

**21. Retirement Benefits (Continued)**

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

	2009	2008	2007
	\$'000	\$'000	\$'000
At beginning of year	16,549	20,370	22,077
Current service cost	3,387	2,803	2,736
Interest cost	3,088	2,784	3,015
Actuarial gains on obligations	18,037	(5,898)	(6,078)
Benefits paid	<u>(1,272)</u>	<u>(3,510)</u>	<u>(1,380)</u>
At end of year	<u><u>39,789</u></u>	<u><u>16,549</u></u>	<u><u>20,370</u></u>

Expected contributions to the plan for the year ending 31 December 2010 amount to approximately \$4,399,000.

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

The distribution of plan assets was as follows:

	2009		2008		2007	
	\$'000	%	\$'000	%	\$'000	%
Quoted equities	2,119	3	2,016	4	3,027	7
Real estate	8,478	12	7,558	15	3,892	9
Government bonds	33,913	48	25,194	50	23,787	55
Repurchase agreements	19,076	27	11,085	22	11,245	26
US\$ bonds	3,533	5	1,512	3	432	1
Other	<u>3,533</u>	5	<u>3,023</u>	6	<u>866</u>	2
	<u><u>70,652</u></u>		<u><u>50,388</u></u>		<u><u>43,249</u></u>	

**21. Retirement Benefits (Continued)**

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

	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
Fair value of plan assets	70,652	50,388	43,249	39,056	29,758
Defined benefit obligation	(39,789)	(16,549)	(20,370)	(22,077)	(12,496)
Surplus	<u>30,863</u>	<u>33,839</u>	<u>22,879</u>	<u>16,979</u>	<u>17,262</u>
Experience adjustments –					
Fair value of plan assets	8,761	(188)	(3,057)	6,175	1,647
Defined benefit obligation	<u>555</u>	<u>(5,898)</u>	<u>(6,078)</u>	<u>(4,278)</u>	<u>4,884</u>

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

	2009	2008	2007
Discount rate	16%	16%	13%
Expected return on plan assets	10%	11%	11%
Future salary increases	13.5%	10%	10%
Expected average remaining working lives of employees (years)	<u>29</u>	<u>29</u>	<u>30</u>

Following the Jamaica Debt Exchange (JDX), there has been a significant reduction in interest rates and a downward shift in the Jamaica sovereign debt yield curve. This shift will result in a significant reduction in the discount rate used to measure the Credit Union's obligations under its defined benefit pension and other post employment benefit plans. Accordingly, the Credit Union's obligations under these plans are likely to increase significantly. The Credit Union, in conjunction with its actuaries, is in the process of determining the impact on both the accounting measurement and funding of these plans.



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22. Members' Deposits

	2009	2008	2007
	\$'000	\$'000	\$'000
(a) Members' Special and Fixed deposits -			
Opening balance	219,126	204,513	203,213
Deposits during the year	92,884	55,597	24,006
Interest during the year	14,767	17,179	5,943
	<u>326,777</u>	<u>277,289</u>	<u>233,162</u>
Less: Withdrawals during the year	<u>(65,854)</u>	<u>(58,163)</u>	<u>(28,649)</u>
	<u>260,923</u>	<u>219,126</u>	<u>204,513</u>
(b) Members' Ordinary deposits -			
Opening balance	96,867	94,510	93,867
Deposits during the year	41,806	49,466	57,263
Interest during the year	6,122	2,130	948
	<u>144,795</u>	<u>146,106</u>	<u>152,078</u>
Less: Withdrawals during the year	<u>(49,151)</u>	<u>(49,239)</u>	<u>(57,568)</u>
	<u>95,644</u>	<u>96,867</u>	<u>94,510</u>
(c) Members' Golden Harvest deposits -			
Opening balance	14,403	21,740	19,914
Deposits during the year	3,993	6,903	14,059
Interest during the year	1,044	1,536	1,886
	<u>19,440</u>	<u>30,179</u>	<u>35,859</u>
Less: Withdrawals during the year	<u>(7,732)</u>	<u>(15,776)</u>	<u>(14,119)</u>
	<u>11,708</u>	<u>14,403</u>	<u>21,740</u>
(d) Members' Solid Saver deposits -			
Opening balance	99,458	90,492	86,669
Deposits during the year	75,899	72,622	76,606
Interest during the year	6,023	6,340	4,605
	<u>181,380</u>	<u>169,454</u>	<u>167,880</u>
Less: Withdrawals during the year	<u>(78,679)</u>	<u>(69,996)</u>	<u>(77,388)</u>
	<u>102,701</u>	<u>99,458</u>	<u>90,492</u>
(e) Members' Other deposits -			
Opening balance	40,953	29,468	23,417
Deposits during the year	168,306	98,354	75,016
Interest during the year	2,665	1,677	240
	<u>211,924</u>	<u>129,499</u>	<u>98,673</u>
Less: Withdrawals during the year	<u>(133,589)</u>	<u>(88,546)</u>	<u>(69,205)</u>
	<u>78,335</u>	<u>40,953</u>	<u>29,468</u>



