



Index

31 December 2011

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Independent Auditors' Report

To the Registrar of Co-operative Societies
Re: First Regional Co-operative Credit Union Limited

Report on the Financial Statements

We have audited the accompanying financial statements of First Regional Co-operative Credit Union Limited, set out on pages 1 to 52, which comprise the statement of financial position as of 31 December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act.

Report on Other Legal and Regulatory Requirements

As required by the Co-operative Societies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

A handwritten signature in black ink, appearing to read 'P. Watson-Cox', with a horizontal line underneath.

Chartered Accountants

29 March 2012
Montego Bay, Jamaica



Statement of Comprehensive Income
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	Restated 2010 \$'000
Interest Income			
Interest on members' loans		356,595	334,794
Interest on liquid assets		22,159	15,821
Interest on Investments		29,106	38,311
		<u>407,860</u>	<u>388,926</u>
Interest Expense			
Interest on members' fixed deposits		9,501	15,803
Interest on members' other deposits		9,856	12,946
Interest on members' voluntary shares		36,000	38,124
Interest on borrowings		2,857	-
		<u>58,214</u>	<u>66,873</u>
Net Interest Income		349,646	322,053
Loan Impairment provision, net of recoveries	14	(112,971)	(52,747)
Net Interest Income after Impairment Losses on Loans		236,675	269,306
Non-Interest Income			
Fees and other income	6	19,606	9,316
Net Interest and Other Income		<u>256,281</u>	<u>278,622</u>
Operating Expenses			
Administrative		201,043	171,980
Other		24,048	25,826
	7	<u>225,091</u>	<u>197,806</u>
Net Surplus, being Total Comprehensive Income for the Year		<u>31,190</u>	<u>80,816</u>



Statement of Financial Position
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
ASSETS				
Earning Assets				
Liquid Assets				
Savings and call deposits	10	51,681	18,037	50,062
Short-term Investments	11	135,706	211,211	260,386
		187,387	229,248	310,448
Reverse Repurchase Agreements	12	447,971	347,048	134,944
Financial Investments	13	144,031	140,737	167,200
Loans to Members, net of Impairment provision	14	1,727,882	1,700,417	1,641,883
		<u>2,507,271</u>	<u>2,417,450</u>	<u>2,254,475</u>
Non-Earning Assets				
Liquid Assets				
Cash and bank balances	15	12,294	7,859	8,625
Other Assets				
Accounts receivable	16	6,673	21,393	36,380
Intangible Assets	17	1,033	224	428
Property, Plant and Equipment	18	162,558	36,224	30,140
Investment Property	19	6,712	6,712	6,712
Retirement Benefit Asset	20	47,482	41,078	32,183
		<u>236,762</u>	<u>113,490</u>	<u>114,468</u>
		<u>2,744,033</u>	<u>2,530,940</u>	<u>2,368,943</u>



Statement of Financial Position
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
LIABILITIES AND EQUITY				
Liabilities				
Interest Bearing Liabilities				
Members' deposits	21	652,879	623,937	558,929
Members' voluntary shares	22	1,250,620	1,175,126	1,185,658
Borrowings	23	47,765	750	2,323
		1,951,264	1,799,813	1,746,910
Non-Interest Bearing Liability				
Accounts payable	24	33,933	25,632	19,469
		1,985,197	1,825,445	1,766,379
Equity				
Members' permanent share capital	25	47,971	23,470	1,047
Institutional capital	26	387,376	379,728	328,051
Non-institutional capital	27	86,428	185,484	64,028
Accumulated surplus		237,061	116,813	209,438
		758,836	705,495	602,564
		2,744,033	2,530,940	2,368,943

Approved for issue on behalf of the Board of Directors on 29 March 2012 and signed on its behalf by:

Hopeton Henry
Hopeton Henry Director

Karl Fuller
Karl Fuller Director



Statement of Changes in Equity

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Members' Permanent Share Capital \$'000	Institutional Capital \$'000	Non- Institutional Capital \$'000	Accumulated Surplus \$'000	Total \$'000
Balance at 1 January 2010, as restated		1,047	328,051	64,028	209,438	602,564
Net surplus, being total comprehensive income for the year, as restated		-	-	-	80,816	80,816
Transactions with owners:						
Dividends credited to members' share capital	25	308	-	-	(308)	-
Share capital received	25	22,115	-	-	-	22,115
Appropriations from 2010 surplus -						
Transfer to institutional capital, as restated	26	-	50,175	-	(50,175)	-
Transfer to non-institutional capital	27	-	-	121,456	(121,456)	-
Entrance fees	26	-	1,502	-	(1,502)	-
		22,423	51,677	121,456	(173,441)	22,115
Balance at 31 December 2010, as restated		23,470	379,728	185,484	116,813	705,495
Net surplus, being total comprehensive income for the year		-	-	-	31,190	31,190
Transactions with owners:						
Dividends credited to members' share capital	25	2,347	-	-	(2,347)	-
Share capital received	25	22,151	-	-	-	22,151
Share capital redeemed	25	3	-	(3)	-	-
Appropriations from 2011 surplus -						
Transfer to institutional capital	26	-	5,886	-	(5,886)	-
Transfer from non-institutional capital	27	-	-	(99,053)	99,053	-
Entrance fees	26	-	1,762	-	(1,762)	-
		24,501	7,648	(99,056)	89,058	22,151
Balance at 31 December 2011		47,971	387,376	86,428	237,061	758,836



Statement of Changes in Equity
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Institutional Capital		
		Statutory Reserve \$'000	Permanent Capital Reserve \$'000	Total \$'000
Balance at 1 January 2010, as restated		322,612	5,439	328,051
Appropriations from 2010 surplus -				
20% statutory reserve, as restated	26	15,863	-	15,863
Transfer from accumulated surplus		34,312	-	34,312
Entrance fees	26	1,502	-	1,502
Balance at 31 December 2010, as restated		374,289	5,439	379,728
Appropriations from 2011 surplus -				
20% statutory reserve	26	5,886	-	5,886
Entrance fees	26	1,762	-	1,762
Balance at 31 December 2011		381,937	5,439	387,376

	Note	Non-Institutional Capital				Total \$'000
		Retirement Benefit Asset Reserve \$'000	Loan Loss Reserve \$'000	Capital Expenditure Reserve \$'000	Share Transfer Fund \$'000	
Balance at 1 January 2010		32,183	-	31,645	200	64,028
Transfer of increase in retirement benefit asset	27	8,895	-	-	-	8,895
Transfer from accumulated surplus	27	-	105,467	7,094	-	112,561
Balance at 31 December 2010		41,078	105,467	38,739	200	185,484
Transfer of increase in retirements benefit asset	27	6,414	-	-	-	6,414
Transfer to accumulated surplus	27	-	(105,467)	-	-	(105,467)
Transfer to members' permanent share capital	27	-	-	-	(3)	(3)
Balance at 31 December 2011		47,492	-	38,739	197	86,428



Statement of Cash Flows
Year ended 31 December 2011
(expressed in Jamaican dollars unless otherwise indicated)

