3. **Financial Risk Management (Continued)**

(b) **Liquidity risk (Continued)**

Financial assets and liabilities cash flows (continued)

	2008					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Earnings assets						
Liquid assets -						
Savings and call deposits	72,978	-	-	-	-	72,978
Short-term investments	236,417	-	-	-	2,565	238,982
Reverse repurchase agreements	96,364	5,948	-	-	2,060	104,372
Financial investments	106,150	14,506	33,960	-	11,058	165,674
Loans, net of provision for impairment	38,347	78,628	715,508	811,303	21,826	1,665,612
Non-earning assets	-	-	-	-	42,797	42,797
Total assets	550,256	99,082	749,468	811,303	80,306	2,290,415
Liabilities						
Interest bearing liabilities						
Members' deposits	342,081	130,039	15,987	-	22,773	510,880
Members' voluntary shares	1,106,030	-	-	-	45,002	1,151,032
External loan	40	-	-	-	-	40
Non-interest bearing liability	16,731	-	-	-	-	16,731
Total financial liabilities	1,464,882	130,039	15,987	-	67,775	1,678,683
Net position	(914,626)	(30,957)	733,481	811,303	12,531	611,732

Off-statement of financial position items

All loan commitments existing at the year end (Note 30) expire within 12 months.

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

3. Financial Risk Management (Continued)

(c) Market risk

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

(i) Currency risk

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

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

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

Concentrations of currency risk

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

	2009				
	Jamaican	US$	GBP	CAN$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Reverse repurchase agreements	126,811	8,133	-	-	134,944
Financial investments	141,817	14,591	8,912	1,880	167,200
	268,628	22,724	8,912	1,880	302,144

	2008				
	Jamaican	US$	GBP	CAN$	Total
	J$'000	J$'000	J$'000	J$'000	J$'000
Reverse repurchase agreements	83,308	6,990	-	-	90,298
Financial investments	126,096	13,101	7,051	1,413	147,661
	209,404	20,091	7,051	1,413	237,959

3. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

Foreign currency sensitivity

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

	% Change in Currency Rate 2009	Effect on Net Surplus 2009 $'000	% Change in Currency Rate 2008	Effect on Net Surplus 2008 $'000
Currency:				
Devaluation -				
USD	15	3,409	15	3,014
GBP	15	1,337	15	1,058
CAN	15	282	15	212
Revaluation -				
USD	-5	(1,136)	-5	(1,009)
GBP	-5	(446)	-5	(353)
CAN	-5	(94)	-5	(71)

(ii) Interest rate risk

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

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

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

3. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(ii) Interest rate risk (Continued)

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

	2009						
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Earning assets							
Liquid assets							
Savings and call deposits	-	50,062	-	-	-	-	50,062
Short-term investments	-	260,123	-	-	-	263	260,386
Reverse repurchase agreements	-	134,027	-	-	-	917	134,944
Financial investments	-	64,787	45,197	43,417	-	13,799	167,200
Loans, net of provision for impairment	-	16,623	65,964	633,592	807,360	34,905	1,558,444
Non-earning assets	-	-	-	-	-	11,176	11,176
Total assets	-	525,622	111,161	677,009	807,360	61,060	2,182,212
Liabilities							
Interest bearing liabilities							
Members' deposits	-	363,624	148,383	17,799	-	29,123	558,929
Members' voluntary shares	-	1,135,658	-	-	-	50,000	1,185,658
Bank overdraft	2,323	-	-	-	-	-	2,323
Non-interest bearing liabilities	-	-	-	-	-	19,267	19,267
Total liabilities	2,323	1,499,282	148,383	17,799	-	98,390	1,766,177
Total Interest Rate Sensitivity Gap	(2,323)	(973,660)	(37,222)	659,210	807,360	(37,330)	416,035
Cumulative Gap	(2,323)	(975,983)	(1,013,205)	(353,995)	453,365	416,035	

