Financial Statements

as at December 31, 2018

JPS & PARTNERS
CO-OPERATIVE CREDIT UNION LTD.
Your Financial Partner For Life

DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES
(Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)
2 MUSGRAVE AVENUE
Kingston 10
Tel: 927-4912/927-6572 or 978-1946
Fax: 927-5832
E-mail: dcfs@cwjamaica.com

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

S1
R 160/-708/04/19

April 9, 2019

The Secretary
JPS & Partners Co-operative Credit Union Limited
65 ¾ Half Way Tree Road
KINGSTON 10

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2018.

You must now hold the Annual General Meeting convened under **Regulation 19** of the Co-operative Societies Regulations, 1950. At least seven (7) days notice shall be given before the meeting is held.

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

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

Yours truly,

....

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League

FINANCIAL STATEMENTS

For the year ended 31st December 2018

(Expressed in Jamaican Dollars unless otherwise indicated)

INDEX

Crowe

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES
AND FRIENDLY SOCIETIES
RE JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Opinion

We have audited the financial statements of JPS & Partners Co-operative Credit Union Limited, which comprise the statement of financial position as at 31st December 2018, the statement of comprehensive income, statements of changes in equity, cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31st December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL) on Financial Assets IFRS 9 was implemented by the entity on January 1, 2018. The adopted standard is new and complex and requires the entity to recognise expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires managment to maje significant judgment and estimates The key areas requiring greater management judgment include the identification of significant increase in credit risk ('SICR"), the determination of probabilities of default, loss given default, exposure at default and the implication of forward-looking information. Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of ,material mistatement.	**Our procedures in this area includes the following;** • Obtaining an understanding of the models used by the entity for the calculation of expected credit losses including governance over the determination of key judgments. • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into IFRS 9 impairment models for investments. • Testing the completeness and accuracy of the data used in the models of the underling accounting records based on a sample basis.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES
AND FRIENDLY SOCIETIES
RE JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Key Audit Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL) on Financial Assets We therefore determined that impairment on loans receivbale and investment securities has a high degree of estimated uncertainty. In addition, disclosure regarding the entity's application if IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and materila inputs to the IFRS9 ECL results.	**Our procedures in this area includes the following;** • Evaluation of the appropriateness of theentity's impairment methodology including (SICR) criteria presented • Assessment of the assumptions for probaility of default, loss given defaulat and exposure at default. • Assessment of the adequacy of the disclosure of the key assumption of the key assumptions and judgements as well as the detials of transition adjustment for compliance with IFTRS 9.

Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES
AND FRIENDLY SOCIETIES
RE JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Crowe

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES
AND FRIENDLY SOCIETIES
RE JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Report on Additional Matters as Required by the Co-operatives Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operatives Societies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Dawkins Brown.

Crowe Horwath Jamaica

Crowe Horwath Jamaica

April 9, 2019

STATEMENT OF FINANCIAL POSITION
as at 31st December 2018

(Expressed in Jamaican Dollars unless otherwise indicated)

ASSETS:	Note	2018 $	2017 $	2016 $
EARNING ASSETS:				
Liquid Assets	5	945,902,522	880,077,909	755,485,631
Loans to Members after Provision for Impairment	6	2,651,747,116	2,655,578,278	2,445,359,308
Financial Investments	8	434,768,226	347,310,756	609,024,021
Investment Property	9	13,973,347	14,386,528	14,799,709
Total Earning Assets		4,046,391,211	3,897,353,471	3,824,668,669
NON-EARNING ASSETS:				
Liquid Assets				
Cash and Cash Equivalents	10	30,954,679	149,561,056	76,186,932
Other Assets				
Receivables	11	29,013,684	40,699,889	57,673,379
Total Non-Earning Assets		59,968,363	190,260,945	133,860,311
Property, Plant & Equipment	12	81,693,082	93,669,806	104,351,719
Retirement Benefit Asset	13	50,792,000	42,344,000	47,494,000
		132,485,082	136,013,806	151,845,719
TOTAL ASSETS		4,238,844,656	4,223,628,222	4,110,374,699
LIABILITIES:				
INTEREST BEARING LIABILITIES:				
Members' Voluntary Shares	14	1,262,521,161	1,247,133,471	1,205,920,424
Savings Deposits	15	1,941,126,986	1,964,165,917	1,918,020,812
Total Interest Bearing Liabilities		3,203,648,147	3,211,299,388	3,123,941,236
NON-INTEREST BEARING LIABILITIES:				
External Credits	16	13,120,062	14,144,768	11,738,764
Payables	17	34,680,489	50,715,780	53,033,630
Accruals		17,292,930	12,947,101	10,294,640
Deferred Income	18	4,827,814	-	-
Total Non Interest Bearing Liabilities		69,921,295	77,807,649	75,067,034
EQUITY:				
Members' Permanent Share Capital	19	75,013,942	74,735,286	74,144,785
Non-Institutional Capital	20	198,968,869	182,817,421 *	164,449,253
Institutional Capital	21	691,292,403	676,968,478 *	672,772,391
Total Capital		965,275,214	934,521,185	911,366,429
TOTAL LIABILITIES AND EQUITY		4,238,844,656	4,223,628,222	4,110,374,699

*** Restatement**

These items have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON April 9, 2019 AND SIGNED ON IT'S BEHALF BY:

Mr David Grey
PRESIDENT

Mr Devon Wright
TREASURER

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2018
(Expressed in Jamaican Dollars unless otherwise indicated)

	Note	2018 $	2017 $
INTEREST INCOME:			
Liquid Assets		22,738,541	39,153,853
Loans to Members		353,886,855	347,419,959
Financial Investments		38,615,537	28,002,433
		415,240,933	414,576,245
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares		17,304,095	22,649,108
Savings Deposits		62,007,820	79,776,117
Other Financial Costs	25	14,055,174	17,307,386
		93,367,089	119,732,611
NET INTEREST INCOME		321,873,844	294,843,634
Increase in Provision for Loan Impairment	7	15,119,579	4,761,725
Increase in Provision for Investment Impairment		1,160,417	-
NET INTEREST INCOME AFTER PROVISION		307,914,682	290,081,909
NON-INTEREST INCOME			
Rental - investment property		7,854,452	7,326,803
Net Fee Income		20,238,122	20,073,173
Other	26	16,944,999	16,781,597
GROSS INCOME		352,952,255	334,263,482
Less Operating Expenses	27	281,332,628	292,302,612
NET INCOME BEFORE HONORARIA		71,619,627	41,960,870
Honoraria Payment		-	(2,062,500)
NET INCOME AFTER HONORARIA		71,619,627	39,898,370
OTHER COMPREHENSIVE INCOME			
Items that will never be classified to Profit or Loss:			
Minimum Business Tax		(60,000)	(60,000)
Pension Income/(Expense)	13	8,448,000	(5,150,000)
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA		80,007,627	34,688,370

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2018
SUMMARY

(Expressed in Jamaican Dollars unless otherwise indicated)

	Members' Permanent Share Capital	Non-Institutional Capital	Institutional Capital	Total
	$	$	$	$
Balance at 31st December 2016	**74,144,785**	**164,449,253**	**672,772,391**	**911,366,429**
Minimum Business Tax	-	(60,000)	-	(60,000)
Pension Income	-	(5,150,000)	-	(5,150,000)
Scholarship Fund	-	(1,737,903)	-	(1,737,903)
60th Anniversary Celebration	-	(6,408)	-	(6,408)
Care-a-bit Reserve	-	695,000	-	695,000
Building Reserves	-	3,613,009	-	3,613,009
Software Reserve	-	750,000	-	750,000
Organisational Alignment	-	8,000,000	-	8,000,000
Appropriations of Net Surplus for 2016				
Dividends on Permanent Shares	-	(7,362,354)	-	(7,362,354)
Youth Programme Reserve	-	(750,000)	-	(750,000)
Care-a-bit Reserve	-	(750,000)	-	(750,000)
Scholarship Fund	-	(1,200,000)	-	(1,200,000)
Organisational Alignment	-	(8,000,000)	-	(8,000,000)
Software Reserve	-	(750,000)	-	(750,000)
Building Reserves	-	(3,613,009)	-	(3,613,009)
Net Income after Honoraria	-	39,898,370	-	39,898,370
Transfer from Redemption Reserve	-	(1,012,446)	-	(1,012,446)
Provision over-provided	-	(4)	-	(4)
Transfer of 20% of Net Income for the year before honoraria	-	(8,392,174)	8,392,174	-
Amount Subscribed during year	590,501	-	-	590,501
Balance at 31st December 2017 as previously reported	**74,735,286**	**178,621,334**	**681,164,565**	**934,521,185**
Adjustment for reduction in transfer of Net Income for the year before honoraria from 20% to 10%	-	4,196,087	(4,196,087)	-
Impact on transition to IFRS 9 (ECL on loans)	-	(30,131,122)	-	-
Impact on transition to IFRS 9 (ECL on investments)	-	(6,700,000)	-	-
Balance at 31st December 2017 as restated	**74,735,286**	**145,986,299**	**676,968,478**	**934,521,185**

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2018
SUMMARY - Continued

(Expressed in Jamaican Dollars unless otherwise indicated)

	Members' Permanent Share Capital	Non-Institutional Capital	Institutional Capital	Total
	$	$	$	$
Balance at 31st December 2017 as restated	**74,735,286**	**145,986,299**	**676,968,478**	**934,521,185**
Minimum Business Tax	-	(60,000)	-	(60,000)
Pension Income	-	8,448,000	-	8,448,000
Scholarship Fund	-	(1,331,573)	-	(1,331,573)
Care-a-bit Reserve	-	(30,000)	-	(30,000)
Software Reserve	-	(2,699,635)	-	(2,699,635)
Redemption Reserves	-	4,285,500	-	4,285,500
General Reserve	-	(14,491,398)	-	(14,491,398)
IFRS 9 Provisons		36,831,122		36,831,122
Donation Reserve	-	-	-	-
Appropriations of Net Surplus for 2017				
Scholarship Fund	-	(1,105,927)	-	(1,105,927)
IFRS 9 Provision	-	(36,831,122)	-	(36,831,122)
Redemption Reserve	-	(5,000,000)	-	(5,000,000)
Software Reserve	-	2,699,635	-	2,699,635
Net Income after Honoraria	-	71,619,627	-	71,619,627
Transfer from General Reserve	-	14,491,398	-	14,491,398
Write Offs	-	(9,319,132)	-	(9,319,132)
Entrance Fees	-	-	-	-
Transfer of 20% of Net Income for the year before honoraria	-	(14,323,925)	14,323,925	-
Amount Subscribed during year	278,656	-	-	278,656
Balance at 31st December 2018	75,013,942	198,968,869	691,292,403	1,002,106,336

