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JPS & Partners Co-Operative Credit Union Limited
Financial Statements
for the year ended
31st December 2020

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

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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 ("the Credit Union") which comprise the statement of financial position as at 31st December 2020, the statement of comprehensive income, statements of changes in equity, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union, in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with 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	**Our procedures in this area includes the following:**
IFRS 9 was implemented by the Credit Union on January 1, 2018. The adopted standard is new and complex and requires the Credit Union to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make 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.	▪ Obtaining an understanding of the models used by the Credit Union 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 underlying 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	**Our procedures in this area includes the following:**
Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of material misstatement. We therefore determined that impairment on loans receivable and investment securities has a high degree of estimated uncertainty. In addition, disclosure regarding the Credit Union's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and material inputs to the IFRS 9 ECL results.	▪ Evaluation of the appropriateness of the Credit Union's impairment methodology including (SICR) criteria presented. ▪ Assessment of the assumptions for probability of default, loss given default and exposure at default. ▪ Assessment of the adequacy of the disclosure of the key assumption and judgments as well as the details of transition adjustment for compliance with IFRS 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.

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)

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

Management is responsible for maintenance of adequate accounting records in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act, and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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.

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)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit of the financial statements of the Credit Union of which we are the independent auditors.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Crowe Horwath Jamaica

Crowe Horwath Jamaica

47-49 Trinidad Terrace
Kingston 5
Jamaica

May 14, 2021

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $	Restated 2019 $	Restated 2018 $	
ASSETS:					
EARNING ASSETS:					
Liquid Assets	5	1,300,842,376	929,704,937	945,902,522	
Loans to Members after Provision for Impairment	6 / 7	2,773,693,912	2,868,739,224	2,651,747,116	
Financial Investments	8	363,128,209	369,372,503	434,768,226	*
Investment Property	9	270,600,000	277,000,000	13,973,347	
Total Earning Assets		4,708,264,497	4,444,816,664	4,046,391,211	
NON-EARNING ASSETS:					
Liquid Assets					
Cash and Cash Equivalents	10	63,615,327	54,765,977	30,954,679	
Other Assets					
Receivables	11	29,527,729	24,917,238	29,013,684	
Total Non-Earning Assets		93,143,056	79,683,215	59,968,363	
Property, Plant & Equipment	12	307,595,802	301,141,426	81,693,082	
Retirement Benefit Asset	13	55,878,000	57,184,000	50,792,000	
		363,473,802	358,325,426	132,485,082	
TOTAL ASSETS		5,164,881,355	4,882,825,305	4,238,844,656	
LIABILITIES:					
INTEREST BEARING LIABILITIES:					
Members' Voluntary Shares	14	1,418,382,955	1,318,621,641	1,262,521,161	
Savings Deposits	15	2,094,077,107	2,009,065,912	1,941,126,986	
Total Interest Bearing Liabilities		3,512,460,062	3,327,687,553	3,203,648,147	
NON-INTEREST BEARING LIABILITIES:					
External Credits	16	12,141,705	11,522,960	13,120,062	
Payables	17	31,033,159	29,396,051	34,680,489	
Accruals		18,565,223	7,300,594	17,292,930	*
Deferred Income	18	5,166,977	4,172,977	4,827,814	
Total Non Interest Bearing Liabilities		66,907,064	52,392,582	69,921,295	
EQUITY:					
Members' Permanent Share Capital	19	62,932,108	62,706,908	62,306,106	*
Non-Institutional Capital	20	771,111,871	714,590,962	198,968,869	
Institutional Capital	21	751,470,250	725,447,300	704,000,239	*
Total Capital		1,585,514,228	1,502,745,170	965,275,214	
TOTAL LIABILITIES AND EQUITY		5,164,881,355	4,882,825,305	4,238,844,656	

* Restatement - Refer to Statement of Changes to Equity Summary.

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON May 14, 2021 **AND SIGNED ON IT'S BEHALF BY:**

Mr Donovan Cunningham
PRESIDENT

Ms Deborah Campbell
TREASURER

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2020 $	2019 $
INTEREST INCOME:			
Liquid Assets		26,639,114	19,144,017
Loans to Members		355,665,416	346,572,333
Financial Investments		17,925,063	30,824,379
		400,229,593	396,540,729
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares		(19,605,953)	(15,819,061)
Savings Deposits		(39,758,076)	(52,608,854)
Other Financial Costs	25	(16,461,595)	(17,117,351)
		(75,825,624)	(85,545,266)
NET INTEREST INCOME		324,403,969	310,995,463
Increase in ECL Provision	7	(6,326,957)	(11,008,555)
Decrease in Provision for Investment Impairment		-	2,539,344
NET INTEREST INCOME AFTER PROVISION		318,077,012	302,526,252
NON-INTEREST INCOME			
Rental - investment property		9,169,833	8,491,323
Net Fee Income		24,576,888	26,654,371
Other	26	21,585,562	26,348,434
GROSS INCOME		373,409,295	364,020,380
Less Operating Expenses	27	(293,294,544)	(306,785,076)
NET INCOME BEFORE HONORARIA		80,114,751	57,235,304
Honoraria Payment		(3,000,000)	(3,000,000)
NET INCOME AFTER HONORARIA		77,114,751	54,235,304
OTHER COMPREHENSIVE INCOME			
Items that will never be classified to Profit or Loss:			
Revaluation Gain on Lands and Buildings		17,344,944	494,229,424
Pension (Expense) / Income	13	(3,535,000)	3,824,000
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA		90,924,695	552,288,728

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY - SUMMARY
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

		Members' Permanent Share Capital	Non-Institutional Capital	Institutional Capital	Total
		$	$	$	$
	Balance at 31st December 2018 as previously stated	**75,013,942**	**198,968,869**	**691,292,403**	**965,275,214**
*	Permanent Share reclassification	(12,707,836)	-	12,707,836	-
	Restated Balance at 31st December 2018	62,306,106	198,968,869	704,000,239	965,275,214
	Pension Income	-	3,824,000	-	3,824,000
	Revaluation Gain on Land and Buildings	-	494,229,424	-	494,229,424
	Scholarship Fund	-	1,690,240	-	1,690,240
	Youth Programme Reserve	-	(5,000)	-	(5,000)
	Care-a-bit Reserve	-	562,278	-	562,278
	Software Reserve	-	3,155,152	-	3,155,152
	Redemption Reserves	-	(586,624)	-	(586,624)
	Appropriations of Net Surplus for 2018				
	Dividends on Permanent Shares	-	(16,390,550)	-	(16,390,550)
	Care-a-bit Reserve	-	(750,000)	-	(750,000)
	Scholarship Fund	-	(4,000,000)	-	(4,000,000)
	Software Reserve	-	(3,155,152)	-	(3,155,152)
	Transfer from Non-Institutional to Institutional Capital		(10,000,000)	10,000,000	-
	Net Income after Honoraria	-	54,235,304	-	54,235,304
	Transfer of 20% of Net Income for the year before honoraria	-	(11,447,061)	11,447,061	-
	Amount Subscribed during year	400,802	-	-	400,802
	Balance at 31st December 2019	**62,706,908**	**710,330,880**	**725,447,300**	**1,498,485,088**

