 31 December 2020 there was no significant exposure to foreign currency risk.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Interest rate risk

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

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

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

	2020					
	Up to 3 Months $'000	Between 3 and 12 Months $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Non-interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	9,488	-	-	-	116,304	125,792
Financial investments	39,811	100,000	226,000	235,000	-	600,811
Loans receivables	34,857	48,275	2,099,842	337,689	2,651	2,523,314
	84,156	148,275	2,325,842	572,689	118,955	3,249,917
Financial liability:						
Members' savings	2,362,137	-	-	-	-	2,362,137
	2,362,137	-	-	-	-	2,362,137
Total interest rate Sensitivity gap	(2,277,981)	148,275	2,325,842	572,689	118,955	887,780
Cumulative interest sensitivity gap	(2,277,981)	(2,129,706)	196,136	768,825	887,780	-

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Interest rate risk (cont'd)

	2019					
	Up to 3 Months $'000	Between 3 and 12 Months $'000	Between 1 and 5 Years $'000	Over 5 Years $'000	Non-interest Bearing $'000	Total $'000
Financial assets:						
Cash and cash equivalents	5,349	-	-	-	49,577	54,926
Financial investments	218,020	228,332	166,000	80,000	-	692,352
Loans receivables	11,379	40,409	1,686,587	416,073	2,513	2,156,961
	234,748	268,741	1,852,587	496,073	52,090	2,904,239
Financial liability:						
Members' savings	2,054,137	-	-	-	-	2,054,137
	2,054,137	-	-	-	-	2,054,137
Total interest rate Sensitivity gap	(1,819,389)	268,741	1,852,587	496,073	52,090	850,102
Cumulative interest sensitivity gap	(1,819,389)	(1,550,648)	301,939	798,012	850,102	-

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Society's statement of profit or loss and other comprehensive income and equity.

The sensitivity of the net surplus is the effect of the assumed changes in interest rates on net income based on the floating rate financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effect of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

(iv) **Financial risk factors (cont'd)**

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

Interest rate risk (cont'd)

	Effect on Net Surplus 2020 $'000	Effect on Equity 2020 $'000	Effect on Net Surplus 2019 $'000	Effect on Equity 2019 $'000
Change in basis points:				
-100/-100	(30,032)	30,032	(1,284)	6,104
+100/+100	(30,032)	30,032	(1,284)	6,104

Average effective yields by earlier of the contractual re-pricing or maturity dates:

	2020				
	Up to 3 Months %	Between 3 and 12 Months %	Between 1 and 5 Years %	Over 5 Years %	Weighted Average %
Loans	14.29	23.69	21.56	8.33	16.97
Financial investments	2.7	-	-	-	4.50
Members savings	1.50 – 3.50	-	-	-	2.50

	2019				
	Up to 3 Months %	Between 3 and 12 Months %	Between 1 and 5 Years %	Over 5 Years %	Weighted Average %
Loans	14.29	23.25	17.36	7.50	15.60
Financial investments	2.70	-	-	-	4.50
Members savings	1.50 – 3.50	-	-	-	2.50

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NOTES TO THE FINANCIAL STATEMENTS

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

(v) **Operational risk**

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

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

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

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of control and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks indentified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of a contingency plan;
- risk mitigation, including insurance where this is effective.

Compliance with the Society's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the department heads, with summaries submitted to senior management.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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

(vi) **Capital management**

The Society's objectives when managing capital are to safeguard the Society's ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and to maintain a strong capital base to support the development of its business.

The Society defines its capital as permanent shares and reserves. Its dividend payout is made taking into account the maintenance of an adequate capital base.

There were no changes in the Society's approach to Capital Management during the year.