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2018
NON-INSTITUTIONAL CAPITAL

(Expressed in Jamaican Dollars unless otherwise indicated)

	Capital Reserves	Other Non-Qualifying Reserves	Retirement Benefit Reserves	Undistributed Net Income	Total
	$	$	$	$	$
Balance at 31st December 2016 brought forward	**17,191,827**	**68,448,165**	**47,494,000**	**31,315,261**	**164,449,253**
Net Income after Honoraria	-	-	-	39,898,370	39,898,370
Other Comprehensive Income					
Minimum Business Tax	-	-	-	(60,000)	(60,000)
Pension Income	-	-	(5,150,000)	-	(5,150,000)
Total Comprehensive Income for the Year after Honoraria	-	-	(5,150,000)	39,838,370	34,688,370
Scholarship Fund	-	(2,937,903)	-	-	(2,937,903)
Youth Programme Reserve	-	(750,000)	-	-	(750,000)
60th Anniversary Celebration	-	(6,408)	-	-	(6,408)
Care-a-bit Reserve	-	(55,000)	-	-	(55,000)
Appropriations of Net Surplus for 2016					
Dividends on Permanent Shares	-	-	-	(7,362,354)	(7,362,354)
Youth Programme Reserve	-	750,000	-	(750,000)	-
Care-a-bit Reserve	-	750,000	-	(750,000)	-
Scholarship Fund	-	1,200,000	-	(1,200,000)	-
Organisational Alignment	-	8,000,000	-	(8,000,000)	-
Software Reserve	-	750,000	-	(750,000)	-
Building Reserves	-	3,613,009	-	(3,613,009)	-
Transfer from Redemption Reserve	-	-	-	(1,012,446)	(1,012,446)
Provision over-provided	(154)	-	-	150	(4)
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(8,392,174)	(8,392,174)
Total Transactions with Owners	(154)	11,313,698	-	(31,829,833)	(20,516,289)
Balance at 31st December 2017 as previously reported	**17,191,673**	**79,761,863**	**42,344,000**	**39,323,798**	**178,621,334**
Adjustment for reduction in transfer of Net Income for the year before honoraria from 20% to 10%	-	-	-	4,196,087	4,196,087
Impact on transition to IFRS 9 (ECL on loans)		(30,131,122)	-	-	(30,131,122)
Impact on transition to IFRS 9 (ECL on investments)	=	(6,700,000)	-	-	(6,700,000)
Balance at 31st December 2017 as restated	**17,191,673**	**42,930,741**	**42,344,000**	**43,519,885**	**145,986,299**

*** Restatement**

This item have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

(i) Capital Reserves represent unrealised gain on revaluation of the Co-operative's building.

(ii) Capital Development Reserves are being set aside for the future acquisition of Computer Equipment and Software.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2018
NON-INSTITUTIONAL CAPITAL - Continued

(Expressed in Jamaican Dollars unless otherwise indicated)

	Capital Revaluation Reserves	Other Non-Qualifying Reserves	Retirement Benefit Reserves	Undistributed Net Income	Total
	$	$	$	$	$
Balance at 31st December 2017 as previously reported	**17,191,673**	**42,930,741**	**42,344,000**	**43,519,885**	**145,986,299**
Net Income after Honoraria	-	-	-	71,619,627	71,619,627
Other Comprehensive Income					
Minimum Business Tax	-	-	-	(60,000)	(60,000)
Pension Income	-	-	8,448,000	-	8,448,000
Total Comprehensive Income for the Year after Honoraria	-	-	8,448,000	71,559,627	80,007,627
Transactions with Owners					
Scholarship Fund	-	(2,437,500)	-	-	(2,437,500)
Youth Programme Reserve	-	(200,000)	-	-	(200,000)
Care-a-bit Reserve	-	(30,000)	-	-	(30,000)
Software Reserve	-	(2,699,635)	-	2,699,635	-
Redemption Reserve	-	(714,500)	-	-	(714,500)
General Reserve	-	(14,491,398)	-	14,491,398	-
Appropriations of Net Surplus for 2017					
Scholarship Fund	-	1,105,927	-	(1,105,927)	-
IFRS 9 Provisions	-	36,831,122	-	(36,831,122)	-
Redemption Reserve	-	5,000,000	-	(5,000,000)	-
Write offs	-	-	-	(9,319,132)	(9,319,132)
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(14,323,925)	(14,323,925)
Total Transactions with Owners	-	22,364,016	-	(49,389,073)	(27,025,057)
Balance at 31st December 2018	**17,191,673**	**65,294,757**	**50,792,000**	**65,690,439**	**198,968,869**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

INSTITUTIONAL CAPITAL

(Expressed in Jamaican Dollars unless otherwise indicated)

	Business Combination Reserve	Statutory & Legal Reserves	Revenue Reserves	Total
	$	$	$	$
Balance at 31st December 2016	**297,610,477**	**330,931,707**	**44,230,207**	**672,772,391**
Transfer of 20 % of Net Income for the Year before Honoraria	-	8,392,174	-	8,392,174
Balance at 31st December 2017 as previously reported	**297,610,477**	**339,323,881**	**44,230,207**	**681,164,565**
Adjustment for reduction in transfer of Net Income for the year before honoraria from 20% to 10%	-	(4,196,087)	-	(4,196,087)
Balance at 31st December 2017 as restated	297,610,477	335,127,794	44,230,207	676,968,478
Transfer of 20 % of Net Income for the Year before Honoraria	-	14,323,925	-	14,323,925
Balance at 31st December 2018	**297,610,477**	**349,451,719**	**44,230,207**	**691,292,403**

*** Restatement**

This item have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

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

STATEMENT OF CASH FLOWS
For the year ended 31st December 2018
(Expressed in Jamaican Dollars unless otherwise indicated)

	2018 $	2017 $
Cash flows from Operating Activities:		
TOTAL COMPREHENSIVE INCOME	80,007,627	34,688,370
Non- cash items included in income		
Depreciation - Property, Plant and Equipment & Investment Property	21,018,734	21,529,908
Retirement Benefit Asset	(8,448,000)	5,150,000
Loss on Disposal of Property, Plant & Equipment	2,212	1,499,117
Provision for Loan Impairment	(28,551,231)	(549,788)
Minimum Business Tax	60,000	60,000
Interest Income	(415,240,933)	(414,576,245)
Interest Expense	79,311,915	102,425,225
	(241,317,615)	(249,773,413)
Decrease/(Increase) in Operating Assets		
Other Assets	5,119,102	7,702,213
Increase/(Decrease) in Operating Liabilities		
Accruals	4,345,829	2,652,461
External Credit	(1,024,706)	2,406,004
Payables	(8,648,086)	800,170
Cash Used in Operations	(241,525,476)	(236,212,565)
Interest Received	421,808,036	423,847,522
Interest Paid	(86,699,120)	(103,480,745)
Minimum Business Tax Paid	(60,000)	(60,000)
Net Cash Provided by Operating Activities	93,523,440	84,094,212
Cash Flows from Investing Activities:		
Loans to Members	(25,682,997)	(211,731,686)
Financial Investments	(87,457,470)	261,713,265
Additions to Property, Plant and Equipment	(8,631,042)	(11,935,228)
Proceeds on Disposal of Property, Plant and Equipment	(2,212)	1,297
Net Cash (Used in)/Provided by Investing Activities	(121,773,721)	38,047,648
Cash Flows from Financing Activities:		
Savings Deposits	(23,038,931)	46,145,105
Members' Voluntary Shares	15,387,690	41,213,047
Subscription to Permanent Shares	278,656	590,501
Dividend Paid	-	(7,362,354)
Scholarship Reserve	(2,437,500)	(2,937,903)
Youth Programme	(200,000)	(750,000)
60th Anniversary Celebration	-	(6,408)
Care-A-Bit Reserve	(30,000)	(55,000)
General Reserve	(14,491,398)	-
Redemption Reserve	-	(1,012,446)
Net Cash (Used in)/Provided by Financing Activities	(24,531,483)	75,824,542
Increase in Liquid Assets	(52,781,764)	197,966,402
Liquid Assets at Beginning of Year	1,029,638,965	831,672,563
Liquid Assets at End of Year	**976,857,201**	**1,029,638,965**
Liquid Assets - Earning	945,902,522	880,077,909
Liquid Assets - Non-Earning	30,954,679	149,561,056
	976,857,201	**1,029,638,965**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2018
(Expressed in Jamaican Dollars unless otherwise indicated)

1. Identification:

The Co-operative is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act. Membership is limited to employees, ex-employees, pensioners of the Jamaica Public Service Company Limited, the Rural Electrification Programme, the Jamaica Private Power Company, the Jamaica Energy Partners, Digicel (Jamaica) Limited, UC Rusal Limited and Collector General, the staff of the Credit Union, spouse, children , parents, brothers, sisters, aunts and uncles, nieces and nephews of members and spouses of children.

The Credit Union's registered office is located at 65 ¾ Half-Way-Tree Road, Kingston , Jamaica and has branches in Ewarton-St Catherine, Kirkvine Manchester and Ocean Boulevard-Kingston.

The Co-operative's main activities are:-

(a) the promotion of thrift;

(b) the provision of loans to members exclusively for provident and productive purposes; and

(c) to receive the savings of its members either as payment on shares or as deposits.