	2011 \$'000	Restated 2010 \$'000
Cash Flows from Operating Activities		
Interest received	438,863	450,008
Interest paid	(60,980)	(81,259)
Fees and other income	21,563	10,829
Recoveries on impaired loans	11,291	11,221
Payments to employees and suppliers	(211,260)	(188,188)
Tax refund	14,617	22,072
	<u>213,884</u>	<u>224,683</u>
Changes in operating assets and liabilities -		
Loans to members	(184,815)	(186,836)
Other assets	(283)	(962)
Retirement benefit asset	(6,414)	(8,895)
Members' voluntary shares	77,618	1,344
Members' deposits	29,593	67,518
Cash provided by operating activities	<u>129,583</u>	<u>96,852</u>
Cash Flows from Investing Activities		
Short-term investments	75,417	49,026
Financial investments	(4,163)	23,381
Reverse repurchase agreements	(98,584)	(212,094)
Purchase of intangible assets	(1,096)	(336)
Purchase of property, plant and equipment	(132,247)	(10,162)
Cash used in investing activities	<u>(160,673)</u>	<u>(150,185)</u>
Cash Flows from Financing Activities		
External loan	47,400	-
Members' permanent share capital	22,154	22,115
Cash provided by financing activities	<u>69,554</u>	<u>22,115</u>
Increase/(decrease) in cash and cash equivalents	38,464	(31,218)
Cash and cash equivalents at beginning of year	<u>25,146</u>	<u>56,364</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 15)	<u>63,610</u>	<u>25,146</u>



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

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

Effective 30 June 2011, further to approval by the Registrar of Co-operative Societies, membership to the Credit Union is obtained by holding a minimum of \$1,000 in permanent shares and a minimum of \$100 in voluntary shares. Previously, membership was obtained by holding a minimum of \$400 in permanent shares and a minimum of \$100 in voluntary shares.

Individual membership may not exceed 20% of the total share capital of the Credit Union. Membership is primarily available to individuals who were born in the parishes of St. Ann and St. Mary or who work, reside or have relatives residing in these parishes.

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention, as modified by the revaluation of certain available-for-sale assets.

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 Credit Union's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. 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.

Amendments to published standards and interpretations effective in the current year

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

IAS 1 (Amendment) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2011). This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is applied retrospectively. The Credit Union has elected to continue analysis of other comprehensive income in the statement of changes in equity.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Amendments to published standards and interpretations effective in the current year (continued)

IAS 24 (Revised) - Related party disclosures (effective from 1 January 2011). The revised standard simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition. The revision provides a partial exemption from the disclosure requirements for government-related entities. The Credit Union applied IAS 24 (Revised) from 1 January 2011. It did not have a material impact on the Credit Union's financial statements.

IFRS 7 (Amendment) Financial Instruments - Disclosures (effective 1 January 2011). The amendment clarifies the disclosure requirement by emphasizing the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Amendments were made to qualitative and credit risk disclosures. The adoption of this amendment will result in changes in the presentation of credit risk disclosures. The Credit Union applied IFRS 7 (Amendment) from 1 January 2011. It did not have a material impact on the Credit Union's financial statements.

IFRIC 14 (Amendments) - Prepayments of a minimum funding requirement (effective for annual periods beginning 1 January 2011). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued and the amendments correct this. The Credit Union applied this amendment from 1 January 2011. It did not have a material impact on the financial statements.

IASB Annual Improvements 2010. In May 2010, the IASB published amendments to six standards and one interpretation resulting from its Annual Improvements Project. The effective date for most amendments is annual periods beginning on or after 1 July 2010. The Credit Union adopted these amendments as of 1 January 2011. Their adoption did not have a significant impact on the financial statements.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Credit Union

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not effective at the statement of financial position date, and which the Credit Union has not early adopted. The Credit Union has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IAS 1 (Amendment) - Presentation of financial statements (effective for annual periods beginning on or after 1 July 2012). The amendment requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially recyclable to net surplus subsequently (reclassification adjustments). The amendment does not address which items should be presented in OCI, and the option to present items of OCI either before tax or net of tax has been retained. The only anticipated impact on adoption is to the disclosure of items presented in OCI in the statement of comprehensive income. Management is assessing the impact of adoption on the Credit Union.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Credit Union (continued)

IAS 19 (Amendment) - Employee benefits (effective for annual periods beginning on or after 1 January 2013). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The significant changes affecting the Credit Union are that actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. The annual income or expense for funded benefit plans will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability.

This will replace the finance charge and expected return on plan assets. Additional disclosures are required to present the characteristics of benefit plans, the amounts recognised in the financial statements and the risks arising from defined benefit plans and multi-employer plans. The Credit Union will apply these amendments from 1 January 2013.

IFRS 13 - Fair value measurement (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. This standard applies to those standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The Credit Union is currently examining the effect of this on its operations.

IFRS 9 - Financial Instruments (effective for annual periods beginning on or after 1 January 2015). IFRS 9, Financial Instruments – Part 1: Classification and Measurement was issued in November 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. The Credit Union is currently examining the effect of this standard on its operations.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, Interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Credit Union (continued)

IFRS 9 - Financial Instruments (continued)

The next phase of IFRS 9 deals with financial liabilities. Amortised cost accounting for most financial liabilities is retained, with bifurcation of embedded derivatives. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than net surplus, unless this creates an accounting mismatch. The Credit Union is considering the implications of the standard, the impact on the financial statements and the timing of its adoption.

(b) Interest income and expense

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

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

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

(c) Fees and other income

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Credit Union operates ("the functional currency"). The financial statements are presented in Jamaican dollars, which is also the Credit Union's functional currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are converted into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses resulting from the settlement of transactions at rates differing from those at the dates of the transactions and unrealised foreign exchange gain or losses on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Financial assets

The Credit Union allocates financial assets to the following IAS 39 categories: loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

(a) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity, other than:

- (i) those that the Credit Union upon initial recognition designates as at fair value through profit or loss;
- (ii) those that the Credit Union designates as available-for-sale; and
- (iii) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income as interest income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the net surplus or deficit as net gains/(losses) on investments.

At the statement of financial position date, held-to-maturity investments comprise GOJ benchmark investment notes and local registered stock, included in financial investments on the statement of financial position.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Credit Union:

- (i) intends to sell immediately or in the short term, which are classified as held for trading, and those that the Credit Union upon initial recognition designates as at fair value through profit or loss;
- (ii) upon initial recognition, designates as available-for-sale; or
- (iii) may not recover substantially other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method.

Interest on loans is included in the statement of comprehensive income and is reported as 'interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as 'loan impairment provision'.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Financial assets (continued)

(b) Loans and receivables (continued)

At the statement of financial position date, the following items were classified as loans and receivables: loans to members, net of impairment provision; accounts receivable; and certain required investments with the Jamaica Co-operative Credit Union League Limited included in financial investments on the statement of financial position.

(c) Available-for-sale investments

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

If an available-for-sale investment is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recycled and recognised in net surplus. Interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of comprehensive income.

The Credit Union's available-for-sale investments primarily comprise liquid assets, certain financial investments, unquoted equities and reverse repurchase agreements.

(f) Financial liabilities

The Credit Union's financial liabilities primarily comprise members' deposits, members' voluntary shares, borrowings and accounts payable. These are initially recognised at fair value, being the amount received on origination of the liability and are subsequently measured at amortised cost using the effective interest method.

(g) Impairment of financial assets

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Credit Union uses to determine that there is objective evidence of an impairment loss include:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Credit Union, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Credit Union would not otherwise consider;
- (iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Impairment of financial assets (continued)

- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (a) adverse changes in the payment status of borrowers in the portfolio; and
 - (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Credit Union first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Credit Union determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Credit Union may measure impairment on the basis of an instrument's fair value using an observable market price.

When a loan is uncollectible, it is written off against the related allowance for the loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries in part or in full of amounts previously written off are credited to recoveries of impaired loan in the statement of comprehensive income.

The Credit Union's impairment loss provision requirements, as stipulated by the Jamaica Co-operative Credit Union League Limited, require that if a payment on a loan is contractually two months in arrears, the loan will be classified as impaired, if not already classified as such for other reasons. The amount by which the Credit Union provision exceeds the IFRS impairment provision is dealt with in a non-distributable loan loss reserve as an appropriation of accumulated surplus.