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY SUMMARY - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

		Members' Permanent Share Capital	Non-Institutional Capital	Institutional Capital	Total
		$	$	$	$
	Balance at 31st December 2019 as previously reported	**62,706,908**	**710,330,880**	**725,447,300**	**1,498,485,088**
**	Restatement of funds accrued for bonus of 2019	-	1,259,842	-	1,259,842
***	Reversal of Investment provision	-	3,000,240	-	3,000,240
	Balance at 31st December 2019 as restated	**62,706,908**	**714,590,962**	**725,447,300**	**1,502,745,170**
	Pension Expense	-	(3,535,000)	-	(3,535,000)
	Revaluation Gain on Land and Buildings	-	17,344,944	-	17,344,944
	Scholarship Fund	-	(2,575,454)	-	(2,575,454)
	Care-a-bit Reserve	-	(492,912)	-	(492,912)
	Software Reserve	-	(701,580)	-	(701,580)
	Redemption Reserves	-	(477,705)	-	(477,705)
	Appropriations of Net Surplus for 2019				
	Dividends on Permanent Shares	-	(4,133,185)	-	(4,133,185)
	Transfer from Non-Institutional to Institutional Capital		(10,000,000)	10,000,000	-
	Net Income after Honoraria	-	77,114,751	-	77,114,751
	Transfer of 20% of Net Income for the year before honoraria	-	(16,022,950)	16,022,950	-
	Amount Subscribed during year	225,200	-	-	225,200
	Balance at 31st December 2020	**62,932,108**	**771,111,871**	**751,470,250**	**1,585,514,229**

* Funds were previously allocated to Permanent Share Reserve now correctly allocated to the Retained Earnings.

** Restatement to correct the overstatement of bonus accrued for in the prior year.

*** Reversal of investment provision to reflect the provisions of the IFRS 9, whereby investments recorded at Fair Value Through Profit and Loss (FVTPL) are not subject to Expected Credit Losses (ECL).

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020
NON-INSTITUTIONAL CAPITAL
(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 2018 as previously reported	**17,191,673**	**65,294,757**	**50,792,000**	**65,690,439**	**198,968,869**
Net Income after Honoraria	-	-	-	54,235,304	54,235,304
Other Comprehensive Income					
Revaluation Gain on Lands and Buildings	494,229,424	-	-	-	494,229,424
Pension Income	-	-	3,824,000	-	3,824,000
Total Comprehensive Income for the Year after Honoraria	494,229,424	-	3,824,000	54,235,304	552,288,728
Transactions with Owners					
Scholarship Fund	-	(2,309,760)	-	-	(2,309,760)
Youth Programme Reserve	-	(5,000)	-	-	(5,000)
Care-a-bit Reserve	-	(187,722)	-	-	(187,722)
Software Reserve	-	(2,699,635)	-	2,699,635	-
Redemption Reserve	-	(586,624)	-	-	(586,624)
Appropriations of Net Surplus for 2018					
Dividends on Permanent Shares	-	-	-	(16,390,550)	(16,390,550)
Care-a-bit Reserve	-	750,000	-	(750,000)	-
Scholarship Fund	-	4,000,000	-	(4,000,000)	-
Organisational Alignment	-	20,000,000	-	(20,000,000)	-
Software Reserve	-	3,155,152	-	(3,155,152)	-
Institutional Capital	-	-	-	(10,000,000)	(10,000,000)
Increase in Retirement Benefit Reserve	-	-	2,568,000	(2,568,000)	-
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(11,447,061)	(11,447,061)
Total Transactions with Owners	-	22,116,411	2,568,000	(65,611,128)	(40,926,717)
Balance at 31st December 2019	**511,421,097**	**87,411,168**	**57,184,000**	**54,314,615**	**710,330,880**

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020
NON-INSTITUTIONAL CAPITAL - CONT'D

(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 2019 as previously stated	**511,421,097**	**87,411,168**	**57,184,000**	**54,314,615**	**710,330,880**
* Restatement of funds accrued for bonus of 2019	-	-	-	1,259,842	1,259,842
** Reversal of Investment provision	-	-	-	3,000,240	3,000,240
Balance at 31st December 2019 as restated	**511,421,097**	**87,411,168**	**57,184,000**	**58,574,697**	**714,590,962**
Net Income after Honoraria	-	-	-	77,114,751	77,114,751
Other Comprehensive Income					
Revaluation Gain on Lands and Buildings	17,344,944	-	-	-	17,344,944
Pension Expense	-	-	(3,535,000)	-	(3,535,000)
Total Comprehensive Income for the Year after Honoraria	17,344,944	-	(3,535,000)	77,114,751	90,924,695
Transactions with Owners					
Scholarship Fund	-	(2,575,454)	-	-	(2,575,454)
Care-a-bit Reserve	-	(492,912)	-	-	(492,912)
Software Reserve	-	(701,580)	-	-	(701,580)
Redemption Reserve	-	(477,705)	-	-	(477,705)
Appropriations of Net Surplus for 2019					
Dividends on Permanent Shares	-	-	-	(4,133,185)	(4,133,185)
Care-a-bit Reserve	-	736,425	-	(736,425)	-
Scholarship Fund	-	1,945,968	-	(1,945,968)	-
Organisational Alignment	-	23,780,455	-	(23,780,455)	-
Branch Office Upgrade	-	2,000,000	-	(2,000,000)	-
Institutional Capital	-	-	-	(10,000,000)	(10,000,000)
Increase in Retirement Benefit Reserve	-	-	2,229,000	(2,229,000)	-
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(16,022,950)	(16,022,950)
Total Transactions with Owners	-	24,215,197	2,229,000	(60,847,983)	(34,403,786)
Balance at 31st December 2020	**528,766,041**	**111,626,365**	**55,878,000**	**74,841,465**	**771,111,871**

* Restatement to correct the overstatement of bonus accrued for in the prior year.

** Reversal of investment provision to reflect the provisions of the IFRS 9, whereby investments recorded at Fair Value Through Profit and Loss (FVTPL) are not subject to Expected Credit Losses (ECL).