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

Membership in the Credit Union is obtained by the holding of members' shares, which should be at least one thousand (1,000) voluntary shares and one thousand (1,000) permanent shares. These shares are issued at par value of $1 each. Voluntary shares are deposits available for withdrawal on demand, while permanent shares are paid in cash and invested in risk capital. Individual membership may not exceed 20% of the total of the members' shares of the Credit Union.

Monies paid for Permanent Shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Credit Union.

An individual ceasing to be a member of the Credit Union, shall be entitled to a redemption of any amount held as Permanent Shares. Permanent Shares are redeemable only upon transfer to another member. To facilitate this, the Credit Union has established a Redemption Reserve Account.

2. Adoption of Standards, Interpretations and Amendments:

(a) Standards and Interpretations in respect of published standards that are in effect:

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to the Credit Union were:-

2. Adoption of Standards, Interpretations and Amendments (cont'd) :

(a) Standards and interpretations in respect of published standards which are in effect (cont'd):

IFRS 9: Financial Instruments (2014) (Effective January 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15: Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 1, 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

2. Adoption of Standards, Interpretations and Amendments (Cont'd):

(a) Standards and interpretations in respect of published standards which are in effect (cont'd):

Amendments to IAS 40 - Investment Property Transfers of Investment Property (Effective January 2018)

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (Effective January 2018)

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments had no material impact on the Credit Union's financial statements.

(b) Standards and interpretations in respect of published standards that are not in effect:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Credit Union has not early-adopted. The Credit Union has assessed the relevance of all the new standards, amendments and interpretations with respect to the credit union's operations and has determined that the following are likely to have an effect on the Credit Union's financial statements:

IFRS 16 - Leases (Effective January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

2. Adoption of Standards, Interpretations and Amendments (Cont'd):

(b) Standards and interpretations in respect of published standards that are in effect (cont'd):

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Effective January 2019)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Annual Improvements to IFRS Standards 2015–2017 Cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 2019
Makes amendments to the following standards:

- **IFRS 3: Business Combinations and IFRS 11: Joint Arrangements (Effective January 2019)**

  The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 23: Borrowing Costs (Effective January 2019)**

  The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Effective January 2019)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Definition of Material (Amendments to IAS 1 and IAS 8) (Effect January 2020)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Credit Union is assessing the impact these amendments will have on its financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

(a) Statement of Compliance and Basis of Preparation -

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the requirements of the Co-operative Societies Act. They have been prepared under the historical cost convention. These financial statements are expressed in Jamaican Dollars which is the functional currency of the Credit Union.

(b) Use of Estimates and Judgements -

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires directors and management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on historical experience and directors and management's best knowledge of current events and actions and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Critical Accounting Esitmate and judgement applied

i) Classification of Financial Asset

The assessment of the business model within which the assets are held and assessment of whether the contractuals terms of the financial assets are soley payments of principal and interest on the principal payment amount outstanding requires management to make certain judgments on its business operations

ii) Impairment of Financial Assets

Establishing the criteria of determining whether credit risk of the financial assets has increase significantly since initial recognition , determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Risk of Estimation uncertainty

i) Measurement of Expected Credit allowance/provision under IFRS 9

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

A number of significant judgements are also required in applying the accounting requirement for measuring expected credit losses, as follow;

- Determining criteria for significant increase in credit risk;

- Selecting appropriate models and assumptions for the measurement of expected credit losses;

- Establishing of the number and relative weightings of forward-looking scenarios for each type of product or market and associated expected credit loss;

- Establishghing groups of similar financial assets for the purpose of measuring expected credit losses.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(c) Loans to Members and provisions for Loan Impairment -

Loans are recognized when cash is advanced to borrowers.

The Credit Union, under the IFRS 9 Expected Credit Loss (ECL) impairment framework, recognises ECLs on loans, taking into account past events, current conditions and forecast information. In this regard, the Credit Union determines the economic variables that are likely to influence the borrowers' ability to meet their loan obligations in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

Additionally, the credit union is required to update the amount of ECLs recognised at each reporting date to reflect changes in credit risk of the loan portfolio.

Loans to members are held solely for the collection of principal and interest in accordance with the contractual arrangement between the credit union and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

The credit union assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorised in the recognised credit score bands.

Loan Staging
By way of disclosure, the credit union estimates and reports the ECL on a stage by stage basis.

Stage 1
Loans are placed in Stage 1 at origination and remains in this stage providing that such loans have not experience a significant increase in credit risk.

Stage 2
Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.

Stage 3
Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the Supervisory Body's provisioning policy of making a full provision for loans in arrears over twelve (12) months. General provisions of ten percent (10%) to sixty percent (60%) are established in respect of loans in arrears for two (2) to twelve (12) months.

Regulatory loan loss reserve requirements that exceed the provision required under International Financial Reporting Standards - IFRS 9 "Financial Instruments" are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.

(d) Liquid Assets

For the purposes of the statement of cash flows, liquid assets include cash and cash equivalents which consist of cash on hand and current accounts held at banks and deposits held under 6 months with banks and other financial institutions.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(e) Financial Investments-

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

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

From 1st January 2018, the Credit Union has applied IFRS 9 and classified its financial assets as either Fair value through profit or loss (FVTPL); Fair value through other comprehensive income (FVOCI) or Amortised cost.

Classification and subsequent measurement of debt instruments depend on the credit union's business model for managing the asset; and the cash flow characteristics of the asset.

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

- *Amortised cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at (vi). Interest income from these financial assets is included in ' Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within. 'Net trading income' in the period in which it arises, unless it arises from debt instrumrnts that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

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

(f) Investment Property -

Investment Property is held for long-term rental yields and is not occupied by the Credit Union. Investment property is treated as a long-term investment and is carried at cost less accumulated depreciation and less any impairment losses. The fair value of this property is included in a note to the Financial Statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(g) Retirement Benefit -

The Credit Union participates in a multi-employer defined benefit pension scheme. The pension scheme is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for actuarial gains/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 the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Remeasurement of the net defined benefit asset is recognised directly in equity. The remeasurement includes:

- Actuarial gains and losses
- Return on plan assets (interest included)
- Any asset ceiling effects (interest included)

Service costs are recognised in the profit or loss, and include current and past service costs as well as gains or losses on curtailment.

Net interest expense/(income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning at the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the year. Gains or losses arising from the changes to the plan benefits or plan curtailment are recognised immediately in the profit or loss account.

Settlement of the defined benefit plan is recognised in the year in which the settlement occur.

(h) Leave Accrual

The Credit Union's vacation leave policy allows a maximum of ten (10) days unused vacation leave to be carried forward for managerial and non-managerial staff. The charge for all outstanding leave is recognised in the statement of comprehensive income in the period to which it relates.

(i) Other Assets

Receivables are carried at original amounts less provisions for bad debt and impairment losses. A provision for bad debt is established when there is objective evidence that the Credit Union will not be able to collect all amounts due according to the original terms of the receivables. The amount of any provision is the difference between the carrying amount and the expected recoverable amount.

(Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(j) Property, Plant and Equipment

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. Land and Buildings are shown at deemed cost less subsequent depreciation for building. Under IFRS 1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost.

The Credit Union has elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any.

Computer & Other Equipment	33.33%
Computer Software	20%
Furniture & Fixtures	10%
ATM	12.5%
Garden Tools	33.33%
Investment Property & Other Buildings	2.5%
Software	33%
Equipment	20%

Land is not depreciated.
Gains or losses on disposal of Property, Plant and equipment are determined by their carrying amount and are taken into account in determining operating profit.

(k) Impairment -

The Credit Union recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments that are not measured at Fair Value Through Profit & Loss (FVTPL).

Loss allowances are measured at an amount equal to lifetime ECL except for the following are measured as a 12-month ECL:
- debt investment securities that are low in risk
- other financial instruments (other than lease receivables) on which credit risk not not increased significantly.

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

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial Instruments for which lifetime ECL is recognised and is not credit-impared is referred to Stage 2 financial instruments.

At each repoirting date, the credit union assesses whether the financial assets carried at amortised cost are credit-impaired (referred to a Stage 3 financial assets)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2018
(Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(l) Provisions

General

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

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

IFRS 9- Expected Credit Loss (ECL)

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and measurement". IFRS 9 bring fundamental changes to the accounting of financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Credit Union has adopt consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about they financial year 2018, but have not been applied to the comparative information

The Expected Credit Loss (ECL) represents the amount the Credit Union is likely to lose in the event of a default.

In recognising Expected Credit Loss (ECL) as prescribed by IFRS 9, the Credit Union took into account past events, current conditions and forecast information. The Credit Union determined the economic variables that are likely to influence the borrowers ability to meet their loan oligation in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

At each reporting date, the Credit Union is required to update the amount of ECLs recognised to reflect changes in credit risk of the loan portfolio.

At least once annually, the credit union re-assesses the risk ratings bands and carries out the necessary adjustments in order to ensure that the ratings bands are consistent with prevailing trends and conditions.

As permitted by transitional provisions of IFRS 9, any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognized in the opening retained earning and other reserves of the current

The impact of transition of IFRS9 on the opening retained earnings and investment revaluation reserve is as follow;

Retained Earnings:

		$
Balance as at December 31, 2017		43,519,885
Impairment provison as at December 31, 2017 under IAS 39:		
On Loans to Members	16,485,486	
On Financial Investments	-	
	16,485,486	
Expected Credit Loss as at Janaury 1, 2018 under IFRS 9	-	
On Loans to Members	(46,504,937)	
On Financial Investments	(6,700,000)	
	(53,204,937)	
Recognition of expected credit loss written against Reserve accounts	(36,719,451)	
Recognition of expected credit loss written against Retained Earnings		-
Opening balance under IFRS 9 (Jan. 1. 2018)		43,519,885

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(m) Members' Shares

Permanent Shares

Permanent Shares may be transferred by members to another member but are not available for withdrawal. Permanent shares are classified as equity.

Voluntary Shares

Members voluntary shares represent deposit holdings of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Returns to members on these shares are determined at the discretion of the Credit Union, are denoted as interest and are reported as expense in the income statement in the period in which approved.