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22. Members' Deposits (Continued)

	2009 \$'000	2008 \$'000	2007 \$'000
(f) Members' Dream Loan deposits -			
Opening balance	4,896	2,405	-
Deposits during the year	<u>3,321</u>	<u>4,453</u>	<u>2,470</u>
	8,217	6,858	2,470
Less: Withdrawals during the year	<u>(2,255)</u>	<u>(1,962)</u>	<u>(65)</u>
	<u>5,962</u>	<u>4,896</u>	<u>2,405</u>
(g) Interest payable on members' deposits	<u>3,656</u>	<u>2,650</u>	<u>6,719</u>
	<u>558,929</u>	<u>478,353</u>	<u>449,847</u>

23. Members' Voluntary Shares

	2009 \$'000	Restated 2008 \$'000	Restated 2007 \$'000
Balance at the beginning of the year	1,106,044	1,017,762	861,155
Shares received	1,293,405	1,161,658	1,081,162
Shares withdrawn	<u>(1,263,791)</u>	<u>(1,118,378)</u>	<u>(966,553)</u>
	1,135,658	1,061,042	975,764
Add: Interest payable	50,000	45,002	41,998
Balance at the end of the year	<u>1,185,658</u>	<u>1,106,044</u>	<u>1,017,762</u>

24. Bank Overdraft

The Credit Union has an overdraft facility with the National Commercial Bank Jamaica Limited (NCB) for \$15,000,000. The facility is secured by a lien over credit balances held at NCB Capital Markets Limited. As at 31 December 2009, the Credit Union had not drawn on the facility. The bank overdraft at year end represents cheques issued and unrepresented.

25. External Loan

	2009 \$'000	2008 \$'000	2007 \$'000
Jamaica Co-operative Credit Union League Limited	<u>-</u>	<u>38</u>	<u>771</u>

The balance relates to a loan received from the League which was on-lent to members who incurred losses as a result of Hurricane Ivan. The interest rate applicable to the loan is 6% (2008 - 6%).



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26. Accounts Payable

	2009 \$'000	2008 \$'000	2007 \$'000
Jamaica Co-operative Credit Union League Limited	-	25	25
Other payables	6,648	6,361	5,185
Accrued expenses	12,619	10,345	12,293
	<u>19,267</u>	<u>16,731</u>	<u>17,503</u>

27. Members' Permanent Share Capital

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

The Credit Union may purchase shares from a member out of its share transfer fund reserve (Note 29 (c)) for transfer to the Credit Union.

Dividends may be paid on permanent shares subject to the profitability of the Credit Union. At year end, no dividends were paid on members' permanent shares.

Member's permanent share capital was as follows:

	2009 \$'000	2008 \$'000	2007 \$'000
Balance at the beginning of the year	-	-	-
Share capital received	1,047	-	-
Balance at the year end	<u>1,047</u>	<u>-</u>	<u>-</u>

28. Institutional Capital

	2009 \$'000	Restated 2008 \$'000	Restated 2007 \$'000
Statutory reserve	311,371	268,927	210,800
General reserve	-	-	27,442
Permanent capital reserve	5,439	-	-
	<u>316,810</u>	<u>268,927</u>	<u>238,242</u>

(a) Statutory reserve

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

(b) General reserve

The general reserve fund was established in accordance with Rule 65 of the Credit Union's Rules to provide additional institutional capital for the Credit Union. In 2008, the Board of Directors took the decision to transfer the general reserve fund to the statutory reserve because the Bank of Jamaica did not recognise the general reserve as part of the Credit Union's capital base.