3. **Financial Risk Management (Continued)**

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

	2008						
	Immediately Rate Sensitive $'000	Within 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-rate sensitive $'000	Total $'000
Assets							
Earning assets							
Liquid assets							
Savings and call deposits	4,519	61,420	-	-	-	-	65,939
Short-term investments	-	203,144	-	-	-	2,565	205,709
Reverse repurchase agreements	-	83,322	4,916	-	-	2,060	90,298
Financial investments	-	93,080	13,149	30,374	-	11,058	147,661
Loans, net of provision for impairment	-	32,775	67,203	611,545	693,422	21,826	1,426,771
Non-earning assets	-	-	-	-	-	42,797	42,797
Total assets	4,519	473,741	85,268	641,919	693,422	80,306	1,979,175
Liabilities							
Interest bearing liabilities							
Members' deposits	-	318,583	122,594	14,403	-	22,773	478,353
Members' voluntary shares	-	1,061,042	-	-	-	45,002	1,106,044
External credit	-	38	-	-	-	-	38
Non-interest bearing liabilities	-	-	-	-	-	16,731	16,731
Total liabilities	-	1,379,663	122,594	14,403	-	84,506	1,601,166
Total Interest Rate Sensitivity Gap	4,519	(905,922)	(37,326)	627,516	693,422	(4,200)	378,009
Cumulative Gap	4,519	(901,403)	(938,729)	(311,213)	382,209	378,009	

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

	2009					
	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Earning assets -						
Liquid assets						
Call deposits	-	7	-	-	-	7
Short-term investments						
Local	-	10	-	-	-	10
Reverse repurchase agreements						
Local	-	11	-	-	-	11
Foreign currencies	-	6	-	-	-	6
Financial investments						
Local	-	12	22	22	-	17
Foreign currencies	-	3	2	8	-	5
Loans (1)	-	18	18	18	18	18
Interest bearing liabilities -						
Members' deposits (2)	-	7	6	9	-	7

(expressed in Jamaican dollars unless otherwise indicated)

3. **Financial Risk Management (Continued)**

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

	2008					
	Immediately Rate Sensitive	Within 3 Months	3 and 12 Months	1 to 5 Years	Over 5 Years	Weighted Average
	%	%	%	%	%	%
Earning assets -						
Liquid assets						
Savings – local	6	-	-	-	-	6
Call deposits	-	11	-	-	-	11
Short term investments						
Local	-	16	-	-	-	16
Reverse repurchase agreements						
Local	-	17	21	-	-	17
Foreign currencies	-	6	-	-	-	6
Financial investments						
Local	-	14	16	15	-	15
Foreign currencies	-	2	3	8	-	6
Loans (1)	-	17	17	17	17	17
Interest bearing liabilities -						
Members' deposits (2)	-	7	6	11	-	7
External credit	-	6	-	-	-	6

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

(2) Yields are based on contractual interest rates.

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Credit Union's statement of comprehensive income and equity. There would be no impact on equity other than through net surplus.

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

3. **Financial Risk Management (Continued)**

(c) **Market risk (Continued)**

Interest rate sensitivity (Continued)

	Change in Basis Points 2009	Effect on Net Surplus 2009 $'000	Change in Basis Points 2008	Effect on Net Surplus 2008 $'000
J$ instruments				
	- 800	(2,036)	- 800	(836)
	+ 300	1,063	+ 500	522
US$ instruments				
	- 200	(654)	- 800	(2,228)
			+ 500	1,393

(d) **Capital management**

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

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

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

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

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

3. Financial Risk Management (Continued)

(d) Capital management

The table below summarises the composition of regulatory capital and the ratios of the Credit Union for the years ended 31 December 2009 and 2008.

	Actual 2009 $'000	Required 2009 $'000	Actual 2008 $'000	Required 2008 $'000
Total regulatory capital - BOJ	519,125	137,118	434,569	121,144
Total institutional capital - JCCUL	316,810	182,824	268,927	162,858
Risk-weighted assets:				
Total risk-weighted assets	1,745,643		1,525,124	
Total capital ratio	29.74%		28.49%	

4. Fair Value Estimation

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

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

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

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

(i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.

(ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.

(iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

4. Fair Value Estimation (Continued)

(v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.