(n) Foreign Currency Transactions -

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 Credit Union's primary economic environment is Jamaica, and as such, its functional and presentation currency is Jamaican dollars.

Transactions and balances

Foreign currencies at the date of the statement of financial position are stated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the date of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of comprehensive income.

(o) Statutory Reserve -

The Co-operative Societies Act provides that at least twenty percent (20%) of the annual net income before honoraria should be carried to a Statutory Reserve Fund.

(p) League Fees and Stabilisation Dues -

Jamaica Co-operative Credit Union League Limited (JCCUL) has fixed the rate of league fees at 0.2% (2017 - 0.25%) of total assets. Stabilisation dues are fixed at a rate of 0.15% (2017 - 0.15%) of total savings.

The Credit Union is required by the JCCUL to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 18.16% (2017: 17.78%) which is in compliance with the requirements.

(q) 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.

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

(r) Fees and Commission Income

Fees and commission income are recognised on an accrual basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(s) Risk Management -

The Board of Directors has overall responsibility for the implementation and monitoring of the Credit Union's management of risk. Its policies have been devised to identify and analyse the risks faced by the Credit Union. The Board, through its executive officers and various committees, is responsible for monitoring compliance with those policies and for reviewing their adequacy. All committees report periodically to the Board.

(t) Capital Management -

The Credit Union's objectives when managing capital are to safeguard it's ability to continue as a going concern, to provide returns to its members, to provide benefits for other stakeholders, and to maintain a strong capital base in order to support the development of its business. The Credit Union defines its capital as institutional capital and other eligible reserves. Its dividend payout is made taking into account maintenance of an adequate capital base. At least twenty percent (20%) of net income before honoraria must be transferred to institutional capital at the end of each year prior to any appropriation of surplus.

The Credit Union is required by the Jamaica Co-operative Credit Union League to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 18.08% (2017: 17.78%) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

(u) Basis of Consolidation

The Credit Union uses the acquisition method of accounting to account for business combinations. The consideration transferred on the merger of entities is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the credit union. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities acquired, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In business combinations involving more than two parties, one of the previously existing entities is normally deemed to be the acquirer uses the principles outlined in IFRS 3 - *Business Combinations*, to account for the net assets of the deemed acquired.

4. Financial Instruments & Financial Instrument Risk Management:

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include investments, cash and cash equivalents and receivables. Financial liabilities have been determined to be member's voluntary share capital, savings deposits, external credit, payables and accruals and accrued interest on member's voluntary share capital .

The Credit Union has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

The Board of Directors has overall responsibility for the implementation and monitoring of the Credit Union's management of risk. Its policies have been devised to identify and analyse the risks faced by the Credit Union. The Board through its executive officers and the various committees is responsible for monitoring compliance with these policies and for reviewing their adequacy. All committees report periodically to the Board.

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

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

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of financial instruments not reflected in the statement of financial position, such as loan commitments and guarantees. These expose the Credit Union to similar risks as loans and are managed in the same manner.

The significant concentrations of risk and the Credit Union's management of these risks are as follows:

i) Loans to Members & Guarantees

The Board of Directors is responsible for formulating the credit policies, establishing the authorisation structure for the approval of credit facilities, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk ratings. The management of credit risk in respect of loans to members and guarantees is delegated to the Finance and Planning Committee. The Finance and Planning Committee has oversight responsibility for the Credit Union's credit risk management process, including reviewing and assessing credit risk. There is a documented credit policy in place which guides the Credit Union's credit review process. The Finance and Planning and Credit Committees report to the Board on a monthly basis.

Credit Review Process

There is a documented credit policy in place to guide the credit review process. It establishes loan policy and loan interest rates that manage risk and provide the best possible rate based on market conditions and ensures that credit facilities are extended to members with good credit worthiness at the time of the loan, protects savers interest by managing risk; provides competitive interest rates and prompt service to borrowers; and complies with all applicable laws and regulations.

Collateral

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on the values of collateral assessed at the time of borrowing and are generally updated on a quarterly basis when loans are individually assessed.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

Repossessed Collateral

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

	Carrying Amount	
	2018	2017
	$	$
Real Estate	12,300,000	45,600,000
Motor Vehicles	3,050,000	450,000
	15,350,000	46,050,000

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not utilise the properties for business use.

Impaired Loans

Impaired loans are loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past Due but not Impaired Loans

These are loans where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security available or the stage of collection of amounts owed to the Credit Union.

Loans with Re-Negotiated Terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Credit Union has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category until it is fully repaid.

Allowances for Impairment

Prior to January 1, 2018, the Credit Union inline with IAS 39 established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a Credit Union basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Additional regulatory allowance is made based on the aging of the delinquency portfolio. This additional allowance is treated as an appropriation and taken to reserves.

Effective January 1, 2018, the Credit Union under IFRS 9 established an impairment framework that estimates excepted credit losses in its loan portfolio. The Credit Union have a documented IFRS 9 policy in place to guide the recognition and derecognition process. Management is responsible for the reassessment of credit risk of all loans to members annually or earlier if the needs arises and determine whether there is a significant increase in the credit risk from the loan origination date to the date reporting date.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

i) Loans to Members & Guarantees (cont'd)

Allowances for Impairment (cont'd)

Management remedies fluctuations in the ECL through the Statement of Profit and Loss and the ECL Reserve account on a monthly basis.

Write-Off Policy

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

ii) Deposits and Investments

The Credit Union limits its exposure to credit risk by investing mainly in liquid assets. These investments are held only with counterparties that have high credit quality and Government of Jamaica securities. The management therefore does not expect any counterparty to fail to meet its obligations.

iii) Exposure to Credit Risk

The carrying amount of financial assets represents the maximum exposure to credit risks before collaterals held. At the date of the statement of financial position, these amounts were:

	2018	2017
	$	$
Current Earning Liquid Assets	945,902,522	880,077,909
Loans to Members after Provision for Impairment	2,651,747,116	2,655,578,278
Held-to-Maturity Investments	434,768,226	347,310,756
Current Non-Earning Liquid Assets	30,954,679	149,561,056
Other Current Non-Earning Assets	29,013,684	40,699,889
	4,092,386,227	4,073,227,888

Maximum Exposure for under IFRS 9

1) **Loans**

	Stage 1	Stage 2	Stage 3	Total
As per Expected Credit Loss (ECL) Report				
Loans to Members before allowance for expected credit loss	2,461,994,684	200,965,134	33,824,015	2,696,783,833
As per General ledger				
Loans to Members before allowance for expected credit loss				2,696,783,833
Difference				-

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

iii) Exposure to Credit Risk (cont'd)

Concentration of Risk

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

	2018	2017
	$	$
Transportation	1,008,562,373	941,545,428
Agriculture	9,517,880	16,145,771
Construction & Real Estate	713,612,130	722,506,368
Education	85,191,816	49,179,137
Debt Finance	26,924,556	82,361,215
Personal	351,719,948	359,972,342
Other	501,255,130	484,769,429
	2,696,783,833	2,656,479,690

There were no changes in the Credit Union's approach to credit risk during the year.

b) Liquidity risk

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

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and Financial Instruments Risk Management cont'd:

(b) Liquidity Risk (Cont'd) :

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$	$	$	$	$	$	$
ASSETS:							
EARNING ASSETS:							
Liquid Assets	369,425,994	57,519,415	440,368,903	78,588,210	-	-	945,902,522
Loans to Members	343,728,436	84,389,714	19,395,685	1,490,621,151	713,612,130	-	2,651,747,116
Financial Investments	-	-	93,123,745	246,000,000	33,372,147	62,272,334	434,768,226
Investment property	-	-	-	-	-	13,973,347	13,973,347
Total Earning Assets	713,154,430	141,909,129	552,888,333	1,815,209,361	746,984,277	76,245,681	4,046,391,211
NON-EARNING ASSETS:							
Liquid Assets	30,954,679	-	-	-	-	-	30,954,679
Other Assets: Receivables	13,473,420	6,387,255	9,153,009	-	-	-	29,013,684
Property, Plant & Equipment	-	-	-	-	-	81,693,082	81,693,082
Retirement Benefit Asset	-	-	-	-	-	50,792,000	50,792,000
Total Non-Earning Assets	44,428,099	6,387,255	9,153,009	-	-	132,485,082	192,453,445
TOTAL ASSETS	757,582,529	148,296,384	562,041,342	1,815,209,361	746,984,277	208,730,763	4,238,844,656

(Expressed in Jamaican Dollars unless otherwise indicated)

4. **Financial Instruments and Financial Instruments Risk Management cont'd:**

(b) Liquidity Risk (Cont'd):

LIABILITIES:	Within 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	No Specific Maturity $	Total $
INTEREST BEARING LIABILITIES:							
Voluntary Share Capital	189,378,174	252,504,232	315,630,290	353,505,925	151,502,540	-	1,262,521,161
Savings Deposits	-	82,673,473	591,455,774	904,193,311	362,804,428	-	1,941,126,986
NON-INTEREST BEARING LIABILITIES & CAPITAL:							
External Credits	-	-	13,120,062	-	-	-	13,120,062
Payables	2,341,332	11,240,303	21,098,854	-	-	-	34,680,489
Accruals	-	-	17,292,930	-	-	-	17,292,930
Capital and Reserves	-	-	-	-	-	970,103,028	970,103,028
Total Liabilities & Capital	191,719,506	346,418,008	958,597,910	1,257,699,236	514,306,968	970,103,028	4,238,844,656
Net Liquidity Gap	565,863,023	(198,121,624)	(396,556,568)	557,510,125	232,677,309	(761,372,265.00)	-
Cumulative Liquidity Gap	565,863,023	367,741,399	(28,815,169)	528,694,956	761,372,265	-	-

<-----------------------------2017----------------------------->

	Within 1 Month $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	No Specific Maturity $	Total $
Total Assets	612,309,790	541,546,213	464,943,108	1,663,199,469	651,421,946	202,488,432	4,135,908,958
Total Liabilities & Capital	39,113,599	176,762,596	752,781,014	1,940,790,339	379,659,489	934,521,185	4,223,628,222
Net Liquidity Gap	573,196,191	364,783,617	(287,837,906)	(277,590,870)	271,762,457	(732,032,753)	(87,719,264)
Cumulative Liquidity Gap	573,196,191	937,979,807	650,141,901	372,551,031	644,313,488	(87,719,264)	-

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

b) Liquidity risk cont'd -

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

The Credit Union is subject to a liquidity limit imposed by JCCUL and compliance is regularly monitored. This limit requires the Credit Union to maintain liquid assets amounting to at least 10% of savings and deposits. The liquid asset ratio at 31st December 2018 was 30.50% (2017 32.06%) which is in compliance with the standard.