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020
INSTITUTIONAL CAPITAL
(Expressed in Jamaican Dollars unless otherwise indicated)

	Business Combination Reserve	Statutory & Legal Reserves	Revenue Reserves	Total
	$	$	$	$
Balance at 31st December 2018 as previously reported	**297,610,477**	**349,451,719**	**44,230,207**	**691,292,403**
* Permanent Share reclassification	-	-	12,707,836	12,707,836
Restated Balance at 31st December 2018	**297,610,477**	**349,451,719**	**56,938,043**	**704,000,239**
Appropriation from Non-Institutional Capital	-	10,000,000	-	10,000,000
Transfer of 20% of Net Income for the year before Honoraria	-	11,447,061	-	11,447,061
Balance at 31st December 2019	**297,610,477**	**370,898,780**	**56,938,043**	**725,447,300**
Appropriation from Non-Institutional Capital	-	10,000,000	-	10,000,000
Transfer of 20% of Net Income for the year before Honoraria	-	16,022,950	-	16,022,950
Balance at 31st December 2020	**297,610,477**	**396,921,730**	**56,938,043**	**751,470,250**

* Funds were previously allocated to Permanent Share Reserve now correctly allocated to the Retained Earnings.

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

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	2020	2019
	$	$
Cash flows from Operating Activities:		
TOTAL COMPREHENSIVE INCOME	90,924,695	552,288,728
Non- cash items included in income		
Depreciation - Property, Plant and Equipment & Investment Property	23,013,130	22,327,852
Revaluation Gain on Properties	(17,344,944)	(494,229,424)
Retirement Benefit Asset	1,306,000	(6,392,000)
Loss on Disposal of Property, Plant & Equipment	-	42,315
Provision for Loan Impairment	(4,375,466)	810,293
Interest Income	(400,229,593)	(396,540,729)
Interest Expense	59,364,029	68,427,915
	(247,342,149)	(253,265,050)
(Decrease)/Increase in Operating Assets		
Other Assets	(78,347)	1,198,857
(Decrease)/Increase in Operating Liabilities		
Accruals	11,264,629	(8,732,494)
External Credit	618,745	(1,597,102)
Payables	4,966,255	(4,070,464)
Cash used in Operations	(230,570,867)	(266,466,253)
Interest Received	395,697,448	399,438,318
Interest Paid	(62,693,176)	(69,641,889)
Net Cash Provided by Operating Activities	102,433,405	63,330,176
Cash Flows from Investing Activities:		
Loans to Members	99,420,778	(217,802,401)
Financial Investments	6,244,294	68,395,963
Additions to Property, Plant and Equipment	(5,722,561)	(10,615,740)
Net Cash Provided by/(used in) Investing Activities	99,942,511	(160,022,178)
Cash Flows from Financing Activities:		
Savings Deposits	85,011,195	67,938,926
Members' Voluntary Shares	99,761,314	56,100,480
Subscription to Permanent Shares	225,200	400,802
Dividend Paid	(4,133,185)	(16,390,550)
Scholarship Reserve	(2,575,454)	(2,309,760)
Youth Programme	-	(5,000)
Redemption Reserve	(477,705)	(586,624)
Care-A-Bit Reserve	(492,912)	(187,722)
Software Reserve	(701,580)	-
Deferred Income	994,000	(654,837)
Net Cash Provided by Financing Activities	177,610,873	104,305,715
Increase in Liquid Assets	379,986,789	7,613,713
Liquid Assets at Beginning of Year	984,470,914	976,857,201
Liquid Assets at End of Year	**1,364,457,703**	**984,470,914**
Liquid Assets - Earning	1,300,842,376	929,704,937
Liquid Assets - Non-Earning	63,615,327	54,765,977
	1,364,457,703	**984,470,914**

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

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, National Energy Solutions Limited (NESoL), 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), Ocean Boulevard (Kingston) and Port Esquivel (St. Catherine).

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'

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:-

Definition of Material (Amendments to IAS 1 and IAS 8) (Effective 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.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (Effective January 2020)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

(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 operations and has determined that none of these are likely to have an effect on the 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 Estimate 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 contractual terms of the financial assets are solely 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 fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. The likelihood 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 follows;

- 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;
- Establishing 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 the 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 experienced 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 (FVTPL):* 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 instruments 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 and defined contribution 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. A defined contribution plan is a plan whereby fixed contributions are paid into the fund but there is no legal or constructive obligation to make further payments if the fund does not have sufficient assets to pay all of the employees' entitlements to post-employment benefits.

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.

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 Generally Accepted Accounting Principles (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. Rates for respective categories are as follows:

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 has 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-impaired is referred to as Stage 2 financial instruments.

At each reporting date, the Credit Union assesses whether the financial assets carried at amortised cost are credit-impaired (referred to as Stage 3 financial assets).

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 adopted consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about their 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.

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% (2019 - 0.2%) of total assets. Stabilisation dues are fixed at a rate of 0.15% (2019 - 0.15%) of total savings.

(q) Interest Income and Expense:

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments on an accruals 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

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 accruals 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 15.76% (2019: 16.14%) 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 entity deemed acquiree.

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.

COVID 19

The COVID 19 virus developed in China in late 2019, and evolved into to a worldwide pandemic by the first quarter of 2020. On March 11, 2020 The World Health Organisation declared the Novel Coronavirus (COVID 19) outbreak a pandemic. Measures taken by the Government of Jamaica (GOJ) to contain the virus have affected the economic activities of Jamaica and have affected the operations of the Credit Union.

Based on information from the World Health Organization (WHO) and local regulators, it is expected that with the release of the COVID 19 vaccine the Jamaican economy will turnaround by the end of the next fiscal year.

The membership of the Credit Union is largely comprised of employees from essential services. Although there is no guarantee for continuous employment, the Credit Union continues to maintain a Memorandum of Understanding with all sponsor companies for the receipt of lump sum payments in the event that there is cessation of business or separation of employment.

Measures Implemented by Management

In response to the pandemic, and to further strengthen the Credit Union's infrastructure, the Management Team focused on a risk approach for the monitoring, controlling and mitigating against the possible threats on operations. The following were implemented:

i) *Liquidity Risk*

Release and centralisation of liquidity, whilst monitoring counter party risks. The methodology applied was to ensure optimisation of cash surpluses based on net inflows, and forecasting cash flows on a weekly basis.

ii) *Operations Risk Management*

Expansion of our digital platform for greater facilitation of internet and mobile banking. The technology platform was further strengthened by the implementation of the latest verified updates (firewall) from the vendor.

All available communication platforms to include social media, (SMS) and emails are utilized to ensure that members are able to keep in touch with the Credit Union seamlessly.

(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 approving 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. 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.

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

(a) Credit Risk (Cont'd):

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

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.

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

	Carrying Amount	
	2020	**2019**
	$	**$**
Real Estate	12,700,000	4,950,000
Motor Vehicles	930,000	21,500,000
	13,630,000	26,450,000

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 has 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 reporting date.