(h) Reverse repurchase agreements

Securities purchased under agreements to resell are recorded as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(i) Accounts receivable

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank and deposits with a maturity of less than 90 days, not held to satisfy League requirements, net of bank overdraft.

(k) Intangible assets

Intangible assets, which represent the Credit Union's software, are amortised on a straight-line basis over its expected useful life of three years. Where the expected useful life of the asset is different from previous estimates, the amortisation period will change accordingly.

(l) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided at annual rates that will write off the carrying value of the assets over their estimated useful lives. The rates used are as follows:

Straight-line basis -	
Buildings	2½%
Computer equipment	33⅓%
Furniture, fixtures and equipment	10%
Reducing balance basis -	
Roadway	2½%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in net surplus.

Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

(m) Impairment of non-financial assets

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

(n) Employee benefits - pension plan

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits - pension plan (continued)

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the statement of financial position date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(o) Accounts payable

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost.

(p) Provisions

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

(q) Members' voluntary shares

Members' voluntary shares represent withdrawable deposit holdings of the Credit Union's members to facilitate eligibility for loans and other benefits. Interest paid on these shares is classified as an expense and is paid at a rate that is fixed from time to time by the Board of Directors.

(r) Members' permanent share capital

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

(s) Institutional capital

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(t) Investment property

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

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

Investment property is carried at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

(u) Borrowings

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

(v) Comparative Information

Where necessary, certain comparative figures have been restated to conform with current year presentation.

Where IAS 8 applies, comparative figures used in preparing the financial statements have been adjusted to conform with changes in presentation in the current year.

3. Financial Risk Management

The Credit Union's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial business, and operational risk is an inevitable consequence of being in business. The Credit Union's aim is therefore to achieve an appropriate balance between risk and returns and minimise potential adverse effects on the Credit Union's financial performance.

The Credit Union's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the adherence to limits by means of reliable and up-to-date information systems. The Credit Union regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

In February 2010, the Credit Union participated in the Jamaican Debt Exchange (JDX) transaction under which the Credit Union exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Credit Union under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

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

- (i) **Risk Compliance Unit**
This unit ensures conformity with regulatory requirements. A Risk and Compliance Manager ensures that all regulatory requirements of the Bank of Jamaica, the League and the Financial Investigating Unit of the Ministry of Finance and Planning are met.
- (ii) **Risk Management Unit (RMU)**
The League has established an RMU for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.
- (iii) **The Treasury and Investment Committees**
The Treasury Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Credit Union. The Investment Committee is responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union.
- (iv) **Asset and Liability Committee**
The Asset and Liability Committee is responsible for appropriate trading limits and reports on compliance controls to ensure that its mandate is properly followed.
- (v) **Supervisory Committee**
The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors through the Supervisory Committee.
- (vi) **Credit Committee**
The Credit Committee oversees the approval and disbursement of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

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

(a) Credit risk

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Credit risk is the most important risk for the Credit Union's business, management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit-related commitment risks arise from guarantees which may require payment on behalf of members. Such payments are collected from members based on the terms of the letters of credit. They expose the Credit Union to similar risks to loans and these are mitigated by the same control policies and processes.

Credit review process

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

(i) Loans

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

(ii) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties or there are infringements of the original terms of the contract.

The Credit Union addresses impairment assessment individually.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment (continued)

An impairment allowance is provided for each individual loan that is impaired with no consideration of materiality. An impairment assessment is conducted annually. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis, and are applied to all accounts with a past due date of more than 30 days. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The League's loan loss provisioning rules described above focus more on credit-quality mapping of the respective delinquency periods to corresponding pre-determined percentages. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements may differ from the amount determined from the League's loan loss provisioning rules that are used for internal operational management and the Credit Union's internal provisioning method.

The table below shows loans to members, net of impairment provision and the associated IFRS impairment provision:

	2011		2010	
	Loans \$'000	Impairment Provision \$'000	Loans \$'000	Impairment Provision \$'000
Loans to members, net of impairment provision	<u>1,727,882</u>	<u>26,553</u>	<u>1,700,417</u>	<u>44,079</u>

Credit risk exposure

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

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

For items not on the statement of financial position, see table below representing a worst case scenario of credit risk exposure to the Credit Union at 31 December 2011 and 2010, without taking account of any collateral held or other credit enhancements.

	2011 \$'000	2010 \$'000
Loan commitments	<u>54,886</u>	<u>52,007</u>



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(i) Credit quality of loans are summarised as follows:

	2011 \$'000	2010 \$'000
Neither past due nor Impaired	1,668,116	1,450,392
Past due but not Impaired	2,094	154,233
Impaired	84,225	139,871
Gross	<u>1,754,435</u>	<u>1,744,496</u>
Less: Allowance for Impairment	<u>(26,553)</u>	<u>(44,079)</u>
Net	<u>1,727,882</u>	<u>1,700,417</u>

The majority of past due loans are considered to be impaired. Further information on the impairment allowance for loans is provided in Note 14.

(ii) Ageing analysis of past due but not impaired loans:

	2011 \$'000	2010 \$'000
Less than 2 months	391	22,218
2 - 3 months	44	19,099
3 - 6 months	1,514	32,212
6 - 12 months	145	47,650
Greater than 12 months	-	33,054
	<u>2,094</u>	<u>154,233</u>

There are no financial assets other than loans that are past due. All loans past due and impaired after 12 months are written off.

(iii) Financial assets – individually impaired

Financial assets that are Individually Impaired before taking into consideration the cash flows from collateral held are as follows:

	2011 \$'000	2010 \$'000
Loans	<u>84,225</u>	<u>139,871</u>

The fair value of collateral that the Credit Union held as security for individually impaired loans was approximately \$150,842,000 (2010 - \$450,099,000).

There are no financial assets other than those listed above that were Individually Impaired.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(iv) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at 31 December 2011, there were renegotiated loans totalling \$85,397,000 (2010 - nil).

(v) Repossessed collateral

The Credit Union obtained assets by taking possession of collateral held as security, as follows:

	Carrying Amount 2011 \$'000	Carrying Amount 2010 \$'000
Real estate	194	10,106
Motor vehicles	4,970	-
	<u>5,164</u>	<u>10,106</u>

Repossessed motor vehicles and properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

(vi) Debt securities

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

	2011 \$'000	2010 \$'000
Government of Jamaica	72,587	70,932
Jamaica Co-operative Credit Union League Limited	60,691	56,777
Financial institutions	447,971	349,686
	<u>581,249</u>	<u>477,395</u>



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(vii) Loans

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

	2011 \$'000	2010 \$'000
Construction and real estate	682,080	656,816
Education	75,728	76,907
Business investment	94,152	97,795
Agriculture	6,609	2,131
Personal and others	<u>874,853</u>	<u>856,836</u>
	1,733,512	1,690,485
Less: Provision for credit losses	<u>(26,553)</u>	<u>(44,079)</u>
	1,706,959	1,646,406
Interest receivable	<u>20,923</u>	<u>54,011</u>
	<u><u>1,727,882</u></u>	<u><u>1,700,417</u></u>

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments 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 members and fulfill commitments to lend.