Items not carried on the statement of financial position

At 31st December 2018, the Credit Union's commitment to extend credit to its members in respect of loans approved but not yet disbursed, amounted to $14,629,199 (2017: $15,562,266).

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

The previous table summarises the net liquidity gap and the cumulative liquidity gap of the Credit Union by analysing its assets and liabilities into periodical maturity categories. Members Voluntary Shares and other Savings deposits have no contractual maturity. The amounts included in the analysis are based on management's estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

c) Market Risk

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

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

The foreign exchange rates have steadily increased over the preceding eight months and the Credit Union's exposure to market risks has therefore fluctuated as a consequence.

i) Foreign Currency Risk

Currency risk is the risk that the market value of, or the cash flows from financial instruments will vary because of exchange rate fluctuations. The Credit Union is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. Balances in foreign currency represent a minimal portion of the entire investment portfolio (2.20%) and are monitored to ensure that they provide a net positive return. These funds are held for investment purposes only. It ensures that its net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

c) Market Risk (cont'd)

i) Foreign Currency Risk (cont'd)

The Credit Union's exposure to foreign currency risk as at 31st December 2018 was:

Liquid Assets - Earning

	2018 US$	2017 US$
USD Global Bonds	185,650	185,650
USD Repos	588,236	493,738
	773,886	679,388

Sensitivity Analysis

Exchange rates in terms of Jamaican Dollars which is the Credit Union's intervening currency, were as follows:

	US$
28th February 2019	127.61
31st December 2018	125.89
31st December 2017	123.61

There was a significant foreign exchange rate movement in the United States dollar during the period December 2017 to December 2018. Over the twelve months ended 31st December 2018, the exchange rate movement for the United States dollar has shown an overall decrease of 1.85%. The Credit Union's assets held in these currencies are minimal in comparison to total assets and therefore consequential adjustments would not be considered significant.

A four percent (4.00%) (2017: 4.00%) movement in the US Dollar at 31st December 2018 would have increased/decreased surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2018.

	2018 $	2017 $
Jamaican dollar	3,897,092	3,359,106

ii) Interest Rate Risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed principally through monitoring interest rate gaps and by setting pre-approved gap ratios. The Finance and Planning Committee has oversight responsibility for the management and monitoring of interest rate risk and reports frequently to the Board of Directors on its strategies and position.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and Financial Instruments Risk Management cont'd:

c) Market Risk (cont'd)

The following table summarises the interest rate gap and the cumulative interest rate gap of the Credit Union analysing its assets and liabilities into periodical interest rate movements:

ii) Interest Rate Risk (cont'd)

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	$	$	$	$	$	$	$
ASSETS							
Earning Assets							
Liquid Assets	369,425,994	57,519,415	440,368,903	78,588,210	-	-	945,902,522
Loans to Members	343,728,436	84,389,714	19,395,685	1,490,621,151	713,612,130	-	2,651,747,116
Financial Investments	-		93,123,745	246,000,000	33,372,147	62,272,334	434,768,226
Investment Property	-	-	-	-	-	13,973,347	13,973,347
	713,154,430	141,909,129	552,888,333	1,815,209,361	746,984,277	76,245,681	4,046,391,211
Non-Earning Assets							
Liquid Assets							
Cash in hand and at bank	30,954,679	-	-	-	-	-	30,954,679
Other Assets							
Receivables	13,473,420	6,387,255	9,153,009	-	-	-	29,013,684
	44,428,099	6,387,255	9,153,009	-	-	-	59,968,363
Property, Plant & Equipment	-	-	-	-	-	81,693,082	81,693,082
Retirement Benefit Asset	-	-	-	-	-	50,792,000	50,792,000
	-	-	-	-	-	132,485,082	132,485,082
TOTAL ASSETS	757,582,529	148,296,384	562,041,342	1,815,209,361	746,984,277	208,730,763	4,238,844,656

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and Financial Instruments Risk Management cont'd:

c) Market Risk (cont'd)

ii) Interest rate risk (cont'd)

	Within 1 Month	1 to 3 Months	3 to 12 months	1 to 5 years	Over 5 Years	Non-rate Sensitive	Total
	$	$	$	$	$	$	$
LIABILITIES:							
Interest-Bearing Liabilities							
Members' Voluntary Share Capital	189,378,174	252,504,232	315,630,290	353,505,925	151,502,540	-	1,262,521,161
Savings Deposits	-	82,673,473	591,455,774	904,193,311	362,804,428	-	1,941,126,986
	189,378,174	335,177,705	907,086,064	1,257,699,236	514,306,968	-	3,203,648,147
Non Interest-Bearing Liabilities							
External credits	-	-	13,120,062	-	-	-	13,120,062
Payables	2,341,332	11,240,303	21,098,854	-	-	-	34,680,489
Accruals	-	-	17,292,930	-	-	-	17,292,930
	2,341,332	11,240,303	51,511,846	-	-	-	65,093,481
Capital and Reserves	-	-	-	-	-	965,275,214	965,275,214
TOTAL LIABILITIES AND CAPITAL	191,719,506	346,418,008	958,597,910	1,257,699,236	514,306,968	965,275,214	4,234,016,842
Net Interest Rate Gap	565,863,023	(198,121,624)	(396,556,568)	557,510,125	232,677,309	(756,544,451)	4,827,814
Cumulative Interest Rate Gap	565,863,023	367,741,399	(28,815,169)	528,694,956	761,372,265	4,827,814	9,655,628

<------------------------------2017------------------------------>

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	$	$	$	$	$	$	$
Total Assets	612,589,943	542,160,735	433,838,135	1,693,409,767	651,421,946	202,488,432	4,135,908,958
Total Liabilities & Capital	32,689,396	189,153,845	746,356,811	1,940,790,339	380,116,646	934,521,185	4,223,628,221
Net Interest Rate Gap	579,900,547	353,006,890	(312,518,675)	(247,380,572)	271,305,300	(732,032,753)	-
Cumulative Interest Rate Gap	579,900,547	932,907,437	620,388,762	373,008,190	644,313,489	(87,719,263)	(87,719,263)

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

c) Market Risk (cont'd)

ii) Interest rate risk (cont'd)

At the date of the statement of financial position, the Interest Profile of the Credit Union's interest-bearing financial instruments was:

	Interest Rate	2018	Interest Rate	2017
	%	$	%	$
Financial Assets				
Liquid Assets				
Foreign Deposits	0.85 - 2.20	29,734,217	0.85 - 2.20	28,702,756
Liquid Investments	2.00 - 5.75	916,168,305	2.00 - 5.75	851,375,153
Loans to Members	2 - 30.00	2,651,747,116	1.992 - 30.00	2,655,578,278
HTM Investments	2.50-11.00	434,768,226	2.50-11.00	347,310,756
		4,032,417,864		3,882,966,943
Financial Liabilities				
Savings Deposits	1.00 - 5.60	1,941,126,986	1.00 - 5.00	1,964,165,917
Voluntary Shares	0.50	1,262,521,161	3.50	1,247,133,471
		3,203,648,147		3,211,299,388
		828,769,717		671,667,555

Sensitivity Analysis

During the period January 2018 to December 2018, interest rates have moved downwards, with the BOJ 3-6 months deposit rates moving by approximately 33 basis points from 4.9% to 4.57%. This trend is expected to continue as the Government of Jamaica (GOJ) continues its policies of lowering of interest rates.

It should be noted that traditionally, Credit Unions do not respond as rapidly in their interest rates adjustment as other financial institutions and for certain securities the interest payment rates are fixed at the beginning of each year.

Assuming interest rate movements as set out below, surplus and equity would be affected as follows:

	Interest Rate	2018	Interest Rate	2017
	%	$	%	$
Financial Assets				
Liquid Assets				
Foreign Deposits	-	-	0.00	-
Liquid Investments	0.00	-	0.00	-
Loans to Members	-0.004	106,070	-0.004	106,223
HTM Investments	0.00	-	0.00	-
		106,070		106,223
Financial Liabilities				
Savings Deposits	1.05	20,381,833	1.05	20,623,742
Voluntary Shares	0.25	(3,156,303)	0.25	(3,117,834)
		17,225,530		17,505,908
		(17,119,461)		(17,399,685)
		(17,119,461)		(17,399,685)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Credit Union as part of its investment portfolio. The primary goal of the Credit Union's investment strategy is to maximize returns on investments and to have an appropriate asset mix.

iv) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide 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 and generally accepted standards of corporate behaviour.

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 Senior Management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentations of controls and procedures.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by the Credit Union's Regulatory Body. The results of these are discussed with the Credit Union's Management and Board of Directors.

(d) Fair Value:

Fair value amounts represent estimates of the arm’s length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(d) Fair Value (cont'd):

The following table provides an analysis of financial instruments held as at 31st December 2018 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, 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 instrument that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

	2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Available-for-sale Financial Investments	19,725,835	52,979,240	-	72,705,075

	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Available-for-sale Financial Investments	3,324,968	33,656,289	-	36,981,257

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Many of the Credit Union’s financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(d) Fair Value (cont'd):

The fair values of cash resources, other assets, other liabilities, are assumed to approximate their carrying values due to their short-term nature.

The fair value of the quoted equities is determined based on their quoted bid price at the date of the statement of financial position. The fair value of other securities is estimated by discounting the future cash flows of the securities at the estimated yields at the date of the statement of financial position for similar securities. The estimated fair values of loans to members are assumed to be the principal receivable less any allowance for loan losses.