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:

	2020	2019
	$	$
Earning Liquid Assets	1,300,842,376	929,704,937
Loans to Members after Provision for Impairment	2,773,693,912	2,868,739,224
Fair Value Through Profit and Loss (FVTPL)	363,128,209	369,372,503
Non-Earning Liquid Assets	63,615,327	54,765,977
Other Non-Earning Assets	29,527,729	24,917,238
	4,530,807,553	4,247,499,879

Maximum Exposure for under IFRS 9

Loans

	Stage 1	Stage 2	Stage 3	Total
Expected Credit Loss (ECL) 2020				
Loans to Members before allowance for expected credit loss	2,733,347,375	58,584,606	23,233,475	2,815,165,456
Expected Credit Loss	31,958,225	654,818	8,858,501	41,471,544
Expected Credit Loss (ECL) 2019				
Loans to Members before allowance for expected credit loss	2,826,684,202	40,864,687	47,037,345	2,914,586,234
Expected Credit Loss	24,379,332	1,210,782	20,256,896	45,847,010

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

(a) Credit Risk (Cont'd):

iii) Exposure to Credit Risk (Cont'd)

Concentration of Risk

Changes in Credit quality since initial recognition:

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
ECL amount on Loans as at January 1, 2020	24,379,332	1,210,782	20,256,896	45,847,010
Transfers between Stages:				
Transfer from Stage 1 to 2	(515,971)	515,971	-	-
Transfer from Stage 1 to 3	(5,478,562)	-	5,478,562	-
Transfer from Stage 2 to 1	105,960	(105,960)	-	-
Transfer from Stage 2 to 3	-	(1,938,475)	1,938,475	-
Transfer from Stage 3 to 1	68,581	-	(68,581)	-
Transfer from Stage 3 to 2	-	348	(348)	-
ECL on new Financial Assets originate	16,510,216	138,499	44,729	16,693,444
Net movement due to Asset derecognition and changes in PD/LGDs/EAD factors	(3,111,331)	833,653	(18,791,232)	(21,068,910)
ECL amount of loans as at December 31, 2020	31,958,225	654,818	8,858,501	41,471,544

The following table summarises the Credit Union's credit exposure for loans based on the purpose of the loan:

	2020 $	**2019** $
Transportation	953,138,690	1,033,966,362
Agriculture	3,764,405	5,346,173
Construction & Real Estate	357,275,142	414,793,942
Education	77,153,011	80,816,562
Debt Finance	395,742,036	432,235,428
Financial	18,757,147	24,415,353
Personal	433,918,798	452,341,346
Other	575,416,227	470,671,068
	2,815,165,456	2,914,586,234

There were changes in the Credit Union's approach to credit risk during the year to reflect the current and projected future economic conditions, arising from the effects of the COVID 19 pandemic.

iv) COVID 19

A risk assessment was done by Management to estimate the impact of credit default due to the uncertainty resulting from the pandemic. Whilst there was no significant increase in credit risk (SICR), the forward-looking indicators were adjusted based on the macroeconomic variables. Consequently, there was an increase in the provisioning for expected credit loss. This approach was determined by Management to mitigate against a seismic increase in credit losses due to the pandemic.

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.

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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	557,106,582	640,732,950	63,002,844	40,000,000	-	-	1,300,842,376
Loans to Members	56,983,262	160,728,168.52	427,487,510	1,398,222,748	730,272,224	-	2,773,693,912
Financial Investments	155,124,435	-	10,000,000	188,149,965	9,853,809	-	363,128,209
Total Earning Assets	769,214,280	801,461,118	500,490,354	1,626,372,713	740,126,032	-	4,437,664,496
NON-EARNING ASSETS:							
Liquid Assets	63,615,327	-	-	-	-	-	63,615,327
Other Assets: Receivables	18,412,473	3,091,722	8,023,533	-	-	-	29,527,729
Total Non-Earning Assets	82,027,800	3,091,722	8,023,533	-	-	-	93,143,056
TOTAL ASSETS	851,242,080	804,552,841	508,513,887	1,626,372,713	740,126,032	-	4,530,807,552

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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
LIABILITIES:	$	$	$	$	$	$	$
INTEREST BEARING LIABILITIES:							
Voluntary Share Capital	10,000,000	20,000,000	100,000,000	600,000,000	688,382,955	-	1,418,382,955
Savings Deposits	634,267,470	402,677,296	245,673,123	811,459,218	-	-	2,094,077,107
	644,267,470	422,677,296	345,673,123	1,411,459,218	688,382,955	-	3,512,460,062
NON-INTEREST BEARING LIABILITIES:							
External Credits	-	-	12,141,705	-	-	-	12,141,705
Payables	14,386,364	-	16,646,795	-	-	-	31,033,159
Accruals	-	-	18,565,222	-	-	-	18,565,222
Total Liabilities	658,653,834	422,677,296	393,026,846	1,411,459,218	688,382,955	-	3,574,200,149
Net Liquidity Gap	192,588,246	381,875,545	115,487,041	214,913,495	51,743,077	-	956,607,403
Cumulative Liquidity Gap	192,588,246	574,463,790	689,950,831	904,864,326	956,607,403	956,607,403	

<----------2019---------->

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$	$	$	$	$	$	$
Total Assets	631,362,532	350,237,164	425,457,805	2,015,318,474	742,522,156	79,601,505	4,244,499,637
Total Liabilities	204,136,847	358,605,566	1,006,637,445	1,289,984,526	517,802,619	-	3,377,167,003
Net Liquidity Gap	427,225,686	(8,368,401)	(581,179,640)	725,333,947	224,719,537	79,601,505	867,332,634
Cumulative Liquidity Gap	427,225,686	418,857,285	(162,322,355)	563,011,592	787,731,129	867,332,634	

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 2020 was 30.91% (2019: 30.91%) which is in compliance with the standard.

Items not carried on the statement of financial position

At 31st December 2020, the Credit Union's commitment to extend credit to its members in respect of loans approved but not yet disbursed, amounted to $150,000 (2019: $775,000).

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.

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 2020 was:

Liquid Assets - Earning

	2020	2019
	US$	US$
USD Global Bonds	134,999	135,005
USD Repos	259,663	256,862
	394,662	391,867

Sensitivity Analysis

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

	US$
26th April 2021	152.60
31st December 2020	140.77
31st December 2019	129.78

There was a significant foreign exchange rate movement in the United States dollar during the period December 2019 to December 2020. Over the twelve months ended 31st December 2020, the exchange rate movement for the United States dollar has shown an overall decrease of 11%. 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%) (2019: (3%)) movement in the US Dollar at 31st December 2020 would have increased/decreased surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2020	2019
	$	$
Jamaican dollar	2,222,263	4,414,680

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.