Liquidity risk management process

The Credit Union's liquidity risk management process as monitored by the Treasury Committee includes:

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

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Liquidity risk management process (continued)

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

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

Financial liabilities and assets held for managing liquidity risk

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

	2011					Total \$'000
	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
Financial Assets						
Earnings assets						
Liquid assets -						
Savings and call deposits	53,748	-	-	-	-	53,748
Short-term investments	144,369	-	-	-	-	144,369
Reverse repurchase agreements	475,108	-	-	-	-	475,108
Financial investments	74,284	-	70,168	-	10,753	155,205
Loans, net of provision for impairment	45,839	109,928	817,408	1,063,184	-	2,036,359
Non-earning assets	12,117	-	-	-	3,608	15,723
Total financial assets	805,465	109,928	887,576	1,063,184	14,359	2,880,512
Financial Liabilities						
Interest bearing liabilities						
Members' deposits	461,498	196,902	9,725	-	-	668,125
Members' voluntary shares	1,291,347	-	-	-	-	1,291,347
Borrowings	2,094	5,186	27,659	65,697	-	100,636
Non-Interest bearing liabilities	27,786	-	-	-	-	27,786
Total financial liabilities	1,782,725	202,088	37,384	65,697	-	2,087,894
Net position	(977,260)	(92,160)	850,192	997,487	14,359	792,618



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial liabilities and assets held for managing liquidity risk (continued)

	2010					Total \$'000
	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
Financial Assets						
Earnings assets						
Liquid assets -						
Savings and call deposits	18,930	-	-	-	-	18,930
Short-term investments	224,421	-	-	-	-	224,421
Reverse repurchase agreements	370,472	-	-	-	-	370,472
Financial investments	73,174	2,855	66,651	-	10,389	152,869
Loans, net of provision for impairment	73,395	90,256	820,910	1,032,114	-	2,016,675
Non-earning assets	9,543	-	-	-	3,574	13,117
Total financial assets	769,935	92,911	887,561	1,032,114	13,963	2,796,484
Financial Liabilities						
Interest bearing liabilities						
Members' deposits	455,195	181,296	10,664	-	-	647,155
Members' voluntary shares	1,225,542	-	-	-	-	1,225,542
Borrowings	750	-	-	-	-	750
Non-Interest bearing liabilities	19,932	-	-	-	-	19,932
Total financial liabilities	1,701,419	181,296	10,664	-	-	1,893,379
Net position	(931,484)	(88,385)	876,897	1,032,114	13,963	903,105

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

Off-statement of financial position items

All loan commitments existing at the year end (Note 28 (a)) expire within 12 months.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

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

(l) Currency risk

Currency 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.

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

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

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

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

	2011				
	Jamaican J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Total J\$'000
Reverse repurchase agreements	437,854	8,206	-	1,909	447,969
Financial investments	129,806	14,226	-	-	144,032
	567,660	22,432	-	1,909	592,001

	2010				
	Jamaican J\$'000	US\$ J\$'000	GBP J\$'000	CAN\$ J\$'000	Total J\$'000
Reverse repurchase agreements	332,365	7,899	6,379	405	347,048
Financial investments	124,010	14,089	1,927	711	140,737
	456,375	21,988	8,306	1,116	487,785

There were no off-statement of financial position financial instruments denominated in foreign currencies at the year end (2010 – nil).



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

	Change In Currency Rate 2011 %	Effect on Net Surplus 2011 \$'000	Change In Currency Rate 2010 %	Effect on Net Surplus 2010 \$'000
Currency:				
Devaluation -				
USD	0.5	112	+5	1,099
GBP	0.5	-	+5	415
CAN	0.5	6	+5	56
Revaluation -				
USD	0.5	(112)	-5	(1,099)
GBP	0.5	-	-5	(415)
CAN	0.5	(6)	-5	(56)

(ii) Interest rate risk

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

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

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(II) Interest rate risk (continued)

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

	2011						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
Financial Assets							
Earning assets							
Liquid assets							
Savings and call deposits	51,881	-	-	-	-	-	51,881
Short-term investments	135,624	-	-	-	-	82	135,706
Reverse repurchase agreements	-	444,194	-	-	-	3,777	447,971
Financial investments	-	69,191	-	61,671	-	13,268	144,030
Loans, net of provision for impairment	-	21,107	93,121	692,434	900,298	20,922	1,727,882
Non-earning assets	-	-	-	-	-	15,723	15,723
Total financial assets	187,305	534,492	93,121	754,005	900,298	53,772	2,522,893
Financial Liabilities							
Interest bearing liabilities							
Members' deposits	-	402,771	192,082	9,070	-	48,956	652,879
Members' voluntary shares	-	1,214,820	-	-	-	38,000	1,250,820
Borrowings	458	220	967	7,032	39,088	-	47,765
Non-Interest bearing liabilities	-	-	-	-	-	27,786	27,786
Total financial liabilities	458	1,617,811	193,049	16,102	39,088	112,742	1,979,050
Total Interest Rate							
Sensitivity Gap	186,847	(1,083,119)	(99,928)	737,903	861,210	(58,970)	543,943
Cumulative Gap	186,847	(896,272)	(99,200)	(258,287)	802,913	543,943	



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	2010						Total \$'000
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
Financial Assets							
Earning assets							
Liquid assets							
Savings and call deposits	18,037	-	-	-	-	-	18,037
Short-term investments	211,097	-	-	-	-	114	211,211
Reverse repurchase agreements	-	346,723	-	-	-	1,325	347,048
Financial investments agreements	-	85,277	2,802	58,937	-	12,921	140,737
Loans, net of provision for impairment	-	16,289	75,845	689,840	864,432	54,011	1,700,417
Non-earning assets	-	-	-	-	-	13,117	13,117
Total financial assets	229,134	427,289	78,447	748,777	864,432	81,488	2,430,567
Financial Liabilities							
Interest bearing liabilities							
Members' deposits	-	399,535	174,307	9,696	-	40,399	623,937
Members' voluntary shares	-	1,137,001	-	-	-	38,125	1,175,126
Borrowings	750	-	-	-	-	-	750
Non-interest bearing liabilities	-	-	-	-	-	19,932	19,932
Total financial liabilities	750	1,536,536	174,307	9,696	-	98,456	1,819,745
Total Interest Rate Sensitivity Gap	228,384	(1,109,247)	(95,860)	740,081	864,432	(16,968)	610,822
Cumulative Gap	228,384	(880,863)	(976,723)	(236,842)	627,790	610,822	



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

	2011					
	Within 1 Month	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Earning assets -						
Liquid assets						
Call deposits	-	4	-	-	-	4
Short-term investments						
Local	-	5	-	-	-	5
Reverse repurchase agreements						
Local	-	6	-	-	-	6
Foreign currencies	-	3	-	-	-	3
Financial investments						
Local	-	7	-	11	-	9
Foreign currencies	-	-	-	7	-	7
Loans (1)	-	18	18	18	18	18
Interest bearing liabilities -						
Members' deposits (2)	-	2	3	7	-	3



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	2010					
	Within 1 Month	Within 3 Months	3 and 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Earning assets -						
Liquid assets						
Call deposits	-	5	-	-	-	5
Short-term investments						
Local	-	8	-	-	-	8
Foreign	-	1	-	-	-	1
Reverse repurchase agreements						
Local	-	7	-	-	-	7
Foreign currencies	-	2	-	-	-	2
Financial investments						
Local	-	8	-	12	-	10
Foreign currencies	-	-	2	7	-	8
Loans (1)	-	19	19	19	19	19
Interest bearing liabilities -						
Members' deposits (2)	-	4	4	10	-	4

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

(2) Yields are based on contractual interest rates.