The fair value of external credits, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature.

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Financial Assets:				
Earning				
Loans to Members	2,651,747,116	2,651,747,116	2,655,578,278	2,655,578,278
Financial Investments	434,768,226	434,768,226	347,310,756	347,310,756
Liquid Assets	945,902,522	945,902,522	880,077,909	880,077,909
Investment Property	13,973,347	13,973,347	14,386,528	14,386,528
Non-Earning				
Liquid Assets	30,954,679	30,954,679	149,561,056	149,561,056
Receivables	29,013,684	29,013,684	40,699,889	40,699,889
Financial Liabilities:				
Interest Bearing				
Savings Deposits	1,941,126,986	1,941,126,986	1,964,165,917	1,964,165,917
Members' Voluntary Shares	1,262,521,161	1,262,521,161	1,247,133,471	1,247,133,471
Non - Interest Bearing				
External Credit	13,120,062	13,120,062	14,144,768	14,144,768
Payables	34,680,489	34,680,489	50,715,780	50,715,780
Accruals	17,292,930	17,292,930	12,947,101	12,947,101

4. Financial Instruments & Financial Instruments Risk Management (cont'd):

(e) Capital Management:

In determining the Credit Union's capital base (Institutional Capital), the Institutional Capital of the acquired Credit Unions, (see below), which merged with JPS & Partners Co-operative Credit Union Limited was included. As at the dates of transfer of engagements/amalgamations, the relevant Credit Unions had Institutional Capital as stated below which comprised the following balances:

	Merger Date	Statutory Reserve	Retained Earnings Reserve	General Reserve
		$	$	$
Kirkvine Co-operative Credit Union Limited	1st Aug 2013	60,752,660	34,745,029	-
Ewarton Co-operative Credit Union Limited	1st Sept 2013	109,323,595	-	-
Collector General Co-operative Credit Union Limited	1st Oct 2016	43,481,088	10,000,000	-

5. Liquid Assets:

	2018 $	2017 $
a) Placement with Other Financial Institutions	553,442,200	781,023,112
b) Cash and Balances with JCCUL	369,425,994	76,696,512
c) JCCUL CUETS Investments	2,145,465	2,116,813
	925,013,659	859,836,437
d) Foreign Currency Deposit Account	20,888,863	20,241,472
	945,902,522	880,077,909

a) This represents 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. At 31st December 2018, the Credit Union held securities totalling $519,707,610 (2017: $446,248,786) representing Government of Jamaica debt securities as collateral for reverse repurchase agreements.

Included in these investments is an amount for $2,350,707 (2017 - $2,307,665) with respect to a Care-A-Bit Reserve Fund (Note 22d).

b) Cash and balances with the Jamaica Co-operative Credit Union League Limited represent (i) Cucash Deposits of $360,580,640 (2017: $62,096,039) which are cash management call accounts. The rules of the League stipulate that the Credit Union must invest a minimum of 2% of members' savings deposits in Cucash deposits.

Term deposits of NIL (2017: $325,658,799) held with the League are classified as held-to-maturity.

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 held in fixed deposits and 2% in Cucash deposits.

c) This represents an investment in the Jamaica Co-operative Credit Union League Limited CUETS Settlement Deposit, which is used as a security deposit for ATM transactions.

d) This represents short-term reverse repurchase agreements denominated in United States Dollar, which are collateralised by Government of Jamaica securities.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 2018
(Expressed in Jamaican Dollars unless otherwise indicated)

6. Loans To Members:

	2018 $	2017 $
Balance at the Beginning of the year	2,655,578,278	2,445,359,308
Loans Granted	1,736,904,612	1,806,772,099
	4,392,482,890	4,252,131,407
Less Repayments and Transfers	1,695,699,057	1,580,067,643
	2,696,783,833	2,672,063,764
	2,696,783,833	2,672,063,764
Less: Allowance for expected credit loss (IFRS 9) / Provision for Impairment (IAS 39)	(45,036,717)	(16,485,486)
Balance at End of Year	2,651,747,116	2,655,578,278

The profile of the loans to members are as follows:

	2018 $	2017 $
Loans to members which are not past due	2,659,646,330	2,610,519,769
Loans to members which are past due		
1 month	8,310,187	23,413,663
2-3 months	14,501,942	12,427,475
4-5 months	4,838,698	6,232,328
6-12 months	7,905,019	18,331,613
Over 12 months	1,581,657	1,138,916
	2,696,783,833	2,672,063,764
Less: Allowance for expected credit loss (IFRS 9) / Provision for Impairment (IAS 39)	(45,036,717)	(16,485,486)
	2,651,747,116	2,655,578,277

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $14,325,374 (2017: $27,551,742).

Uncollected interest not accrued in these Financial Statements on non-performing loans was estimated at $2,201,260 (2017: $3,518,507).

The fair value of collateral held as security against impaired loans was NIL (2017: $20,527,741).

The fair value of collateral held as security against loans that are past due was $20,159,735 (2017: $71,002,400).

The loans which have been renegotiated and were past due or impaired are NIL (2017: 2,314,531).

(Expressed in Jamaican Dollars unless otherwise indicated)

7. Provision for Loan Impairment:

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

	2018	2017
	$	$
Balance at the beginning of the year	17,379,986	16,675,698
Increase in Provision	37,842,682	4,761,725
Recoveries	14,629,196	14,863,743
Write-offs	(24,075,147)	(18,921,180)
Balance at the end of the year	45,776,717	17,379,986
Less Provision included for ATM fraud	(740,000)	(894,500)
	45,036,717	16,485,486

Provision for loan losses determined under JCCUL Regulatory requirements is as follows:

	<------------------------2018------------------------>				2017
	Number in Arrears	Amounts in Arrears	Rate	Loan Loss Provision	Loan Loss Provision
	#	$	%	$	$
1 month	27	8,310,187	-	-	-
2 - 3 months	28	18,217,659	10	1,821,766	1,242,747
3 - 6 months	17	4,838,698	30	1,451,609	1,869,698
6 - 12 months	35	7,905,019	60	4,743,011	10,998,968
Over 12 months	2	1,581,657	100	1,581,657	1,138,916
	109	40,853,220		9,598,044	15,250,330

	2018	2017
	$	$
Regulatory Loan Loss Provision	9,598,044	15,250,330
Less Provision based on IFRS 9 (IAS 39)	(45,036,717)	(16,485,486)
Excess of Regulatory Loan Loss Provision over IAS 39 Provision Transferred to Loan Loss Reserve	-	-

(Expressed in Jamaican Dollars unless otherwise indicated)

8. Financial investments:

	2018 $	2017 $
Held-to-Maturity		
a) JCCUL Shares - Unquoted	13,106,842	13,106,842
b) JCIA Shares - Unquoted	2,000,000	2,000,000
c) JCCUL Mortgage Bond	49,985,762	48,089,568
d) JCCUL Cu-Premium	41,137,983	39,736,101
e) JNBS Mortgage Bond	10,000,000	10,000,000
f) Government of Jamaica -Debenture	226,000,000	172,449,200
g) Government of Jamaica - Global Bonds	23,372,147	22,947,788
h) Pan Caribbean Variable Rate Bond	2,000,000	2,000,000
	367,602,734	310,329,499
Available For Sale		
i) Unit Trust	17,369,291	16,552,340
j) Shares - quoted	19,725,835	3,324,968
k) Shares - unquoted	35,609,949	17,103,949
	72,705,075	36,981,257
	440,307,809	347,310,756
Less: Allowance for expected credit losses under IFRS 9	(5,539,583)	-
	434,768,226	347,310,756

a) This represent unquoted shares held in the League. A minimum of one million (1,000,000) shares must be held with the League for the Credit Union to retain membership status.

b) This represent a 1.67% ownership of unquoted shares held in Jamaica Co-operative Insurance Agency Limited (JCIA).

c) This represent funds invested in the League's Mortgage Fund instruments. These investments are used to secure joint mortgage facilities, which are extended to the members of the

d) This represents an investment in the Jamaica Co-operative Credit Union League Limited Cu-Premium investment, maturing every three (3) years.

e) Jamaica National Building Society Mortgage bond represent fund held with this institution to secure mortgage facilities, which are extended to the members of the Credit Union.

k) This represents investment in Caribbean Cement Company, National Commercial Bank and JBG

(Expressed in Jamaican Dollars unless otherwise indicated)

9. Investment Property:

	Land	Building	Total
	$	$	$
At Cost or Valuation:			
At 31st December 2016	3,000,000	16,527,239	19,527,239
At 31st December 2017	3,000,000	16,527,239	19,527,239
At 31st December 2018	3,000,000	16,527,239	19,527,239
Accumulated Depreciation:			
At 31st December 2016	-	4,727,530	4,727,530
Charge for the Year	-	413,181	413,181
At 31st December 2017	-	5,140,711	5,140,711
Charge for the Year	-	413,181	413,181
At 31st December 2018	-	5,553,892	5,553,892
Net Book Values:			
At 31st December 2018	**3,000,000**	**10,973,347**	**13,973,347**
At 31st December 2017	3,000,000	11,386,528	14,386,528
At 31st December 2016	3,000,000	11,799,709	14,799,709

Land and Buildings at 31st December 2018 are included at deemed cost which represents the previous Jamaican GAAP revalued amount which the Credit Union elected to use under the provisions of IFRS 1, (note 3(f)). At 31st December 2013, the fair value of the property at 37 Lady Musgrave Road as appraised by The C.D. Alexander Company Realty Limited was $95,000,000.