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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	557,106,582	640,732,950	63,002,844	40,000,000	-	-	1,300,842,376
Loans to Members	56,983,262	160,728,168.52	427,487,510	1,398,222,748	730,272,224	-	2,773,693,912
Financial Investments	155,124,435	-	10,000,000	188,149,965	9,853,809	-	363,128,209
Non-Earning Assets	769,214,280	801,461,118	500,490,354	1,626,372,713	740,126,032	-	4,437,664,496
Liquid Assets							
Cash in hand and at bank	63,615,327	-	-	-	-	-	63,615,327
Other Assets							
Receivables	18,412,473	3,091,722	8,023,533	-	-	-	29,527,729
	82,027,800	3,091,722	8,023,533	-	-	-	93,143,056
TOTAL ASSETS	851,242,080	804,552,841	508,513,887	1,626,372,713	740,126,032	-	4,530,807,552

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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	10,000,000	20,000,000	100,000,000	600,000,000	688,382,955	-	1,418,382,955
Savings Deposits	634,267,470	402,677,296	245,673,123	811,459,218	-	-	2,094,077,107
	644,267,470	422,677,296	345,673,123	1,411,459,218	688,382,955	-	3,512,460,062
Non Interest-Bearing Liabilities							
External credits	-	-	12,141,705	-	-	-	12,141,705
Payables	14,386,364	-	16,646,795	-	-	-	31,033,159
Accruals	-	-	18,565,222	-	-	-	18,565,222
	14,386,364	-	47,353,722	-	-	-	61,740,086
TOTAL LIABILITIES	658,653,834	422,677,296	393,026,845	1,411,459,218	688,382,955	-	3,574,200,148
Net Interest Rate Gap	192,588,246	381,875,545	115,487,041	214,913,495	51,743,077	-	956,607,403
Cumulative Interest Rate Gap	192,588,246	574,463,790	689,950,832	904,864,326	956,607,403	956,607,403	

<----------2019---------->

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	$	$	$	$	$	$	$
Total Assets	631,362,532	350,237,164	425,457,805	2,015,318,474	742,522,156	82,601,742	4,247,499,874
Total Liabilities	204,136,847	358,605,566	1,006,637,445	1,289,984,526	517,802,619	-	3,377,167,003
Net Interest Rate Gap	427,225,686	(8,368,401)	(581,179,640)	725,333,947	224,719,537	82,601,742	870,332,871
Cumulative Interest Rate Gap	427,225,686	418,857,285	(162,322,355)	563,011,592	787,731,129	870,332,871	

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	2020	Interest Rate	2019
	%	$	%	$
Financial Assets				
Liquid Assets				
Foreign Deposits	1.05 - 4.00	36,552,771	0.65 - 2.30	33,335,566
Liquid Investments	1.05 - 6.75	1,264,289,605	1.05 - 2.50	896,369,371
Loans to Members	2.04 - 30.00	2,773,693,912	2.04 - 30.00	2,868,739,224
FVTPL Investments	1.14 - 11.00	363,128,209	2.00 -11.00	366,372,263
		4,437,664,497		4,164,816,424
Financial Liabilities				
Savings Deposits	1.35 - 3.85	2,094,077,107	1.35 - 4.15	2,009,065,912
Voluntary Shares	1.35 - 1.5	1,418,382,955	1.35 - 1.5	1,318,621,641
		3,512,460,062		3,327,687,553
		925,204,435		837,128,871

Sensitivity Analysis - Interest rate sensitivity

	2020	2019
Change in basis points	-100	-100
	+100	+100

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	2020	Interest Rate	2019
	%	$	%	$
Financial Assets				
Liquid Assets				
Foreign Deposits	0.05	18,276	0.05	16,668
Liquid Investments	2.10	(26,550,082)	2.10	(18,823,757)
Loans to Members	0.02	554,739	0.02	573,748
FVTPL Investments	0.25	(907,821)	0.25	(915,931)
		(26,884,888)		(19,149,272)
Financial Liabilities				
Savings Deposits	0.55	(11,517,424)	0.55	(11,049,863)
Voluntary Shares	0.93	13,120,042	0.93	12,197,250
		1,602,618		1,147,388
		(28,487,506)		(20,296,659)

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

(c) Market risk (Cont'd):

iii) Equity price risk:

Equity price risk arises from 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.

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, 2020 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.

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Equity Investments at Fair Value to Profit and Loss (FVTPL)	53,210,803	33,902,581	15,106,842	102,220,226

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Equity Investments at Fair Value to Profit and Loss	33,776,330	53,223,571	15,106,842	102,106,743

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.

With the exception of the unquoted shares, the financial instruments are backed by high quality securities traded on the primary and secondary markets.

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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:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Financial Assets:				
Earning				
Loans to Members	2,773,693,912	2,773,693,912	2,868,739,224	2,868,739,224
Financial Investments	363,128,209	363,128,209	366,372,263	366,372,263
Liquid Assets	1,300,842,376	1,300,842,376	929,704,937	929,704,937
Investment Property	270,600,000	270,600,000	277,000,000	277,000,000
Non-Earning				
Liquid Assets	63,615,327	63,615,327	54,765,977	54,765,977
Receivables	29,527,729	29,527,729	24,917,238	24,917,238
Financial Liabilities:				
Interest Bearing				
Savings Deposits	2,094,077,107	2,094,077,107	2,009,065,912	2,009,065,912
Members' Voluntary Shares	1,418,382,955	1,418,382,955	1,318,621,641	1,318,621,641
Non - Interest Bearing				
External Credit	12,141,705	12,141,705	11,522,960	11,522,960
Payables	31,033,159	31,033,159	29,396,051	29,396,051
Accruals	18,565,223	18,565,223	7,300,594	7,300,594

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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	-

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5. Liquid Assets:

		2020	2019
		$	$
a)	Placement with Other Financial Institutions	916,427,432	615,481,320
b)	Cash and Balances with JCCUL	338,027,717	271,156,544
c)	JCCUL CUETS Investments	9,834,456	9,731,507
		1,264,289,605	896,369,371
d)	Foreign Currency Deposit Account	36,552,771	33,335,566
		1,300,842,376	929,704,937

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 2020, the Credit Union held securities totalling $907,506,205 (2019: $544,628,340) representing Government of Jamaica debt securities as collateral for reverse repurchase agreements.

Included in these investments is an amount for $2,468,634 (2019 - $2,409,777) with respect to a Care-A-Bit Reserve Fund (Note 23d).

b) Cash and balances with the Credit Union Fund Management Limited represent Cumax formerly (Cucash and Term Deposits) of $327,468,644 (2019: $263,134,183) which are cash management call accounts. The rules of the League stipulate that the Credit Union must invest a minimum of 8% of members' savings deposits in Cumax Mutual Fund.

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.

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6. Loans To Members:

	2020	2019
	$	$
Balance at the Beginning of the year	2,868,739,224	2,651,747,116
Loans Granted	1,497,468,068	1,910,251,439
	4,366,207,292	4,561,998,555
Less Repayments and Transfers	1,551,041,836	1,647,412,321
	2,815,165,456	2,914,586,234
Less: Allowance for Expected Credit Loss (IFRS 9)	(41,471,544)	(45,847,010)
Balance at End of Year	2,773,693,912	2,868,739,224

The profile of the loans to members are as follows:

	2020	2019
	$	$
Loans to members which are not past due	2,771,340,343	2,832,152,265
Loans to members which are past due:		
1 month	20,612,575	31,251,635
2-3 months	9,049,466	12,354,955
4-5 months	8,094,700	13,013,965
6-12 months	4,698,456	19,247,665
Over 12 months	1,369,916	6,565,749
	2,815,165,456	2,914,586,234
Less: Allowance for expected credit loss (IFRS 9)	(41,471,544)	(45,847,010)
	2,773,693,912	2,868,739,224

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $23,212,538 (2019: $29,413,047).