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Credit Union's statement of comprehensive income and equity.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects 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 the changes in each variable, variables had to be analysed on an individual basis. It should be noted that movements in these variables are non-linear.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate sensitivity (continued)

	Change in Basis Points 2011	Effect on Net Surplus 2011 \$'000	Change in Basis Points 2010	Effect on Net Surplus 2010 \$'000
J\$ Instruments				
	-50	(2,826)	-100	(4,221)
	+100	6,157	+200	8,442
US\$ Instruments				
	-50	(120)	-50	(159)

(d) Operational risk

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

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

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

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

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



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Capital management

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

- (i) to maintain the members' confidence in the safety and viability of the Credit Union.
- (ii) to sustain the Credit Union's ability to absorb any shocks due to losses or any other adverse occurrence in the market.
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies, the Bank of Jamaica and the Jamaica Co-operative Credit Union League Limited.
- (iv) to maintain a strong capital base to support planned expansion and the development of new lines of business.

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

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

- (i) hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

The table below summarises the composition of regulatory capital and the ratios of the Credit Union for the years ended 31 December 2011 and 2010.

	Actual 2011 \$'000	Required 2011 \$'000	Actual 2010 \$'000	Required 2010 \$'000
Total regulatory capital - BOJ	435,507	164,642	403,198	151,856
Total institutional capital - JCCUL	435,507	219,523	403,198	202,475
Risk-weighted assets:				
Total risk-weighted assets	<u>1,932,765</u>		<u>2,035,849</u>	
Total capital ratio	<u>22.53%</u>		<u>19.80%</u>	



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Estimation

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

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

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

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

- (i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vi) Financial investments classified as held-to-maturity are measured at amortised cost with a carrying value of \$72,587,000 (2010 - \$70,932,000) for which the fair value has been estimated at \$76,674,000 (2010 - \$73,802,000).
- (vii) The estimated fair values of the off-statement of financial position financial instruments is assumed to approximate the amount committed at year end. When this information is not available, fair value is estimated using discounted cash flow analysis.
- (viii) The carrying value of borrowings approximates fair value as the borrowings are carried at amortised cost reflecting its contractual obligations, and the interest rates are reflective of current rates for similar transactions.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

4. Fair Value Estimation (Continued)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There are no revalued financial assets grouped in levels 1 and 3. Available-for-sale financial assets totalling \$135,857,000 (2010 - \$213,994,000) are grouped in level 2.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Credit Union makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

(a) Critical Judgements in applying accounting policies

Held-to-maturity Investments

The Credit Union follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. The classification requires judgement. In making this judgement, the Credit Union evaluates its intention and ability to hold such investments to maturity. If management were to dispose of any of these investments (other than immaterial disposals) prior to maturity, the entire portfolio would have to be classified as available-for-sale. If the entire class of held-to-maturity investments is compromised, the carrying value would increase/(decrease) by corresponding entry in the investment reserve in equity.

(b) Key sources of estimation uncertainty

(i) Impairment losses on loans and advances

The Credit Union reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Credit Union makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Critical Accounting Estimates and Judgements In Applying Accounting Policies (Continued)

(b) Key sources of estimation uncertainty

(ii) Employee benefits

The cost of these benefits and the present value of the pension liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (Income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the net periodic cost (Income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plan. Other key assumptions for the pension and post retirement benefit cost and credits are based in part on data supplied by the League as well as on current market conditions.

(iii) Interest accrued on members' voluntary shares

The Credit Union accrues interest on members' voluntary shares based on an estimate of the rate at which it will be charged, but the final determination of the rate is subject to approval by the board of directors subsequent to the receipt of the draft financial statements. The actual interest rate approved could differ from the estimate made. Management accrues interest at a rate determined after giving consideration to the profitability of the Credit Union and to historical interest rates.

6. Fees and Other Income

	2011 \$'000	2010 \$'000
Rental	3,233	1,797
Gain on foreign exchange	779	-
Entrance fees	1,782	1,502
Other	<u>13,832</u>	<u>6,017</u>
	<u>19,606</u>	<u>9,316</u>



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total administrative and other operating expenses:

	2011	2010
	\$'000	\$'000
Advertising and promotion	4,717	6,531
Auditors' remuneration -		
Current year	4,600	5,200
Prior year	-	250
Awards and donations	1,800	1,950
Bank charges	2,425	2,169
Depreciation and amortisation	6,110	4,592
Insurance	10,585	9,869
Foreign exchange loss	-	1,500
Office	3,496	4,151
Professional fees	1,254	1,277
Property	8,611	9,303
Representation and affiliation	19,331	19,295
Salaries, pension and other staff benefits (Note 8)	133,030	107,102
Security	6,318	5,903
Software maintenance	1,983	1,857
Utilities	10,781	10,874
Other	10,070	5,983
	<u>225,091</u>	<u>197,806</u>

8. Staff Costs

	2011	2010
	\$'000	\$'000
Wages and salaries	106,705	91,784
Statutory contributions	15,663	8,456
Pension (Note 20)	24	(3,284)
Other	10,638	10,146
	<u>133,030</u>	<u>107,102</u>

9. Taxation

The Credit Union is exempt from Income tax under the provisions of Section 59(1) of The Co-operative Societies Act and Section 12(l) of the Income Tax Act.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

10. Savings and Call Deposits

	2011 \$'000	2010 \$'000
CuCash	<u>51,681</u>	<u>18,037</u>

CuCash deposits are cash management call accounts which are required to be maintained with the League and should represent a minimum of 2% of the monthly average of members' deposits and shares.

11. Short-Term Investments

	2011 \$'000	2010 \$'000
Available-for-sale, at fair value -		
Jamaica Co-operative Credit Union League Limited -		
Fixed deposits and CuCash	135,706	210,397
National Commercial Bank (Jamaica) Limited -		
Foreign currency deposits	-	814
	<u>135,706</u>	<u>211,211</u>

Amounts classified as short-term investments have a term to maturity of 31 days (2010 - 31 days) at year end.

The rules of the Jamaica Co-operative Credit Union League Limited stipulate that the Credit Union must invest a minimum of 10% of members' savings deposits in short-term deposit instruments. A minimum of 8% is required to be invested with the League, and a maximum of 2% with any other financial institution. Of the 8% requirement, a minimum of 4% must be invested in fixed deposits and a minimum of 2% in CuCash deposits (Note 10). At 31 December 2011, the Credit Union was in compliance with these requirements.

12. Reverse Repurchase Agreements

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its collateral obligations. Included within reverse repurchase agreements is related accrued interest receivable of \$3,777,000 (2010 - \$1,324,000).

At 31 December 2011, the Credit Union held securities totalling approximately \$444,194,000 (2010 - \$345,724,000) representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

13. Financial Investments

	2011	2010
	\$'000	\$'000
Available-for-sale, at historical cost -		
Unquoted equities -		
Jamaica Co-operative Credit Union League Limited (a)	9,139	8,774
Quality Network Co-operative Limited (QNET) (b)	1,114	1,114
Jamaica Co-operative Insurance Agency Limited (c)	500	500
Other deposits -		
Jamaica Co-operative Credit Union League Limited	-	2
	<u>10,753</u>	<u>10,390</u>
Available-for-sale, at fair value -		
Jamaica Co-operative Credit Union League Limited -		
Fixed deposit	151	145
The Bank of Nova Scotia Jamaica Limited -		
Foreign currency deposits	-	2,638
	<u>151</u>	<u>2,783</u>
	<u>10,904</u>	<u>13,173</u>
Loans and receivables, at amortised cost -		
Jamaica Co-operative Credit Union League Limited -		
Mortgage funds (d)	4,831	4,570
CuPremium (e)	55,709	52,062
	<u>60,540</u>	<u>56,632</u>
Held-to-maturity, at amortised cost -		
Government of Jamaica securities -		
JA dollar benchmark investment notes	58,361	56,843
US dollar benchmark investment note	14,226	14,089
	<u>72,587</u>	<u>70,932</u>
	<u>144,031</u>	<u>140,737</u>

- (a) The unquoted equity investment in the League, at a minimum of 1,825,050 shares, is a requirement for the Credit Union to retain membership status.
- (b) The unquoted equity investment in Quality Network Co-operative Limited is to help facilitate the development of the QNET software by that company.
- (c) The unquoted equity investment in Jamaica Co-operative Insurance Agency Limited (formerly NUCS – Co-operative Insurance Services Limited) is to assist in capital expansion plans of that company.
- (d) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in the League's Mortgage Fund Instruments. These investments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.
- (e) The CuPremium deposits in the League are long-term fixed tenure savings instruments. CuPremium deposits have a minimum tenure of three years.