Effective 1 January 2009, the Credit Union adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that financial instruments are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Credit Union's financial instruments that are measured at fair value at 31 December 2009.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets				
- Investment securities – Cucash and other deposits	-	271,300	-	271,300

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Credit Union makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying accounting policies

Held-to-maturity investments

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

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

(b) Key sources of estimation uncertainty

(i) Impairment losses on loans and advances

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

(ii) Employee benefits

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

(iii) Interest accrued on members' voluntary shares

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

6. Fees and Other Income

	2009 $'000	2008 $'000
Rental	1,690	2,074
Exchange gain	3,909	853
Gain on the sale of asset held for sale	6,713	-
Other	5,841	3,186
	18,153	6,113

7. Expenses by Nature

Total administrative and other operating expenses:

	2009 $'000	2008 $'000
Salaries, pension and other staff benefits (Note 8)	96,109	77,648
Property	5,943	8,056
Advertising and promotion	7,359	3,314
Auditors' remuneration -		
Current year	4,450	4,200
Prior year	650	650
Professional fees	3,598	2,125
Office	3,962	2,809
Insurance	4,681	1,094
Representation and affiliation	15,415	14,072
Security	6,424	5,189
Depreciation and amortisation	5,711	4,934
Awards and donations	1,400	1,265
Utilities	8,376	7,696
Other operating	4	56
	164,082	133,108

8. Staff Costs

	2009 $'000	2008 $'000
Wages and salaries	70,792	60,470
Termination	343	-
Statutory contributions	7,016	6,088
Pension (Note 21)	1,876	(1,877)
Other	16,082	12,967
	96,109	77,648

9. Taxation

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

10. Savings and Call Deposits

	2009 $'000	2008 $'000	2007 $'000
Bank savings deposits	-	4,519	4,295
CuCash	50,062	61,420	45,755
	50,062	65,939	50,050

(a) Bank savings deposits are short-term balances that have no set maturity and are available on call.

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

11. Short -Term Investments

	2009 $'000	2008 $'000	2007 $'000
Available-for-sale, at fair value -			
Jamaica Co-operative Credit Union League Limited -			
Fixed deposits and CuCash	260,386	205,709	164,556
National Commercial Bank Jamaica Limited -			
Fixed deposits	-	-	20,381
Foreign currency deposits	-	-	971
Dehring Bunting & Golding Limited -			
Fixed deposits	-	-	271
	260,386	205,709	186,179

Amounts classified as short term investments have a term to maturity of 91 - 180 days at year end.

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

12. Reverse Repurchase Agreements

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its collateral obligations. Included within reverse repurchase agreements is related accrued interest receivable of $917,000 (2008 - $2,060,000).

At 31 December 2009, the Credit Union held securities totaling approximately $134,027,000 (2008 - $88,238,000) representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

13. Financial Investments

	2009 $'000	2008 $'000	2007 $'000
Available-for-sale, at historical cost -			
Unquoted equities -			
Jamaica Co-operative Credit Union League Limited (a)	8,166	7,769	7,424
Quality Network Co-operative Limited (QNET) (b)	1,114	1,114	1,114
NUCS – Co-operative Insurance Services Limited (c)	100	-	-
Other deposits -			
Jamaica Co-operative Credit Union League Limited	2	2	2
	9,382	8,885	8,540
Available-for-sale, at fair value -			
Jamaica Co-operative Credit Union League Limited -			
Fixed deposit	122	122	111
National Commercial Bank Jamaica Limited -			
Foreign currency deposits	929	716	5,728
The Bank of Nova Scotia Jamaica Limited -			
Foreign currency deposits	9,863	7,748	9,169
	10,914	8,586	15,008
	20,296	17,471	23,548
Loans and receivables, at amortised cost -			
Jamaica Co-operative Credit Union League Limited -			
Mortgage funds (d)	4,248	3,884	3,550
CuPremium	47,554	41,683	36,572
	51,802	45,567	40,122
Held-to-maturity, at amortised cost -			
Government of Jamaica securities -			
Debentures	26,485	5,787	17,965
Local registered stocks	9,852	-	5,150
JA dollar investment bonds	44,174	22,958	10,537
US dollar investment bond	14,591	13,101	11,502
Certificates of deposits	-	42,777	83,602
	95,102	84,623	128,756
	167,200	147,661	192,426

(a) The unquoted equity investment in the League, at a minimum of 1,322,500 shares, is a requirement for the Credit Union to retain membership status.

(b) The unquoted equity investment in Quality Network Co-operative Limited is to help facilitate the development of the QNET software by that company.

(c) The unquoted equity investment in NUCS – Co-operative Insurance Services Limited is to assist in capital expansionary plans of that company.

(d) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in the League's Mortgage Fund instruments. These investments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.