Uncollected interest not accrued in these Financial Statements on non-performing loans was estimated at $1,443,885 (2019: $1,711,430).

The fair value of collateral held as security against impaired loans was $Nil (2019: $28,005,034).

The fair value of collateral held as security against loans that are past due was $80,630,937 (2019: $29,667,616).

The loans which have been renegotiated and were past due or impaired are NIL (2019:NIL).

7. Expected Credit Loss

The movement in the Expected Credit Loss for loans determined under the requirements of IFRS is as follows:

	2020	2019
	$	$
Balance at the beginning of the year	45,847,010	45,036,716
Increase in Provision	6,326,947	11,008,555
Loans written off	(10,702,413)	(10,198,271)
Balance at the end of the year	41,471,544	45,847,010

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

	<----------2020---------->				2019
	Number in Arrears	Amounts in Arrears	Rate	Loan Loss Provision	Loan Loss Provision
	$	$	%	$	$
1 month	18	20,612,576	-	-	-
2 - 3 months	30	12,354,955	10	1,235,496	1,235,496
3 - 6 months	16	9,422,842	30	2,826,853	3,904,190
6 - 12 months	25	10,990,902	60	6,594,541	11,548,600
Over 12 months	7	245,982	100	245,982	6,565,749
	96	53,627,256		10,902,872	23,254,035

	2020	2019
	$	$
Regulatory Loan Loss Provision	10,902,872	23,254,035
Less Provision based on IFRS 9	(41,471,544)	(45,847,010)
Excess of Regulatory Loan Loss Provision over IFRS 9 Provision Transferred to Loan Loss Reserve	-	-

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NOTES TO THE FINANCIAL STATEMENTS - CONT'D
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8. Financial Investments:

		2020	2019
		$	$
Fair Value Through Profit and Loss			
a)	JCCUL Shares - Unquoted	13,106,842	13,106,842
b)	JCIA Shares - Unquoted	2,000,000	2,000,000
c)	JCCUL Mortgage Bond	52,549,209	51,249,824
d)	JNBS Mortgage Bond	10,000,000	10,000,000
e)	Government of Jamaica - Bonds	179,000,000	188,000,000
f)	Government of Jamaica - Global Bonds	19,003,774	17,520,935
g)	Unit Trust	18,292,632	17,613,622
h)	Shares - quoted	53,210,803	33,776,330
i)	Shares - unquoted	15,609,949	35,609,950
j)	Sagicor Select Fund	355,000	495,000
		363,128,209	369,372,503

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 Credit Union.

d) 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.

h) This represents investment in Barita Investments, Caribbean Cement Company, National Commercial Bank and JBG Limited.

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NOTES TO THE FINANCIAL STATEMENTS - CONT'D
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9. Investment Property:

	Land	Building	Total
	$	$	$
At Cost or Valuation:			
At 31st December 2018	3,000,000	16,527,239	19,527,239
Additions	-	110,000	110,000
Revaluation	18,000,000	239,362,761	257,362,761
At 31st December 2019	21,000,000	256,000,000	277,000,000
Additions	-	-	-
At 31st December 2020	21,000,000	256,000,000	277,000,000
Accumulated Depreciation:			
At 31st December 2018	-	5,553,892	5,553,892
Charge for the Year	-	415,931	415,931
Eliminated on revaluation	-	(5,969,823)	(5,969,823)
At 31st December 2019	-	-	-
Charge for the Year	-	6,400,000	6,400,000
At 31st December 2020	-	6,400,000	6,400,000
Net Book Values:			
At 31st December 2020	21,000,000	249,600,000	270,600,000
At 31st December 2019	21,000,000	256,000,000	277,000,000
At 31st December 2018	3,000,000	10,973,347	13,973,347

At 31st December, 2019, the fair value of the property at 37 Lady Musgrave Road as appraised by The C.D. Alexander Company Realty Limited was $277,000,000.

10. Cash and Cash Equivalents:

	2020	2019
	$	$
Cash on Hand	9,130,366	12,579,184
Current Accounts	54,484,961	42,186,793
	63,615,327	54,765,977

11. Receivables:

	2020	2019
	$	$
Accrued Interest Income	12,469,831	7,937,686
Receivables	17,057,898	16,979,552
	29,527,729	24,917,238

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NOTES TO THE FINANCIAL STATEMENTS - CONT'D
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12. Property, Plant & Equipment:

	Land and Buildings	Leasehold Improvements	Office Equipment, Furniture & Fixtures	Computer Equipment	Computer Software	ATM	Fence and Garden Tools	Total
	$		$	$	$	$	$	$
At Cost or Valuation:								
31st December 2018	44,794,098	21,651,628	59,359,855	41,649,906	81,108,008	3,353,073	109,470	252,026,038
Additions	1,286,275	-	783,397	6,632,110	1,803,958	-	-	10,505,740
Disposals	-	-	(97,277)	-	-	-	-	(97,277)
Revaluation	209,067,999	-	-	-	-	-	-	209,067,999
31st December 2019	255,148,372	21,651,628	60,045,975	48,282,016	82,911,966	3,353,073	109,470	471,502,500
Additions	-	-	1,649,615	2,641,079	1,431,867	-	-	5,722,561
Revaluation	21,651,628	-	-	-	-	-	-	21,651,628
31st December 2020	276,800,000	21,651,628	61,695,590	50,923,095	84,343,833	3,353,073	109,470	498,876,689
Accumulated Depreciation:								
31st December 2018	16,421,085	3,763,909	45,004,790	36,621,149	67,993,327	419,227	109,469	170,332,956
Charge for year	1,101,073	542,774	3,107,406	4,012,538	12,728,995	419,134	1	21,911,921
Released on Disposal	-	-	(54,962)	-	-	-	-	(54,962)
Eliminated on revaluation	(17,522,158)	(4,306,683)	-	-	-	-	-	(21,828,841)
31st December 2019	-	-	48,057,234	40,633,687	80,722,322	838,361	109,470	170,361,074
Charge for year	5,238,391	4,849,457	1,477,969	4,942,679	3,621,511	789,806	-	20,919,813
31st December 2020	5,238,391	4,849,457	49,535,203	45,576,366	84,343,833	1,628,167	109,470	191,280,887
Net Book Values:								
31st December 2020	**271,561,609**	**16,802,171**	**12,160,387**	**5,346,729**	**-**	**1,724,906**	**-**	**307,595,802**
31st December 2019	255,148,372	21,651,628	11,988,741	7,648,329	2,189,644	2,514,712	-	301,141,427
31st December 2018	28,373,013	17,887,719	14,355,065	5,028,757	13,114,681	2,933,846	1	81,693,082

At 31 December, 2019, the fair value of land and buildings as approved by the C.D. Alexander Company Realty Limited was $276,000,000.