Notes to the Financial Statements

31 December 2011

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14. Loans to Members

(a) Movement in loans during the year:

	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Balance at beginning of year	1,700,417	1,841,883	1,478,747
Add: Disbursements during the year	<u>990,000</u>	<u>806,546</u>	<u>730,096</u>
	2,690,417	2,448,429	2,208,843
Less: Repayments and transfers	<u>(956,905)</u>	<u>(757,944)</u>	<u>(584,119)</u>
	1,733,512	1,690,485	1,624,724
Add: Interest receivable	<u>20,923</u>	<u>54,011</u>	<u>34,905</u>
	1,754,435	1,744,496	1,659,629
Less: Provision for Impairment	<u>(26,553)</u>	<u>(44,079)</u>	<u>(17,746)</u>
	<u>1,727,882</u>	<u>1,700,417</u>	<u>1,641,883</u>

(b) Delinquent loans

At 31 December 2011, there were 316 (2010 – 396) delinquent loans, aged two months and over.

At minimum, the total loan provision derived below is consistent with the loan loss provisioning rules of the League. The total provision for 2010 was in excess of the provision required under IFRS provisioning rules. The excess of the League's provision over the IFRS provision was dealt with through a transfer from accumulated surplus to a loan loss reserve as indicated in Note 14 (c) below.

Number of Months In Arrears	Total Number of Loans	Delinquent Loans \$'000	Savings Held Against Loans \$'000	Exposure \$'000	Rate %	Provision \$'000
Less than 2	72	12,846	312	12,534	-	-
2 - 3	65	19,965	109	19,856	10	1,997
3 - 6	101	35,609	300	35,309	30	10,683
6 - 12	150	17,899	620	17,278	60	10,739
Greater than 12	-	-	-	-	100	-
	<u>388</u>	<u>86,319</u>	<u>1,341</u>	<u>84,977</u>		<u>23,419</u>



Notes to the Financial Statements

31 December 2011

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14. Loans to Members (Continued)

(c) Provision for Impairment

	2011 \$'000	2010 \$'000
Provision for Impairment at beginning of year (IFRS)	44,079	17,746
Additional amounts provided during the year	124,262	63,968
Bad debts written off during the year	<u>(141,788)</u>	<u>(37,635)</u>
Provision for Impairment at end of year (IFRS)	<u>26,553</u>	<u>44,079</u>
Provision for Impairment in accordance with League provisioning rules	<u>23,419</u>	<u>149,546</u>
Additional provision for impairment through transfer from accumulated surplus to the loan loss reserve in non-institutional capital	<u>-</u>	<u>105,467</u>
	2011 \$'000	2010 \$'000
Additional amounts provided during the year	124,262	63,968
Bad debts recovered during the year	<u>(11,291)</u>	<u>(11,221)</u>
Charged to statement of comprehensive income during the year	<u>112,971</u>	<u>52,747</u>

15. Cash and Bank Balances

	2011 \$'000	2010 \$'000
On hand	3,607	3,574
Current accounts	<u>8,687</u>	<u>4,285</u>
	<u>12,294</u>	<u>7,859</u>

Cash balances do not attract interest.

For the purposes of the cash flow statement, cash and cash equivalents comprise:

	2011 \$'000	2010 \$'000
Cash	12,294	7,859
Savings and call deposits (Note 10)	51,681	18,037
Bank overdraft (Note 23)	<u>(365)</u>	<u>(750)</u>
	<u>63,610</u>	<u>25,146</u>



Notes to the Financial Statements

31 December 2011

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16. Accounts Receivable

	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Withholding tax recoverable	-	14,617	31,810
Prepaid expenses	3,245	1,248	1,093
Other	3,428	5,528	3,477
	<u>6,673</u>	<u>21,393</u>	<u>36,380</u>

17. Intangible Assets

Intangible assets represent the upgrade and implementation costs of the Credit Union's software.

	2011 \$'000	2010 \$'000
Balance at the beginning of year	224	428
Additions	1,096	-
Transfer from property, plant and equipment	286	336
Amortised during the year	(573)	(540)
Net book value	<u>1,033</u>	<u>224</u>

18. Property, Plant and Equipment

	2011					Total \$'000
	Land and Buildings \$'000	Computer Equipment \$'000	Furniture, Fixtures and Equipment \$'000	Roadway \$'000	Work - In- Progress \$'000	
Cost -						
1 January 2011	28,992	18,532	22,174	509	410	70,617
Additions	126,413	245	3,791	-	1,798	132,247
Transfers	-	124	-	-	(124)	-
Transfers to intangible assets	-	-	-	-	(286)	(286)
Disposals	-	-	(254)	-	-	(254)
At 31 December 2011	<u>155,405</u>	<u>18,901</u>	<u>25,711</u>	<u>509</u>	<u>1,798</u>	<u>202,324</u>
Accumulated Depreciation -						
1 January 2011	4,623	17,042	12,613	115	-	34,393
Charge for the year	2,250	1,165	2,112	10	-	5,537
Disposals	-	-	(164)	-	-	(164)
31 December 2011	<u>6,873</u>	<u>18,207</u>	<u>14,561</u>	<u>125</u>	<u>-</u>	<u>39,766</u>
Net Book Value -						
31 December 2011	<u>148,532</u>	<u>694</u>	<u>11,150</u>	<u>384</u>	<u>1,798</u>	<u>162,558</u>



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

18. Property, Plant and Equipment (Continued)

	2010					Total \$'000
	Land and Buildings \$'000	Computer Equipment \$'000	Furniture, Fbctures and Equipment \$'000	Roadway \$'000	Work - In- Progress \$'000	
Cost -						
1 January 2010	20,307	17,601	20,966	509	1,941	61,324
Additions	8,685	1,029	373	-	411	10,498
Transfers	-	316	1,290	-	(1,606)	-
Transfers to Intangible assets	-	-	-	-	(336)	(336)
Disposals	-	(414)	(455)	-	-	(869)
At 31 December 2010	28,992	18,532	22,174	509	410	70,617
Accumulated Depreciation -						
1 January 2010	3,890	15,981	11,208	105	-	31,184
Charge for the year	733	1,475	1,834	10	-	4,052
Disposals	-	(414)	(429)	-	-	(843)
31 December 2010	4,623	17,042	12,613	115	-	34,393
Net Book Value -						
31 December 2010	24,369	1,490	9,561	394	410	36,224

19. Investment Property

Investment property represents land at Islington, St. Mary at a cost of \$6,712,000 (2010 - \$6,712,000). The investment property was valued at \$19,000,000 (2010 - \$19,500,000) as at February 2012 by professional Independent valuers.

20. Retirement Benefits

The Credit Union participates in a joint contributory pension scheme, which is open to all permanent employees of the Credit Union and operated by the Jamaica Co-operative Credit Union League Limited. The plan provides benefits to members based on average earnings for their final 3 years of service with the Credit Union and employees each contributing 5 - 10% of pensionable salaries. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 December 2011. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding; the latest such valuation being as at 31 December 2010 revealed that the scheme was adequately funded as at that date.