14. Loans to Members

(a) Movement in loans during the year:

	2009 $'000	2008 $'000	2007 $'000
Balance at beginning of year	1,426,771	1,288,242	1,038,200
Add: Disbursements during the year	698,633	699,769	662,484
	2,125,404	1,988,011	1,700,684
Less: Repayments and transfers	(584,119)	(570,482)	(427,902)
	1,541,285	1,417,529	1,272,782
Less: Provision for loan impairment	(17,746)	(12,584)	(7,606)
	1,523,539	1,404,945	1,265,176
Add: Interest receivable	34,905	21,826	23,066
	1,558,444	1,426,771	1,288,242

(b) Delinquent loans

At 31 December 2009, there were 225 (2008 – 176) delinquent loans, aged two months and over.

The total loan provision derived below is consistent with the loan loss provisioning rules of the League. The total provision for 2009 is less than the provision required under IFRS provisioning rules. As a result, no transfer from accumulated surplus to he loan loss reserve is required in the current year.

Number of Months in Arrears	Total Number of Loans	Delinquent Loans $'000	Savings Held Against Loans $'000	Exposure $'000	Rate %	Provision $'000
Less than 2	57	7,249	127	7,122	-	-
2 - 3	30	6,128	16	6,112	10	613
3 - 6	134	29,652	82	29,570	30	8,896
6 -12	58	9,755	51	9,704	60	5,853
Greater than 12	3	856	6	850	100	856
	282	53,640	282	53,358		16,218

14. Loans to Members (Continued)

(c) Provision for impairment:

	2009 $'000	2008 $'000	2007 $'000
Provision for impairment at beginning of year (IFRS)	12,584	7,606	4,746
Additional amounts provided during the year	31,736	24,459	9,338
Bad debts written off during the year	(26,574)	(19,481)	(6,478)
Provision for impairment at end of year (IFRS)	17,746	12,584	7,606
Provision for impairment in accordance with League provisioning rules	16,218	14,752	24,352
Additional provision for impairment through transfer from accumulated surplus to the loan loss reserve in non-institutional capital	-	2,168	16,746

	2009 $'000	2008 $'000	2007 $'000
Additional amounts provided during the year	31,736	24,459	9,338
Bad debts written off during the year	-	41	(864)
Bad debts recovered during the year	(7,959)	(1,808)	(589)
Charged to statement of comprehensive income during the year	23,777	22,692	7,885

15. Cash and Bank Balances

	2009 $'000	2008 $'000	2007 $'000
On hand	2,402	3,129	783
Current accounts	6,223	9,904	6,408
	8,625	13,033	7,191

Cash balances do not attract interest.

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

	2009 $'000	2008 $'000	2007 $'000
Cash	8,625	13,033	7,191
Savings and call deposits (Note 10)	50,062	65,939	50,050
Bank overdraft (Note 24)	(2,323)	-	(5,976)
	56,364	78,972	51,265

16. Accounts Receivable

	2009 $'000	2008 $'000	2007 $'000
Withholding tax recoverable	31,810	24,295	20,467
Prepaid expenses	1,093	1,054	943
Other	3,275	4,415	2,363
	36,178	29,764	23,773

17. Assets Held for Sale

During the year, the building in Ocho Rios at a carrying value of $1,090,324 was sold for approximately $8,250,000. The land at a historical cost of $6,712,277 has been reclassified to investment property (Note 20) as there was no firm purchase commitment and its sale was not considered highly probable within 12 months of the year end.

18. Intangible Assets

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

	2009 $'000	2008 $'000	2007 $'000
Balance at the beginning of year	2,379	3,431	-
Additions	-	1,284	5,147
Reclassification	-	(385)	-
Amortised during the year	(1,951)	(1,951)	(1,716)
Net Book Value	428	2,379	3,431

19. Property, Plant and Equipment

	2009					
	Land and Buildings $'000	**Computer Equipment $'000**	**Furniture, Fixtures and Equipment $'000**	**Roadway $'000**	**Work - In-Progress $'000**	**Total $'000**
Cost -						
1 January 2009	11,040	21,684	23,991	509	228	57,452
Additions	9,267	1,553	4,361	-	1,941	17,122
Transfers	-	228	-	-	(228)	-
Disposals	-	(5,864)	(7,386)	-	-	(13,250)
At 31 December 2009	20,307	17,601	20,966	509	1,941	61,324
Accumulated Depreciation -						
1 January 2009	3,386	20,356	16,806	94	-	40,642
Charge for the year	504	1,489	1,756	11	-	3,760
Disposals	-	(5,864)	(7,354)	-	-	(13,218)
31 December 2009	3,890	15,981	11,208	105	-	31,184
Net Book Value -						
31 December 2009	16,417	1,620	9,758	404	1,941	30,140