7. **INTEREST ON LOANS:**

	2020 $'000	2019 $'000
Staff loans	4,771	3,699
Car loans	73,047	73,253
Loans to members	310,158	266,529
	387,976	343,481

8. **OTHER INCOME/GAINS:**

	2020 $'000	2019 $'000
JCIA Income	5,418	-
Rental income	6,376	2,417
Loan application fees	34,671	30,267
Bad debt recovered	1,037	446
Miscellaneous income	7,865	8,314
	55,367	41,444

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NOTES TO THE FINANCIAL STATEMENTS

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9. **INVESTMENT PROPERTIES:**

	2020 $'000	2019 $'000
Investment property	35,000	35,000

This consists of two (2) houses owned by the Society, that are held to earn rentals or for capital appreciation or both. The fair value of the Society's Investment properties at 31 December 2019 was Thirty-Five Millions Dollars ($35,000,000), arrived at on the basis of a Licenced Real Estate Dealer. The directors are of the view that fair value has not changed significantly since the last independent valuation.

The income earned and direct operating expenses incurred in connection with the investments were as follows:

	2020 $'000	2019 $'000
Rental income	2,417	2,417
Management costs and repairs	1,430	1,430

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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10. **PROPERTY, PLANT AND EQUIPMENT:**

	Building $'000	Motor Bike $'000	Furniture & Fixtures $'000	Computer & Equipment $'000	Leasehold Improvement $'000	Total $'000
At Cost/valuation -						
1 January 2019	195,003	270	27,166	105,604	7,770	335,813
Additions	13,921	-	2,255	14,783	-	30,959
31 December 2019	208,924	270	29,421	120,387	7,770	366,772
Additions	75,407	-	2,752	8,926	-	87,085
31 December 2020	284,331	270	32,173	129,313	7,770	453,857
Accumulated Depreciation -						
1 January 2019	5,125	256	16,052	77,635	6,042	105,110
Charge for the year	4,331	14	2,290	9,862	472	16,969
31 December 2019	9,456	270	18,342	87,497	6,514	122,079
Charge for the year	3,305	-	2,556	9,016	505	15,382
31 December 2020	12,761	270	20,898	96,513	7,019	137,461
Net Book Value -						
31 December 2020	271,570	-	11,275	32,800	751	316,396
31 December 2019	199,468	-	11,079	32,890	1,256	244,693

The Society's building at 80 Half Way Tree Road, Kingston 5, was revalued in 2016, by independent valuators, Thomas, Forbes & Associates Limited, Licenced Real Estate Dealer. The valuation was done on the basis of open market value. The revaluation surplus was credited to property revaluation reserve (note 16).

If building was stated on historical cost basis, the carrying amount would total $35,049,607 (2019- $36,405,645).

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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11. FINANCIAL INVESTMENTS:

	2020 $'000	2019 $'000
Amortised costs:		
Repurchase agreements	350,000	296,150
Corporate bonds	101,000	314,340
	451,000	610,490
Fair value through profit or loss:		
Unit trust	149,811	81,862
	600,811	692,352

The Society entered into repurchase agreements as shown above. These agreements may result in a credit exposure in the event that the counter party to the transactions is unable to fulfill its obligations. The Society did not recognize impairment losses on these agreements because the amount was immaterial. All repurchase agreements are expected to mature within ____ days after the end of the financial year.

12. LOAN RECEIVABLES:

Movement in loans during the year is as follows -

	2020 $'000	2019 $'000
Balance at beginning of year	2,156,961	1,951,271
Add: disbursements	1,400,346	1,179,744
	3,557,307	3,131,015
Less: repayments	(958,773)	(934,621)
	2,598,534	2,196,394
Accrued interest	14,277	12,624
	2,612,811	2,209,018
Less: Provision for loan impairment	(89,497)	(52,057)
	2,523,314	2,156,961
Maturity:		
Due within 1 year	71,755	51,788
Due after 1 year	2,451,559	2,105,173
	2,523,314	2,156,961

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

12. LOAN RECEIVABLES (CONT'D):

The ageing of the loans at the reporting date was as follows

	2020 $'000	2019 $'000
Neither past due nor impaired	2,465,156	2,095,118
Past due but not impaired:		
30 days	22,303	18,718
60 days	40,926	47,002
60 – 90 days	7,837	12,052
91 – 180 days	17,450	14,614
181 – 365 days	23,814	9,224
Over 365 days	35,325	12,290
	2,612,811	2,209,018
Less provision for loan losses	(89,497)	(52,057)
	2,523,314	2,156,961

Full provision of principal is made for loans in arrears over one year. General provision of 10% - 60% are established in respect of principal in arrears for two to twelve months. All interest over two months is provided for in full.