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

20. Retirement Benefits (Continued)

The defined benefit asset recognised in the statement of financial position was determined as follows:

	2011 \$'000	2010 \$'000
Fair value of plan assets	122,993	91,462
Present value of funded obligations	<u>(88,370)</u>	<u>(60,481)</u>
	34,623	30,981
Unrecognised actuarial losses	<u>12,869</u>	<u>10,097</u>
	<u>47,492</u>	<u>41,078</u>

The amounts recognised in the statement of comprehensive income are as follows:

	2011 \$'000	2010 \$'000
Current service cost, net of employee contribution	(2,242)	(1,302)
Interest cost	(7,432)	(7,225)
Expected return on plan assets	9,682	7,520
Net actuarial losses recognised in the year	(32)	-
Change in income not eligible for recognition due to limit	-	4,291
Total included in staff costs (Note 8)	<u>(24)</u>	<u>3,284</u>

The actual return on plan assets was a net surplus of approximately \$20,822,000 (2010 - \$11,715,000).

The movement in the fair value of plan assets during the year was as follows:

	2011 \$'000	2010 \$'000
At beginning of year	91,462	70,652
Expected return on plan assets	9,682	7,520
Actuarial gains on plan assets	11,140	4,194
Contributions -		
Employer	6,438	5,611
Employee	5,413	4,650
Benefits paid	<u>(1,142)</u>	<u>(1,165)</u>
At end of year	<u>122,993</u>	<u>91,462</u>



Notes to the Financial Statements

31 December 2011

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20. Retirement Benefits (Continued)

The movement in the present value of the defined benefit obligation during the year was as follows:

	2011 \$'000	2010 \$'000
At beginning of year	60,481	39,789
Current service cost	7,655	5,953
Interest cost	7,432	7,225
Actuarial losses on obligations	13,944	8,679
Benefits paid	(1,142)	(1,185)
At end of year	<u>88,370</u>	<u>60,481</u>

Expected contributions to the plan for the year ending 31 December 2012 amount to approximately \$6,500,000 (2011 - \$5,812,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The distribution of plan assets was as follows:

	2011		2010	
	\$'000	%	\$'000	%
Quoted equities	4,457	4	3,026	3
Real estate	16,893	14	9,643	10
Government bonds	51,413	42	46,333	52
Repurchase agreements	42,649	35	25,917	28
US\$ bonds	3,970	3	3,356	4
Other	3,611	2	3,187	3
	<u>122,993</u>		<u>91,462</u>	

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Fair value of plan assets	122,993	91,462	70,652	50,388	43,249
Defined benefit obligation	(88,370)	(60,481)	(39,789)	(18,549)	(20,370)
Surplus	<u>34,623</u>	<u>30,981</u>	<u>30,863</u>	<u>33,839</u>	<u>22,879</u>
Experience adjustments –					
Fair value of plan assets gain/(loss)	11,140	4,430	8,761	(186)	(3,057)
Defined benefit obligation loss/(gain)	5,106	14	555	(5,898)	(6,078)



Notes to the Financial Statements

31 December 2011

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20. Retirement Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits were as follows:

	2011	2010
Discount rate 10%		11%
Expected return on plan assets	10%	10%
Future salary increases	8%	8%
Expected average remaining working lives of employees (years)	29	29

21. Members' Deposits

	2011	2010
	\$'000	\$'000
(a) Members' Special and Fixed deposits -		
Opening balance	287,856	260,923
Deposits during the year	78,047	85,079
Interest during the year	9,448	16,451
	375,351	362,453
Less: Withdrawals during the year	(90,850)	(74,597)
	284,501	287,856
(b) Members' Ordinary deposits -		
Opening balance	93,918	95,644
Deposits during the year	37,428	33,405
Interest during the year	4,403	3,683
	135,749	132,732
Less: Withdrawals during the year	(42,597)	(38,814)
	93,152	93,918
(c) Members' Golden Harvest deposits -		
Opening balance	9,666	11,706
Deposits during the year	1,930	2,711
Interest during the year	501	700
	12,097	15,119
Less: Withdrawals during the year	(3,167)	(5,453)
	8,930	9,666
(d) Members' Solid Saver deposits -		
Opening balance	111,678	102,701
Deposits during the year	89,195	72,100
Interest during the year	3,055	4,200
	203,928	179,001
Less: Withdrawals during the year	(85,658)	(67,323)
	118,270	111,678



Notes to the Financial Statements

31 December 2011

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21. Members' Deposits (Continued)

	2011 \$'000	2010 \$'000
(e) Members' Other deposits -		
Opening balance	113,475	78,335
Deposits during the year	263,751	219,512
Interest during the year	1,951	2,567
	<u>379,177</u>	<u>300,414</u>
Less: Withdrawals during the year	<u>(237,721)</u>	<u>(186,939)</u>
	<u>141,456</u>	<u>113,475</u>
(f) Members' Dream Loan deposits -		
Opening balance	6,198	5,962
Deposits during the year	2,696	3,501
Interest during the year	216	236
	<u>9,110</u>	<u>9,699</u>
Less: Withdrawals during the year	<u>(3,035)</u>	<u>(3,501)</u>
	<u>6,075</u>	<u>6,198</u>
(g) Interest payable on members' deposits	<u>495</u>	<u>1,146</u>
	<u>652,879</u>	<u>623,937</u>

22. Members' Voluntary Shares

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	1,175,126	1,185,658
Shares received	1,410,081	1,234,465
Interest paid during the year	37,907	50,000
Shares withdrawn or transferred	<u>(1,408,494)</u>	<u>(1,333,122)</u>
	1,214,620	1,137,001
Add: Interest payable	<u>38,000</u>	<u>38,125</u>
Balance at the end of the year	<u>1,250,620</u>	<u>1,175,126</u>

23. Borrowings

	2011 \$'000	2010 \$'000
Bank overdraft	365	750
External loan	<u>47,400</u>	<u>-</u>
	<u>47,765</u>	<u>750</u>

(a) Bank overdraft

The Credit Union has an overdraft facility with the National Commercial Bank Jamaica Limited (NCB) for \$15,000,000 (2010 - \$15,000,000). The facility is secured by a lien over credit balances held at NCB Capital Markets Limited. The bank overdraft at year end represents cheques issued and unrepresented. As at 31 December 2010, the Credit Union had drawn on approximately \$750,000 of the available facility.



Notes to the Financial Statements

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23. Borrowings (Continued)

(b) External loans

This represents a vendor's mortgage loan of \$48,000,000 which attracts interest at 12% per annum. The loan is repayable in 180 monthly instalments of \$576,222.86 each commencing in July 2011. Under the terms of the agreement, the Credit Union has the option to make lump sum payments that can be applied to the principal outstanding. The loan is secured by a lien on property located at Lot 5, 8 Main Street, Ocho Rios, St. Ann.

Included in the amount above is approximately \$6,915,000 due within the next 12 months.

24. Accounts Payable

	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Other payables	13,407	8,910	6,850
Accrued expenses	20,526	16,722	12,619
	<u>33,933</u>	<u>25,632</u>	<u>19,469</u>

25. Members' Permanent Share Capital

Members' permanent share capital represents shares invested by members of the Credit Union. To satisfy requirements for membership, each member must maintain a minimum of \$1,000 (2010 - \$400) in permanent shares. These shares are not available for withdrawal.

The Credit Union may purchase shares from a member out of its Share Transfer Fund Reserve (Note 27 (d)) for transfer to the Credit Union.