13. Retirement Benefit Asset:

The Credit Union participates in a multi-employer pension scheme. The pension scheme up to 31st December, 2016, was only a defined benefit plan and was funded. Subsequent to 31st December, 2016 the Credit Union introduced a contributory pension scheme and currently participates in both schemes. 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 at 31st December, 2020.

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

	2020	2019
	$	$
Present Value of funded obligations	(128,070,000)	(114,524,000)
Fair Value of plan assets	203,959,000	185,798,000
Effect of Asset Ceiling	(20,011,000)	(14,090,000)
Asset in the Statement of Financial Position	55,878,000	57,184,000

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

	2020	2019
	$	$
Current service cost	5,126,000	4,311,000
Interest cost	8,713,000	7,031,000
Expected return on plan assets	(14,207,000)	(11,666,000)
Interest on effect of Asset Ceiling	1,057,000	937,000
Past Service Cost	-	-
Administrative Expenses	1,036,000	876,000
Pension Expense	1,725,000	1,489,000

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

	2020	2019
	$	$
Net Asset at beginning of year	57,184,000	50,792,000
Pension Expense	(1,725,000)	(1,489,000)
Re-measurements included in OCI (Other Comprehensive Income)	(3,535,000)	3,825,000
Contributions Paid	3,954,000	4,056,000
Closing Net Asset at End of Year	55,878,000	57,184,000

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13. Retirement Benefit Asset (Cont'd):

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

	2020	2019
Discount Rate	9.00%	7.50%
Future Salary Increases	6.50%	5.00%
Future Pension Increases	4.50%	3.00%

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:

	2016	2017	2018	2019	2020
	$	$	$	$	$
Fair Value of Plan Assets	163,209,000	164,064,000	163,204,000	185,798,000	203,959,000
Defined Benefit Obligation	(115,715,000)	(96,354,000)	(99,021,000)	(114,524,000)	(128,070,000)
Surplus	47,494,000	67,710,000	64,183,000	71,274,000	75,889,000
Experience adjustments- Gain/(Loss)					
Fair Value of Plan Assets	2,617,000	3,098,000	(2,057,000)	4,894,000	(2,260,000)
Defined Benefit Obligation	(3,055,000)	(17,612,000)	(2,548,000)	5,016,000	1,947,000

14. Members' Voluntary Shares:

	2020	2019
	$	$
Balance at Beginning of Year	1,318,621,641	1,262,521,161
Add Amount subscribed	1,376,565,929	1,642,648,642
	2,695,187,570	2,905,169,803
Less Withdrawals and Transfers	(1,276,804,615)	(1,586,548,162)
Balance at End of Year	1,418,382,955	1,318,621,641

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15. Savings Deposits:

		2020	2019
		$	$
a)	On Call	39,528,769	39,066,256
	Easy Access Deposits	49,036,366	45,269,115
		88,565,135	84,335,371
b)	Special Deposits	633,590,582	563,406,239
c)	Life Long Savings	322,791,505	309,992,366
d)	Fixed Deposits	924,105,917	920,770,467
e)	Mortgage Deposits	5,218,635	5,194,064
f)	Partner Plan Savings	34,058,656	40,110,626
g)	Golden Harvest Savings Deposits	42,474,159	48,075,586
h)	Christmas Savings	14,500	-
i)	Motor Savings	41,552,047	35,681,123
j)	Members Mortgage	1,705,971	1,500,070
		2,094,077,107	2,009,065,912

a)	On Call & Easy Access Deposits		
	Balance at 1st January	84,335,371	82,687,143
	Add Deposits	1,096,681,568	1,132,149,516
		1,181,016,939	1,214,836,659
	Less Withdrawals & Transfers	(1,092,451,804)	(1,130,501,288)
	Balance at end of year	88,565,135	84,335,371

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 on which interest is paid at rates between 0.85% and 1.85% (2019: 0.85% and 2.25%) per annum.

c) Life Long Savings

Life Long Saving Deposits are for a minimum of five (5) years on which interest is paid at rates between 2% and 3.85% (2019: 2% and 4.15%) per annum.

d) Fixed Deposits

These represents amounts placed for fixed period at fixed rates between 1.5% and 2.1% (2019: 1.5% and 3%) per annum.

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) 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.

g) Golden Harvest Savings Deposits

The Golden Harvest Savings 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 3.00% (2019: 3.65%) per annum.

h) Staff and Christmas Savings

These are savings by members and staff towards Christmas expenses. Interest is paid at 3% per annum.

i) Motor 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 fall in arrears.

j) Members Mortgage

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

16. External Credits:

		2020	2019
		$	$
a)	JPS $2 Million Housing Loan	130,292	130,292
b)	JPS Computer Loan	4,000,000	4,000,000
c)	JPS Education Loan	5,202,466	4,967,987
d)	Jamaica Energy Partners Loan Scheme	2,808,947	2,424,681
e)	Private Power Operations Loan	-	-
		12,141,705	11,522,960

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 to each employee is $200,000 at an interest rate of 12% (2019: 12%).

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% (2019: 12%) repayable over 24 months.

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) 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:

	2020	2019
	$	$
Withholding Tax	5,639,529	5,759,340
Statutory Contributions	3,883,714	3,750,866
Cuets ATM Settlement	3,035,269	2,803,251
Other	16,640,732	11,919,532
	29,199,244	24,232,989
Interest Payable	1,833,915	5,163,062
	31,033,159	29,396,051

18. Deferred Income

	2020	2019
	$	$
Injection for IFRS 9 Implementation	5,166,977	4,172,977

This represents an injection by JCCUL to offset the cost of IFRS 9 implementation. The Credit Union has continued to allocate funds to facilitate annual upgrades.

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19. Members' Permanent Share Capital:

	2020	2019
	$	$
Balance at Beginning of Year	62,706,908	75,013,942
Amount Subscribed in current year	225,200	400,802
Reallocation of permanent share reserve to Institutional Capital	-	(12,707,836)
	62,932,108	62,706,908

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

20. Non-Institutional Capital:

	2020	2019
	$	$
Capital/Revaluation Reserves (Unrealised)	528,766,041	511,421,097
Other Non-Qualifying Reserves (Note 23)	111,626,365	87,411,168
Retirement Benefit Reserves (Note 13)	55,878,000	57,184,000
Undistributed Net Income (Page 7)	74,841,465	58,574,697
	771,111,871	714,590,962

21. Institutional Capital:

	2020	2019
	$	$
Revenue Reserve	56,938,043	56,938,043
Business Combination Reserve	297,610,477	297,610,477
Statutory & Legal Reserves (Note 24)	396,921,730	370,898,780
	751,470,250	725,447,300

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.