10. Cash and Cash Equivalents:

	2018	2017
	$	$
Cash on Hand	5,301,357	12,233,467
Cash in Transit	-	79,000,000
Savings Account	20,000	20,000
Current Accounts	25,633,322	58,307,589
	30,954,679	149,561,056

11. Receivables:

	2018	2017
	$	$
Accrued Interest Income	10,835,275	17,402,378
Receivables	18,918,409	24,192,011
Less Provision for Bad Debt	(740,000)	(894,500)
	29,013,684	40,699,889

(Expressed in Jamaican Dollars unless otherwise indicated)

[illegible]

	[illegible]	[illegible]	[illegible]	[illegible]	ATM	Fence and Garden Tools	Total
	$	$	$	$	$	$	$
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,891,038	109,470	235,405,736
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,979,749	-	11,935,228
[illegible]	[illegible]	[illegible]	[illegible]	-	(3,891,038)	-	(3,891,038)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,979,749	109,470	243,449,926
[illegible]	[illegible]	[illegible]	[illegible]	-	373,324	-	8,631,042
[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	(54,930)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,353,073	109,470	252,026,038
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,945,554	109,469	131,054,017
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	460,377	-	21,116,727
[illegible]	[illegible]	[illegible]	[illegible]	-	(2,390,624)	-	(2,390,624)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15,307	109,469	149,780,120
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	403,920	-	20,605,553
[illegible]	[illegible]	[illegible]	[illegible]	-	-	-	(52,717)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	419,227	109,469	170,332,956
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,933,846	1	81,693,082
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	(3,906,345)	1	93,669,806
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,945,484	1	104,351,719

[illegible] Realty Limited on March 10, 2011 was

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Retirement Benefit Asset:

The Credit Union participates in a multi-employer pension scheme. The pension scheme up to December 31, 2016 was a defined benefit plan and is funded. Subsequent to December 31, 2016 the pension is a contributory pension scheme. The assets of the funded plan are held independently of the Credit Union's assets in separate trustee administered funds. Independent actuaries value this plan annually using the projected unit credit method. The latest actuarial valuation was carried out as

The amounts recognised in the statement of financial position are determined as follows:

	2018 $	2017 $
Present Value of funded obligations	99,021,000	96,354,000
Fair Value of plan assets	(163,204,000)	(164,064,000)
Effect of Asset Ceiling	13,391,000	25,366,000
Asset in the Statement of Financial Position	(50,792,000)	(42,344,000)

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

	2018 $	2017 $
Current service cost	3,624,000	4,691,000
Interest cost	7,129,000	9,509,000
Expected return on plan assets	(12,694,000)	(13,995,000)
Interest on effect of Asset Ceiling	2,029,000	-
Past Service Cost	-	253,000
Administrative Expenses	726,000	815,000
Pension Expense	814,000	1,273,000

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

	2018 $	2017 $
Net Asset at beginning of year	(42,344,000)	(47,494,000)
Pension Expense	815,000	1,273,000
Re-measurements included in OCI	(5,557,000)	8,582,000
Contributions Paid	(3,705,000)	(4,704,000)
Closing Net Asset at End of Year	(50,792,000)	(42,344,000)

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Retirement Benefit Asset - (cont'd):

The principal actuarial assumptions used in valuing the plan were as follows:

	2018	2017
Discount Rate	7.00%	8.00%
Future Salary Increases	5.00%	6.00%
Future Pension Increases	2.50%	2.50%

The five year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

	2014 $	2015 $	2016 $	2017 $	2018 $
Fair Value of Plan Assets	85,873,000	142,827,000	163,209,000	164,064,000	163,204,000
Defined Benefit Obligation	55,886,000	102,105,000	115,715,000	96,354,000	99,021,000
Surplus	141,759,000	244,932,000	278,924,000	260,418,000	262,225,000
Experience adjustments-					
Fair Value of Plan Assets	5,472,000	8,334,000	2,617,000	3,098,000	(2,057,000)
Defined Benefit Obligation	(4,452,000)	(2,375,000)	(3,055,000)	(17,612,000)	(2,548,000)

14. Members' Voluntary Shares

	2018 $	2017 $
Balance at Beginning of Year	1,247,133,471	1,205,920,424
Balance as at 1st October-CG Cooperative Credit Union Ltd	-	-
	1,247,133,471	1,205,920,424
Add Amount subscribed	1,676,031,611	184,964,159
Add Amount subscribed -CG Cooperative Credit Union Ltd	-	-
	2,923,165,082	1,390,884,583
Less Withdrawals and Transfers	1,660,643,921	143,751,112
Balance at End of Year	1,262,521,161	1,247,133,471

(Expressed in Jamaican Dollars unless otherwise indicated)

15. Savings Deposits:

	2018	2017
	$	$
a) On Call	41,202,467	40,669,108
a) Easy Access Deposits	41,484,676	39,245,084
	82,687,143	79,914,192
b) Special Deposits	519,811,284	511,486,322
c) Life Long Savings	304,087,925	325,889,542
d) Fixed Deposits	904,193,311	932,897,929
e) Mortgage Deposits	4,981,637	4,015,589
f) Loan Savings	9,358	4,262
g) Partner Plan Savings	35,322,920	30,379,065
h) Golden Harvest Savings Deposits	57,478,369	53,744,075
i) Christmas Savings	214,015	603,469
j) Motor Insurance Savings	31,116,559	25,231,472
k) Members Mortgage	1,224,465	-
	1,941,126,986	1,964,165,917

	2018	2017
a) On Call & Easy Access Deposits		
Balance at 1st January	79,914,192	90,534,724
Add Deposits	1,071,143,568	853,324,246
	1,151,057,760	943,858,970
Less Withdrawals & Transfers	1,067,144,251	863,944,778
Balance at end of year	83,913,509	79,914,192

a) On Call & Easy Access Deposits

These are regular or ordinary deposits used primarily for standing order payments or assisting members to gain access through the ATM Banking Facility. No interest is paid on these accounts.

b) Special Deposits

Special deposits are for varying periods up to 365 days for which interest is paid at rates of between 1.0% and 2.5% per annum.

c) Life Long Savings

Life Long Saving Deposits are for a minimum of five (5) years for which interest is paid at rates of between 2.75% and 4.65% per annum.

d) Fixed Deposits

These represents amounts placed for fixed period at fixed rates of between 2.10% and 3.50% per

(Expressed in Jamaican Dollars unless otherwise indicated)

15. Savings Deposits - (cont'd):

e) Mortgage Deposits
These represent deposits by members who access Mortgage and Home Equity loans. They are required to make monthly deposits to this account until the loan is repaid. Payments are made on behalf of the members for peril insurance and life insurance when due.

f) Loan Savings

These represent compulsory savings for the Motor Vehicle Plus loan facility. Interest is charged at a fixed rate of 2% per annum.

g) Partner Plan Savings

These are savings by members towards their short-term goals. It ranges from a minimum period of 16 weeks to a maximum of 48 weeks. Bonuses are paid according to the period of the savings.

h) Golden Harvest Savings Deposits

The Golden Harvest Saving Deposit account allows the member to save towards a goal while insuring the amount of their goal. Fixed amount deposits are made monthly and earn interest at a rate of 4.15% per annum.

i) Christmas Savings

These are savings by members and staff towards Christmas Expenses and the Education of their children. Interest is paid at 5% per annum.

j) Motor Insurance Savings

These represent compulsory savings for members who have motor vehicle loans. Members are not permitted to access these funds until the loan is cleared and also works as a "cushion" to minimize the loss should the account falls in arrears.

k) These represent an escrow account for members who have received a mortgage through the Credit Union.

16. External Credits:

	2018	2017
	$	$
a) JPS $2 Million Housing Loan	130,292	130,292
b) JPS Computer Loan	4,000,000	4,000,000
c) JPS Education Loan	3,016,705	4,892,035
d) Private Power Operations Loan	1,248,605	459,877
e) Ja Energy Partners Loan Scheme	4,724,460	4,662,564
	13,120,062	14,144,768

a) JPS $2 Million Housing Loan
This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to assist them in the acquisition of property, repairs and construction of homes. The maximum available is $200,000 at an interest

b) JPS Computer Loan
This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to purchase computers. The maximum available is $100,000 at an interest rate of 12% repayable over 24 months.

(Expressed in Jamaican Dollars unless otherwise indicated)

16. External Credits (cont'd):

c) JPS Education Loan
This facility was entered into with the Jamaica Public Service Company Limited, for their employees who are members of the Credit Union , to assist with back to school expenses for their children.

d) Private Power Operations Loan

The Jamaica Private Power Company Limited provided an initial $2,000,000 for this revolving loan facility for its staff members for a maximum loan amount of $200,000 per member repayable over 24 months. Selection of persons eligible for this loan is done by the management of the company and sent to the Credit Union for evaluation and processing.

e) Jamaica Energy Partners Loan Scheme

The Jamaica Energy Partners provided an initial $1,500,000 for this loan facility for its staff members. The maximum amount of loan available per member is $150,000 repayable over 24 months. Selection of persons eligible for this loan is done by the management of the company and sent to the Credit Union for evaluation and processing.

17. Payables:

	2018 $	2017 $
Withholding Tax	7,154,888	22,318,430
Statutory Contributions	3,159,875	1,725,818
Cuets ATM Settlement	2,591,084	(4,816,625)
Other	15,397,606	17,723,916
	28,303,453	36,951,539
Interest Payable	6,377,036	13,764,241
	34,680,489	50,715,780

18. Deferred Income

	2018 $	2017 $
Injection for IFRS 9 Implementation	4,827,814	-
Current year cost for implementation of IFRS 9:		
Depreciation charge for upgrade of computer software	-	-
	4,827,814	-

This represents an injection by JCCUL to offset the cost of IFRS 9 implementation

19. Members' Permanent Share Capital:

	2018 $	2017 $
Balance at Beginning of Year	74,735,286	74,144,785
Amount Subscribed in current year	278,656	590,501
	75,013,942	74,735,286

Each member must hold a minimum of One Thousand Dollars ($1,000) in Permanent Shares and One Thousand Dollars ($1,000) Voluntary Shares.