Provision for Loan Impairment

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

	2020 $'000	2019 $'000
Balance at beginning of year	52,057	37,697
Bad debt written off	-	293
Increase charged to revenue during the year		
Impairment loss at year end	37,440	14,067
Balance at end of year	89,497	52,057

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

The individually impaired loans mainly relate to members who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these loans are as follows:

Delinquent loans

Delinquent loans are summarized as follows:

2020					
Months in Arrears	**Number of accounts in arrears**	**Total Loan Balances $'000**	**Security held against loans $'000**	**Portion of Principal not Covered by savings $'000**	**Interest Outstanding on Delinquent Loans $'000**
Less than 2	65	24,831	8,257	16,574	949
2 - 3	29	7,837	3,491	4,346	341
4 - 6	61	17,450	7,638	9,812	1,610
7 - 12	91	23,814	8,615	15,199	3,802
Over 12	153	34,333	22,890	11,443	17,901
	399	108,265	50,891	57,374	24,603

Full provision of principal is made for loans in arrears over one year. General provision of 10% - 60% are established in respect of principal in arrears for two to twelve months. All interest over two months is provided for in full.

2019					
Months in Arrears	**Number of accounts in arrears**	**Delinquent Loans (P) $'000**	**Security held against loans $'000**	**Portion of Principal not Covered by savings $'000**	**Interest Outstanding on Delinquent Loans $'000**
Less than 2	93	47,698	24,003	23,695	6,540
2 - 3	35	12,052	5,788	6,264	4,093
4 - 6	61	24,660	7,816	16,844	3,882
7 - 12	81	15,566	11,614	3,952	6,169
Over 12	104	20,740	14,488	6,252	13,528
	374	120,716	63,709	57,007	34,212

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

13. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

	2020 $'000	2019 $'000
Cash at bank and in hand	125,792	54,926

14. OTHER ASSETS:

	2020 $'000	2019 $'000
Prepayments	2,186	7,593
Staff loans	108,788	70,609
Rent deposit	366	353
Utilities deposit	311	311
Telephone deposit	43	43
Income tax recoverable	-	782
Interest receivable	7,514	789
Other receivables	2,261	11,865
	121,469	92,345

15. PERMANENT SHARES:

	2020 $'000	2019 $'000
Balance brought forward	58,252	51,551
Shares issued	497	6,701
Balance at year end	58,749	58,252

Each member is required to subscribe to a minimum of two thousand (2,000) shares at par value of one dollar ($1) each. These shares cannot be withdrawn but may be subjected to sale, transfer or repurchase by the Society.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. **RESERVES:**

	2020 $'000	2019 $'000
Statutory reserve	118,941	106,969
Special reserve	546,345	482,914
Reconciliation reserve	72,891	52,568
General reserve	236,758	236,758
Computer reserve	5,000	5,000
Share transfer fund	208	208
Property revaluation reserve	66,616	66,616
Undistributed surplus	134,061	95,988
	1,180,820	1,047,021

(a) **Statutory reserve**

This reserve is established out of the excess of revenue over expenditure each year and represents 5% of such excess. This is used to assist with the strengthening of the capital base of the Society.

(b) **Special reserve**

This reserve is set aside in order to meet insurance claim payments and to strengthen the capital base of the Society as required by Section 68(7)(ii) of the Friendly Societies Act and Regulations. An amount equal to the value of this reserve is included in the Financial Investments.

(c) **Reconciliation reserve**

This represents amount set aside for future reconciliation or write off of differences in the personal and general ledger balances, where appropriate.

(d) **General reserve**

General reserve represents appropriations from undistributed surplus for the purpose of strengthening the capital base of the Society. The amount transferred is determined at the Annual General Meeting based on the availability of appropriate surplus.