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22. Appropriations:

	2020	2019
	$	$
Scholarship Fund	1,945,968	4,000,000
Dividend on Permanent Shares	4,325,395	16,390,550
Software Reserve	-	3,155,152
Branch Office Upgrade	2,000,000	-
Care-A-Bit Reserve	736,425	750,000
Institutional Capital	10,000,000	10,000,000
Organisational Re-Alignment	23,780,455	20,000,000
Honoraria	3,000,000	3,000,000
	45,788,243	57,295,702

23. Other Non-qualifying Reserves:

	2020	2019
	$	$
a) General Reserve	11,866,364	11,866,364
b) Scholarship Fund	999,546	1,629,032
c) Youth Programme Reserve	2,198,500	2,198,500
d) Care-A-Bit Reserve	4,087,000	3,843,487
e) Software Reserve	13,904,302	14,605,882
f) Redemption Reserve	3,221,171	3,698,876
g) 60th Anniversary Celebration	3,326,951	3,326,951
h) Building Reserve	15,613,009	15,613,009
i) Organisational Alignment	54,409,522	30,629,067
j) Branch Office Upgrade	2,000,000	-
	111,626,365	87,411,168

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 Primary Exit Profile (PEP) 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 etc. 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 disasters.

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.

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

g) 60th Anniversary Celebration

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

h) Building Reserve

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

i) Organisational Alignment

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

j) Branch Office Upgrade

This reserve will be used to upgrade the aesthetic of the Branch at Ewarton.

24. Statutory & Legal Reserves:

	2020	2019
	$	$
Balance at Beginning of Year	383,606,616	362,159,555
Transfer from Non-Institutional Capital	10,000,000	10,000,000
20% of Net Income before honoraria	16,022,950	11,447,061
	409,629,566	383,606,616

25. Other Financial Costs:

	2020	2019
	$	$
Life Savings & Loan Protection Insurance	12,602,956	13,267,665
Bond Insurance	2,246,823	1,958,398
Others	1,611,816	1,891,288
	16,461,595	17,117,351

26. Non-Interest Income - Other:

	2020	2019
	$	$
Miscellaneous	4,029,046	6,286,070
Other Fees & Charges	5,675,268	9,050,278
Gain on Foreign Exchange	4,654,485	868,041
CUETS Income	102,949	93,851
FIP Income	3,091,519	3,021,211
Loan Recoveries	4,032,295	7,028,983
	21,585,562	26,348,434

27. Operating Expenses:

i. **Personnel Expenses:**

	2020	2019
	$	$
Employee Salaries & Allowances	115,760,106	114,319,933
Employee Benefits	25,798,938	25,533,322
Education & Training	1,904,487	1,891,983
Gratuity	1,401,275	1,286,343
Lunch Subsidy	7,268,291	6,935,696
Staff Travel & Related Expenses	1,166,801	1,953,316
Retirement Benefit Expenses	3,334,963	2,667,177
	156,634,861	154,587,770

JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONT'D
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

27. Operating Expenses (Cont'd):

i. **Personnel Expenses (Cont'd):**

The number of persons employed at 31st December 2020 was twenty-eight (28) full-time and sixteen (16) part-time (2019 - twenty-seven (27) full-time and twenty two (22) part-time).

ii. **Administrative Expenses:**

	2020	2019
	$	$
Depreciation & Amortisation	23,073,518	22,327,851
Auditors Remuneration	4,801,868	4,564,674
Electricity	5,133,417	5,132,812
Repairs & Maintenance	5,429,502	6,044,114
Telecommunications	4,911,949	7,527,793
Printing, Stationery & Supplies	4,637,701	5,364,318
Insurance Premiums	6,766,328	5,314,771
Easy Access Expense	4,398,312	2,118,191
Professional & Consulting Fees	1,510,710	4,895,576
Postage	350,993	398,624
Security	11,414,109	12,916,463
Subscriptions	229,623	211,508
Computer Expenses	29,346,423	24,508,973
Rental Expense	1,828,949	1,975,944
Loss on Disposal of Fixed Asset	-	42,315
Other Administrative Expenses	2,812,316	4,299,565
Internal Audit Expense	3,140,819	3,741,735
COVID 19 Expense	1,129,945	-
Members' Refreshment	910,170	3,210,953
	111,826,652	114,596,180

iii. **Marketing & Promotion Expenses:**

	2020	2019
	$	$
Publicity & Promotion	4,717,235	9,473,592
Public Relations	182,519	349,800
	4,899,754	9,823,392

iv. **Representation & Affiliation Expenses:**

	2020	2019
	$	$
League & Other Dues	11,950,130	13,185,146
Seminars & Meetings	4,541,897	9,403,781
Annual General Meeting	3,441,250	5,188,807
	19,933,277	27,777,734
Total Operating Expenses	293,294,544	306,785,076

28. Comparison of Ledger Balances:

	Voluntary Shares	***Savings Deposits***	***Loans***
	$	**$**	**$**
General Ledger	1,418,382,955	2,094,077,107	2,815,165,457
Personal Ledger	1,418,382,955	2,094,077,107	2,815,165,457
Difference at 31st December 2020	-	-	-
Difference at 31st December 2019	-	-	-

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 2020, nine (9) (2019: nine (9)) members of the Credit Union's Board of Directors and ten (10) (2019: nine (9)) Committee Members had savings of $26,750,194 (2019: $18,372,292) and loans including interest totalling $35,737,566 (2019: $36,247,702).

Credit Union Staff of forty-four (44) (2019: forty-nine (49)) employees had savings of $$22,463,063 (2019: $18,178,725) and loans including interest totalling $77,618,856 (2019: $65,556,350). No waivers were granted to staff members or volunteers during the year. At 31st December 2020, 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 $ $47,007,924 (2019: $44,895,195) and comprises the General Manager, the Chief Accountant, the Operations Manager, the Risk and Compliance Manager, the Credit Manager, Marketing Manager, ICT Manager, and two Branch Managers.

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. Subsequent Events:

The Jamaica Public Service (JPSCo), one of the sponsor companies closed three (3) of its branches during the first quarter of 2021. The liquidation of loans due to redundancies amounted to $15.24M, and was deemed to have had a low impact on the assets of the Credit Union. With the closure of JPSCo's branches, the market base of the Credit Union was not significantly affected based on (i) the number of members that were affected were sixteen and (ii) there was no exposure of earning assets after the redundancy exercise.

However to mitigate against the impairment of the market base, the Management Team continues to explore the opportunities available to increase the penetration levels for new business from the (i) various sponsor companies and (ii) pre-existing members who have not benefited from the products and services of the Credit Union. As a supplement, interest rates were reduced on promotional loans for the first half of 2021.