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

Members' permanent share capital was as follows:

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	23,470	1,047
Share capital received/redeemed	22,154	22,115
Dividends credited during the year	2,347	308
Balance at the year end	<u>47,971</u>	<u>23,470</u>

26. Institutional Capital

	2011 \$'000	Restated 2010 \$'000	Restated 2009 \$'000
Statutory reserve	381,937	374,289	322,612
Permanent capital reserve	5,439	5,439	5,439
	<u>387,376</u>	<u>379,728</u>	<u>328,051</u>

(a) Statutory reserve

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



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31 December 2011

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26. Institutional Capital (Continued)

(b) Permanent capital reserve

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

27. Non-Institutional Capital

	2011	2010
	\$'000	\$'000
Retirement benefit asset reserve	47,492	41,078
Loan loss reserve	-	105,467
Capital expenditure reserve	38,739	38,739
Share transfer fund	197	200
	<u>86,428</u>	<u>185,484</u>

(a) Retirement benefit asset reserve

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

(b) Loan loss reserve

This represents the excess of the Credit Union's internally assessed provision for loan impairment, over the amount required under IFRS. This amount is an appropriation from the accumulated surplus.

(c) Capital expenditure reserve

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

(d) Share transfer fund

The share transfer fund reserve was established in accordance with Rule 15 and the Special Bye-laws relating to Rule 11 of the Credit Union's Rules, for the purpose of redeeming permanent shares from a member to the Credit Union.

28. Commitments

(a) At 31 December 2011 there were commitments of approximately \$54,886,000 (2010 - \$52,007,000) in respect of loans approved, but not disbursed.

(b) At 31 December 2011, there were commitments of approximately \$948,000 (2010 - nil) in respect of payments not yet disbursed as part of the Credit Union's capital expenditure projects.



Notes to the Financial Statements

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29. Comparison of Ledger Balances

	Shares \$'000	Deposits \$'000	Loans \$'000
Balance per Members' ledgers	1,214,620	652,384	1,733,512
Add: Accrued Interest	<u>36,000</u>	<u>495</u>	<u>20,823</u>
	1,250,620	652,879	1,754,435
Less: Provision for Impairment	<u>-</u>	<u>-</u>	<u>(26,553)</u>
	1,250,620	652,879	1,727,882
Balance per General ledger	<u>1,250,620</u>	<u>652,879</u>	<u>1,727,882</u>
	<u>-</u>	<u>-</u>	<u>-</u>

30. Insurance

(a) Fidelity Insurance coverage

Fidelity insurance coverage was maintained during the year.

(b) Life savings and loan protection insurance

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

31. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Key management compensation

	2011 \$'000	2010 \$'000
Salaries and other short-term employee benefits	30,914	26,561
Statutory contributions	2,878	2,451
Pension benefits	2,247	1,902
Other	<u>3,796</u>	<u>3,796</u>
	<u>39,835</u>	<u>34,710</u>



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31. Related Party Transactions and Balances (Continued)

(b) Loans

Loans to directors, committee members and key management of the Credit Union (and their families) –

	2011 \$'000	2010 \$'000
Beginning of the year	68,476	68,158
Loans reclassified	(3,180)	(18)
Loans advanced during the year	3,234	7,772
Loan repayments received	<u>(8,425)</u>	<u>(7,436)</u>
Balance at year end	<u>60,105</u>	<u>68,476</u>
Interest charged	8,154	8,359
Interest received	<u>(8,060)</u>	<u>(6,673)</u>
	<u>60,199</u>	<u>70,162</u>

No provision for impairment is required for these loans.

(c) Shares and savings

	2011 \$'000	2010 \$'000
Directors and committee members	22,952	25,178
Staff members	<u>12,147</u>	<u>11,632</u>

32. Prior Year Adjustments

(a) In previous years, the commitment fees charged on members' loans were recorded in full as an adjustment to the loan account instead of being time apportioned. This resulted in an understatement of the loans to members balances at year end and Interest Income accounts. In addition to a restatement of the loans to members balances and interest income, the prior year adjustment has resulted in an increase in the statutory allocation to institutional capital in the affected periods.

The adjustments had the following effect on balances reported in the previous years:



Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

32. Prior Year Adjustments (Continued)

Effect on the statement of financial position

	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	2010		
	\$'000	\$'000	\$'000
Assets			
Loans to members, net of impairment provision	1,582,758	117,659	1,700,417
Equity			
Institutional capital	361,643	18,085	379,728
Accumulated surplus	17,239	99,574	116,813
	2009		
Assets			
Loans to members, net of Impairment provision	1,558,444	83,439	1,641,883
Equity			
Institutional capital	316,810	11,241	328,051
Accumulated surplus	137,240	72,198	209,438
<i>Effect on the statement of comprehensive income</i>			
	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	2010		
	\$'000	\$'000	\$'000
Interest Income			
Interest on members' loans	300,574	34,220	334,794
Net Surplus, being Total Comprehensive Income for the Year	46,596	34,220	80,816
	2009		
Interest Income			
Interest on members' loans	260,632	31,463	292,095
Net Surplus, being Total Comprehensive Income for the Year	83,509	31,463	114,972



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32. Prior Year Adjustments (Continued)

- (b) In previous years, deceased members' balances were shown net on the statement of financial position. Effective in the current year, the Credit Union has reclassified these balances to reflect balances due from deceased members, separately from balances due to deceased members.

This reclassification had the following effect on balances reported in previous years:

	<u>As previously reported</u>	<u>Restatement</u>	<u>As restated</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
		2010	
Assets			
Accounts receivable	20,028	1,365	21,393
Liabilities			
Accounts payable	<u>24,267</u>	<u>1,365</u>	<u>25,632</u>
		2009	
Assets			
Accounts receivable	36,178	202	36,380
Liabilities			
Accounts payable	<u>19,267</u>	<u>202</u>	<u>19,469</u>



First Regional Co-operative Credit Union Limited

Supplementary Information

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Supplementary Information

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Administrative Expenses
Year ended 31 December 2011
 (expressed in Jamaican dollars unless otherwise indicated)

	2011 \$'000	2010 \$'000
Personnel Expenses		
Salaries and allowances	106,705	91,784
Travelling and subsistence	641	827
Statutory contributions	15,663	8,456
Pension	24	(3,284)
Other	9,997	9,319
	<u>133,030</u>	<u>107,102</u>
Other Expenses		
Computer services	43	249
Audit fees and related costs	5,424	6,317
Bad debts	546	235
Insurance	10,585	9,869
Software maintenance	1,983	1,857
Office	3,496	3,725
Security services	6,318	5,903
Printing, stationery and postage	188	426
Repairs and maintenance	1,554	1,310
Property taxes and rates	714	494
Utilities	10,761	10,874
Rental - branch offices	6,209	7,225
Scholarship	700	850
Bank charges	2,425	2,169
Depreciation	5,537	4,052
Amortisation of intangible assets	573	540
Loss on disposal of property, plant and equipment	91	25
Honorarium	1,100	1,100
Loss on foreign exchange	-	1,500
Professional fees	430	410
GCT expenses	5,868	5,589
Miscellaneous	3,468	159
	<u>68,013</u>	<u>64,678</u>
	<u>201,043</u>	<u>171,980</u>

Other Operating Expenses
Year ended 31 December 2011
 (expressed in Jamaican dollars unless otherwise indicated)

	2011	2010
	\$'000	\$'000
Representation and Affiliation		
League fees	5,927	5,633
Stabilisation dues	6,298	6,106
Board and committee meetings	1,973	2,982
Credit Union meetings	1,621	864
International Credit Union month	550	513
Annual general meeting	2,962	3,193
Grants and other expenses	-	4
	<u>19,331</u>	<u>19,295</u>
Advertising and Promotion		
Advertising and promotion	3,717	5,031
Donation	1,000	1,500
	<u>4,717</u>	<u>6,531</u>
	<u>24,048</u>	<u>25,826</u>