(e) **Computer reserve**

This reserve is to be used for any major purchases or upgrade of software or hardware.

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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16. **RESERVES (CONT'D):**

(f) **Share transfer fund**

This reserve is to be used for the purchase or sale of permanent shares to and from members.

(g) **Property revaluation reserve**

This represents unrealized surplus on revaluation of property, plant and equipment.

17. **MEMBERS' SAVINGS:**

	2020 $'000	2019 $'000
Balance at beginning of year	2,054,137	1,932,060
Add: savings and interest	1,231,528	1,062,269
	3,285,665	2,994,329
Less: Withdrawals and transfers	(923,528)	(940,192)
Balance at end of year	2,362,137	2,054,137

18. **PAYABLES:**

	2020 $'000	2019 $'000
Members interest account	8,848	-
Rental deposits	598	628
Sagicor Life Jamaica Pension account	32	36
Income tax and GCT	983	1,136
Payroll related liabilities	6,492	7,738
Audit fee	3,100	2,915
Due to Errol Henry (notes 22)	11,972	10,389
Unallocated lodgments	15,936	45,650
Accrued untaken vacation leave	8,727	7,114
Personal Accident Claim Fund	3,603	2,467
Withholding tax payable	7,881	7,872
Dividend payable	-	142
Accruals	18,463	8,394
Credit life insurance	4,209	7,775
Other payables	20,707	14,611
Student self insurance fund	9,525	-
	121,076	116,867

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

The Society entered into the following transactions with related parties:

		2020 $'000	2019 $'000
(a)	Loan balances (including interest) -		
	Board and committee members	61,985	37,892
	Members of staff	109,776	71,029
(b)	Deposits (including interest) -		
	Board and committee members	14,717	12,026
	Members of staff	5,488	3,620

At 31 December all loans owing by directors, committee members and staff were being repaid in accordance with their loan agreements.

(c) Share balances –

	2020 $'000	2019 $'000
Board and committee members	164	146
Members of staff	248	228

(d) Compensation of key management personnel -

The remuneration of key members of management during the year was as follows -

	2020 $'000	2019 $'000
Salaries and other short-term benefits	48,150	46,058
Post employment benefits	6,138	6,824
	54,288	52,882

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NOTES TO THE FINANCIAL STATEMENTS

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20. **STAFF COSTS:**

Staff costs for the year amounted to $213,296,071 (2019 - $215,991,257), while the number of employees at year end was 83 (2019 – 73).

	2020	2019
Permanent	79	61
Temporary	4	12
	83	73

21. **PENSION SCHEME:**

The Society is a participant in a contributory pension scheme operated and managed by Sagicor Life Jamaica Limited. For the year ended 31 December 2020 the Society's contributions amounted to $4,172,692 (2019 - $$3,779,329).

22. **DUE TO ERROL HENRY:**

The Committee of Management agreed to a cash payment of five percent (5%) of net surplus on a yearly basis for the next thirteen (13) years ceasing in 2030. The amount payable accumulated to date is shown in accounts payable (note 18).

23. **COMPARISON OF LEDGER BALANCES:**

The detailed records of balances relating to loans to members, deposits and share capital differed from their respective control accounts as follows:

	2020		2019	
	Loans to Members $'000	Members' Deposits $'000	Loans to Members $'000	Members' Deposits $'000
Balance as per general ledger	2,598,534	2,362,137	2,196,394	2,054,137
Balance as per members' ledger	2,598,241	2,362,214	2,195,979	2,054,171
Variances at 31 December	293	(77)	415	(34)

TIP FRIENDLY SOCIETY

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24. **PERSONNEL:**

	2020 $'000	2019 $'000
Salaries and statutory contributions	196,973	195,159
Health insurance	6,945	5,771
Pension	4,173	3,779
Staff welfare	6,054	11,291
	214,145	216,000

25. **ESTABLISHMENT**:

	2020 $'000	2019 $'000
Building and ground maintenance	6,440	4,706
Rental of premises	2,339	2,883
Property tax	326	294
Property insurance	2,965	3,602
	12,070	11,485