	2008					
	Land and Buildings $'000	**Computer Equipment $'000**	**Furniture, Fixtures and Equipment $'000**	**Roadway $'000**	**Work - In-Progress $'000**	**Total $'000**
Cost -						
1 January 2008	11,040	20,629	23,410	509	-	55,588
Additions	-	1,299	658		228	2,185
Disposals	-	(821)	(77)		-	(898)
Transfer from intangible assets	-	577	-		-	577
At 31 December 2008	11,040	21,684	23,991	509	228	57,452
Accumulated Depreciation -						
1 January 2008	3,114	19,732	15,436	83	-	38,365
Charge for the year	272	1,253	1,447	11	-	2,983
Disposals	-	(821)	(77)	-	-	(898)
Transfer from intangible assets	-	192	-	-	-	192
31 December 2008	3,386	20,356	16,806	94	-	40,642
Net Book Value -						
31 December 2008	7,654	1,328	7,185	415	228	16,810

19. Property, Plant and Equipment (Continued)

	2007				
	Land and Buildings $'000	Computer Equipment $'000	Furniture, Fixtures and Equipment $'000	Roadway $'000	Total $'000
Cost -					
1 January 2007	11,565	19,819	21,827	509	53,720
Additions	-	810	1,583	-	2,393
Adjustment	(525)	-	-	-	(525)
At 31 December 2007	11,040	20,629	23,410	509	55,588
Accumulated Depreciation -					
1 January 2007	3,448	18,151	13,843	72	35,514
Charge for the year	191	1,581	1,593	11	3,376
Adjustment	(525)	-	-	-	(525)
31 December 2007	3,114	19,732	15,436	83	38,365
Net Book Value -					
31 December 2007	7,926	897	7,974	426	17,223

20. Investment Property

Investment property represents land at Islington, St. Mary at a cost of $6,712,277 that was previously classified as assets held for sale (Note 17). The investment property was valued at $19,500,000 as at November 2007 by professional independent valuators. The directors are of the opinion that the value has not significantly changed as at 31 December 2009.

21. Retirement Benefits

The Credit Union participates in a joint contributory pension scheme, which is open to all permanent employees of the Credit Union and operated by the Jamaica Co-operative Credit Union League Limited. The plan provides benefits to members based on average earnings for their final 3 years of service with the Credit Union and employees each contributing 5 - 10% of pensionable salaries. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 December 2009. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding; the latest such valuation being as at 31 December 2007 revealed that the scheme was adequately funded as at that date.

21. Retirement Benefits (Continued)

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

	2009 $'000	2008 $'000	2007 $'000
Fair value of plan assets	70,652	50,388	43,249
Present value of funded obligations	(39,789)	(16,549)	(20,370)
	30,863	33,839	22,879
Unrecognised actuarial losses/(gains)	5,611	(4,270)	1,439
Unrecognised asset due to limit	(4,291)	-	-
	32,183	29,569	24,318

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

	2009 $'000	2008 $'000	2007 $'000
Current service cost, net of employee contribution	(382)	(230)	(412)
Interest cost	(3,088)	(2,784)	(3,015)
Expected return on plan assets	5,885	4,891	3,283
Net actuarial loss recognised during the year	-	-	(5)
Change in income not eligible for recognition due to limit	(4,291)	-	-
Total included in staff costs (Note 8)	(1,876)	1,877	(149)

The actual return on plan assets was a net surplus of approximately $14,040,000 (2008 - $4,703,000).

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

	2009 $'000	2008 $'000	2007 $'000
At beginning of year	50,388	43,249	39,056
Expected return on plan assets	5,885	4,891	3,283
Actuarial gains/(losses) on plan assets	8,155	(188)	(3,057)
Contributions -			
Employer	4,491	3,373	3,023
Employee	3,005	2,573	2,324
Benefits paid	(1,272)	(3,510)	(1,380)
At end of year	70,652	50,388	43,249