(Expressed in Jamaican Dollars unless otherwise indicated)

20. Non-Institutional Capital:

	2018 $	2017 $	
Capital/Revaluation Reserves (Unrealised)	17,191,673	17,191,673	
Other Non-Qualifying Reserves (Note 22)	65,294,757	79,761,863	
Retirement Benefit Reserves (Note 13)	50,792,000	42,344,000	
Undistributed Net Income (Page 7)	65,690,439	43,519,885	*
	198,968,869	182,817,421	

*** Restatement**

This item have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

21. Institutional Capital:

	2018 $	2017 $	
Revenue Reserve	44,230,207	44,230,207	
Business Combination Reserve	297,610,477	297,610,477	
Statutory & Legal Reserves (Note 23)	349,451,719	335,127,794	*
	691,292,403	676,968,478	

The Revenue Reserves are being set aside, in addition to Statutory and Legal Reserves as set out in Article XIV Rule 66, in order to strengthen the Capital base of the Credit Union. These reserves are not available for distribution.

Institutional Capital forms a part of the permanent capital of the Credit Union and is not available for distribution.

Statutory and Legal Reserves:

The statutory and legal reserves are reserves which are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of the net income before honoraria be carried to a reserve fund. A Registered Society may apply to the Registrar to allow the required percentage to be reduced but not below 10%.

Business Combination Reserve:

The business combination reserve is a reserve arising on the merger of two or more co-operatives and is not available for distribution. It is being retained to maintain the capital base of the Credit Union.

Retained Earnings Reserves:

These reserves represent the appropriations by members at the Annual General Meetings to be set aside for strengthening the capital base of the Credit Union.

*** Restatement**

This item have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

(Expressed in Jamaican Dollars unless otherwise indicated)

22. Appropriations:

	2018	2017
	$	$
Scholarship Fund	1,105,927	1,200,000
IFRS 9 Provision	36,831,122	-
Youth Programming	-	750,000
Software Reserve	-	750,000
Redemption Reserve	5,000,000	-
Care-A-Bit Reserve	-	750,000
Building Reserve	-	3,613,009
Organisational Alignment	-	8,000,000
Permanent Shares	-	7,362,354
	42,937,049	22,425,363

23. Other Non-qualifying Reserves:

	2018	2017
	$	$
a) General Reserve	11,866,364	26,357,762
b) Scholarship Fund	(61,208)	1,270,365
c) Youth Programme Reserve	2,203,500	2,403,500
d) Care-A-Bit Reserve	3,281,209	3,311,209
e) Software Reserve	14,150,365	16,850,000
f) Redemption Reserve	4,285,500	-
f) 60th Anniversary Celebration	3,326,951	3,326,951
g) Building Reserve	15,613,009	15,613,009
h) Organisational Alignment	10,629,067	10,629,067
	65,294,757	79,761,863

a) **General Reserve**
This Reserve is used for any general assistance as the Credit Union approves.

b) **Scholarship Fund**
This Fund was established to assist members children who qualified for assistance for education after successfully completing the GSAT examinations. The Albert Morris Scholarship is also facilitated from this reserve to a member or member's child who has been accepted to attend a recognised local university to pursue a course in business or computer studies and covers tuition for three years. The scholarship is also available to eligible persons selected to pursue an undergraduate degree in engineering at The University of Technology, Jamaica (UTECH).

c) **Youth Programme Reserve**
This Reserve is used to provide assistance for the advancement of the Credit Union's youth through the staging of various events.

d) **Care-A-Bit Reserve**
This is used to assist members who suffer major illnesses or are affected by natural

e) **Software Reserve**
This reserve is to be used for any major purchases or upgrade of software.

f) **Redemption Reserve**
This reserve is to be used for the purchase or sale of shares to or from members.

(Expressed in Jamaican Dollars unless otherwise indicated)

23. Other Non-qualifying Reserves - Cont'd:

f) **60th Anniversary Celebration**

This amount was set aside from the surplus for the commemoration of the sixtieth (60) anniversary of the Credit Union.

g) **Building Reserve**

This reserve is intended to be used for the construction of a new office building at Lady Musgrave Road, in Kingston.

h) **Organisational Alignment**

This reserve will be used in organisational re-alignment, for staff cost.

24. Statutory & Legal Reserves:

	2018	2017	
	$	$	
Balance at Beginning of Year	335,127,794	330,931,707	
Entrance Fees	-	-	
20% of Net Income before honoraria	14,323,925	4,196,087	*
Balance at End of Year	349,451,719	335,127,794	

*** Restatement**

This item have been restated to effect a 10% transfer of Net Income for the year before honoraria instead of 20% as approved by the Registrar of Co-Operatives and Friendly Societies.

25. Other Financial Costs:

	2018	2017
	$	$
Life Savings & Loan Protection Insurance	13,471,066	13,789,566
Bond Insurance	2,236,401	1,940,680
Others	(1,652,293)	1,577,140
	14,055,174	17,307,386

26. Non-Interest Income - Other:

	2018	2017
	$	$
Miscellaneous	4,242,925	9,013,200
Other Fees & Charges	9,071,138	9,174,276
Gain/(Loss) on Foreign Exchange	1,069,573	(2,021,121)
CUETS Income	28,652	41,530
FIP Income	2,532,711	-
Under-accrued Income from Prior Year	-	573,712
	16,944,999	16,781,597

27. Operating Expenses:

i. **Personnel Expenses:**

	2018	2017
	$	$
Employee Salaries & Allowances	100,762,357	105,385,304
Employee Benefits	21,460,095	19,479,398
Education & Training	2,212,454	1,797,689
Gratuity	831,043	620,741
Lunch Subsidy	6,337,550	6,352,200
Staff Travel & Related Expenses	3,666,201	5,487,850
Retirement Benefit Expenses	4,768,499	5,292,371
	140,038,199	144,415,553

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Operating Expenses (cont'd):

i. **Personnel Expenses:**

The number of persons employed at 31st December 2018 was twenty-nine (29) full-time and seventeen (17) part-time (2017 - twenty-nine (29) full-time and seventeen (17) part-time).

ii. **Administrative Expenses:**

	2018	2017
	$	$
Depreciation & Amortisation	21,018,733	21,591,314
Auditors Remuneration	4,200,456	3,750,067
Electricity	5,484,303	5,556,513
Repairs & Maintenance	6,869,026	7,367,413
Telecommunications	5,760,973	6,542,448
Printing, Stationery & Supplies	5,085,571	9,637,463
Insurance Premiums	4,608,677	4,481,102
Easy Access Expense	408,591	386,869
Professional & Consulting Fees	2,042,376	2,816,463
Postage	592,351	997,785
Security	13,274,331	10,869,096
Subscriptions	101,323	256,572
Computer Expenses	21,557,898	22,620,361
Rental Expense	1,686,593	1,537,662
Loss on Disposal of Fixed Asset	2,212	1,499,117
Other Administrative Expenses	4,199,992	4,732,526
Penalty and Interest	-	416
Internal Audit Expense	4,591,945	4,263,224
Members' Refreshment	3,683,542	6,641,975
	105,168,893	115,548,386

iii. **Marketing & Promotion Expenses:**

	2018	2017
	$	$
Publicity & Promotion	8,400,540	2,440,626
Public Relations	439,426	724,050
	8,839,966	3,164,676

iv. **Representation & Affiliation Expenses:**

	2018	2017
	$	$
League & Other Dues	13,992,954	14,130,214
Seminars & Meetings	7,248,194	8,479,708
Annual General Meeting	6,044,422	6,564,075
	27,285,570	29,173,997
Total Operating Expenses	281,332,628	292,302,612

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Comparison of Ledger Balances:

	Voluntary Shares	*Savings Deposits*	*Loans*
	$	$	$
General Ledger	1,262,521,161	1,941,126,986	2,696,783,838
Personal Ledger	1,262,521,161	1,941,126,986	2,696,783,838
Difference at 31st December 2018	-	-	-
Difference at 31st December 2017	26,847	(25,281)	(32,062)

29. Related Party Transactions and Balances:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

29. Related Party Transactions and Balances - cont'd:

At 31st December 2018, eleven (11) members of the Credit Union's Board of Directors and ten (10) Committee Members had savings of $2,040,442 and loans including interest totalling $35,404,422.

Credit Union Staff of forty-seven (47) employees had savings of $15,102,03 and loans including interest totalling $77,796,039. No waivers were granted to staff members or volunteers during the year. At 31st December 2018, all loans owing by Directors, Committee Members, Staff and Connected Parties were being repaid in accordance with their loan agreements.

Key management remuneration for the year was $28,080,737 (2017: $32,336,197,) and comprises the General Manager, the Chief Accountant, the Operations Manager, the Compliance Manager, the Credit Manager, Treasury/Marketing Manager, Human Resource Manager and the Branch Managers for Ewarton, Kirkvine and Ocean Boulevard.

Directors are appointed on a voluntary basis and are not remunerated.

30. Life Savings and Loan Protection Insurance:

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

31. Fidelity Insurance:

Fidelity Insurance coverage was adequately maintained during the year.

32. Comparative Information:

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

33. ATM Fraud:

Between July and December 2014, a malfunction in the automated teller machine (ATM) system allowed some members to withdraw amounts in excess of their available balances. All but three of the affected members subsequently entered into repayment arrangements with the Credit Union. Legal action was brought against these three members, whereby a full provision of $740,000 was been made. Judgement was handed down in favour of the Credit Union however, these three members have not settled with the Credit Union as at the 31st of December 2018.

As at the 31st of December 2018, the amount collected from those members who entered into a repayment arrangement totalled Nil.

JPS & PARTNERS
CO-OPERATIVE CREDIT UNION LTD.
Your Financial Partner For Life

65¾ HALF WAY TREE RD.
KINGSTON 10
Tel: 968-3700

EWARTON WORKS
ST. CATHERINE
Tel: 903-5081

KIRKVINE
KIRKVINE WORKS
MANCHESTER
Tel: 961-7656

12 OCEAN BOULEVARD
OFFICE CENTRE BUILDING
SUITE #19, KINGSTON
Tel: 967-9592 / 922-4376

Toll Free: **888.991.4304** • Email: **jpscreditunion@jpscu.com** • **www.jpscu.com**

JPS & Partners Co-operative Credit UNion

Editorial Team: **Joydene Jarrett, Natalie Murray, Zurie Johnson**