26. **ADVERTISING AND PROMOTION**:

	2020 $'000	2019 $'000
Scholarship expenses	4,308	3,060
Promotional expenses	11,711	20,066
	16,019	23,126

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NOTES TO THE FINANCIAL STATEMENTS

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27. GENERAL EXPENSES:

	2020 $'000	2019 $'000
Motor vehicle expenses	56	97
Office equipment maintenance	3,857	2,102
Software maintenance	16,699	9,688
Lodging	1,383	1,458
Transport	294	370
Affiliation expenses	1,544	9,282
Meals	47	179
Entertainment	803	866
Office expenses	7,231	5,201
Telephone	4,342	5,156
Utilities	8,621	9,484
Postage and courier	818	1,722
Printing and stationery	1,807	2,180
Training seminars	5,758	6,752
Contact teachers' seminar (staged biennially)	-	20
Professional fees	8,275	8,514
Audit fees – current year	3,285	2,915
Asset insurance	43	48
Fidelity insurance	283	315
AGM expenses	7,335	6,661
Board and committee meetings	16,584	14,858
Out of pocket	4,717	4,202
Security	5,318	3,469
IBM processing fees	221	170
Miscellaneous	5,134	1,576
Depreciation	15,382	16,969
Irrecoverable GCT	-	8,678
	119,837	122,932

28. FINANCIAL:

	2020 $'000	2019 $'000
Bank charges	790	1,084
Returns on premium expense account	2,241	2,675
	3,031	3,759

TIP FRIENDLY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

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29. **IMPACT OF COVID-19:**

In March 2020, The World Health Organization (WHO) declared the novel coronavirus, Covid-19 outbreak, a global pandemic. The Government of Jamaica declared the island a disaster area on 13 March 2020. The rapid spread and consequent containment measures to control its impact such as closure of borders, physical distancing rules, wearing of masks, curfews, lockdowns, mass quarantines, and stay at home orders for nonessential services resulted in disruptions, which have negatively affected economic activities and business operations worldwide. TIP was not significantly exposed to an elevated level of credit risk; the organization's members consist of all persons employed in the education sector, most of whom are the nation's educators - they remained employed albeit experiencing a shift to the virtual space vs the physical classroom.

In response to the pandemic, and as part of its Business Continuity Plan (BCP), the Board and Management of TIP put several measures in place aimed at reducing the possible negative financial impact of Covid-19 on its operations. These measures included:

(i) Ensuring that the workplace is safe by deep-cleaning the offices regularly; providing sanitization stations for members and staff; making workstations safe by providing the required physical distancing between staff and their colleagues, and between staff and members; enabling staff to work from home during lockdowns; funding the required Covid–19 tests for staff as needed. The wearing of masks has been made mandatory for both staff and members.

(ii) Soft roll-out of our BCP where essential staff were provided with laptops.

(iii) Measures to assist members during the Covid–19 pandemic, such as: (a) payment moratoria on loans, (b) the introduction of a Covid–19 Loan valued at two hundred thousand dollars ($200,000) at a special 15% interest rate, (c) the introduction of a Technology loan valued at one hundred and fifty thousand dollars ($150,000) at 13% interest rate, (d) the re-financing of some existing loans for our members, (e) greater use of technology in doing business – waiving some processing requirements to allow members to transact business virtually, ensuring their safety, and reducing members in the banking hall, (f) a much more active social media presence across all platforms to communicate with our membership.

(iv) Extensive development work to officially roll out the TIP Online Banking platform and the TIP Lifeline Mastercard product.

(v) Business Development Officers' facilitation of our membership island-wide by visiting members who otherwise are not able to physically visit our offices.

Going Concern

There is no doubt that TIP remains a viable going concern as its financial performance and position were not only higher than budget but also higher than 2019. For 2020 the surplus was $239m which was higher than the budget of $222m and higher than the 2019 Surplus of $207m. TIP's total asset increased over the 2019 comparative by $446m to reach $3.7b.