(c) Permanent capital reserve

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



29. Non-Institutional Capital

	2009 \$'000	Restated 2008 \$'000	Restated 2007 \$'000
Retirement benefit asset reserve	32,183	29,569	24,318
Loan loss reserve	-	18,915	16,747
Share transfer fund	200	-	-
Capital expenditure reserve	31,645	40,254	40,254
	<u>64,028</u>	<u>88,738</u>	<u>81,319</u>

(a) Retirement benefit asset reserve

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

(b) Loan loss reserve

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

(c) Share transfer fund

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

(d) Capital expenditure reserve

The capital expenditure reserve was established by transfer from the contingency reserve. This reserve is available for future capital projects undertaken by the Credit Union and has been reclassified from institutional capital to non-institutional capital (Note 35 (b)).

30. Commitments

At 31 December 2009 there were commitments of approximately \$44,576,000 (2008 - \$64,733,000) in respect of loans approved, but not disbursed.

31. Comparison of Ledger Balances

	Shares \$'000	Deposits \$'000	Loans \$'000
Balance per Members' Ledger	1,135,568	555,273	1,541,285
Add: Accrued interest	50,000	3,656	34,905
	<u>1,185,658</u>	<u>558,929</u>	<u>1,576,190</u>
Less: Provision for impairment	-	-	(17,746)
	<u>1,185,658</u>	<u>558,929</u>	<u>1,558,444</u>
Balance per General Ledger	<u>1,185,658</u>	<u>558,929</u>	<u>1,558,444</u>
	<u>-</u>	<u>-</u>	<u>-</u>



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First Regional Co-operative Credit Union Limited

32. Insurance

(a) **Fidelity insurance coverage**

Fidelity insurance coverage was maintained during the year.

(b) **Life savings and loan protection insurance**

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

33. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) **Key management compensation**

	2009 \$'000	2008 \$'000
Salaries and other short-term employee benefits	22,766	20,552
Statutory contributions	2,086	1,940
Pension benefits	1,646	1,347
Other	3,385	3,407
	<u>29,883</u>	<u>27,246</u>

(b) **Loans**

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

	2009 \$'000	2008 \$'000
Beginning of the year	50,761	43,494
Loans reclassified	5,778	-
Loans advanced during year	22,880	14,871
Loan repayments received	<u>(11,261)</u>	<u>(7,604)</u>
Balance at year end	<u>68,158</u>	<u>50,761</u>
Interest charged	8,376	5,421
Interest received	<u>(8,376)</u>	<u>(5,421)</u>
	<u>68,158</u>	<u>50,761</u>

No provision for impairment is required for these loans.



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First Regional Co-operative Credit Union Limited

34. Related Party Transactions and Balances (Continued)

(c) Shares and savings

	2009 \$'000	2008 \$'000
Directors and committee members	21,413	17,417
Staff members	<u>7,964</u>	<u>5,999</u>

35. Change in Accounting Policy and Reclassification

- (a) In previous years, members' shares available for withdrawal were classified as equity, and the dividends paid on those shares were reported as an appropriation of accumulated surplus. This treatment did not conform to the requirements of IFRIC Interpretation 2 – Members' Shares in Co-operative Entities and Similar Instruments.

Effective in the current year, the Credit Union has amended its accounting policy in respect of these shares to conform to the requirements of IFRS. Accordingly, members' shares available for withdrawal are now classified as liabilities, and the dividends paid on those shares are reported as a component of interest expense in the statement of comprehensive income in arriving at the accumulated surplus for the year.

Adoption of the amended policy had the following effect on transactions and balances reported in previous years:

Effect on the statement of financial position

	As previously reported	Restatement	As restated
	\$'000	\$'000	\$'000
2008			
Equity			
Members' share capital	1,061,042	(1,061,042)	-
Accumulated surplus	121,906	(45,002)	76,904
Liabilities			
Interest-bearing liabilities – Members' voluntary shares	<u>-</u>	<u>1,106,044</u>	<u>1,106,044</u>
2007			
	\$'000	\$'000	\$'000
Equity			
Members' share capital	975,764	(975,764)	-
Accumulated surplus	93,228	(41,998)	51,230
Liabilities			
Interest-bearing liabilities – Members' voluntary shares	<u>-</u>	<u>1,017,762</u>	<u>1,017,762</u>



35. Change in Accounting Policy and reclassification (Continued)

Effect on the statement of comprehensive income

	As previously reported	Restatement	As restated
	2008		
	\$'000	\$'000	\$'000
Interest Expense			
Interest on members' voluntary shares	-	45,002	45,002

- (b) In the current year, the Credit Union reclassified the capital expenditure reserve, previously included in institutional capital, to non-institutional capital. This reclassification was stipulated by the Jamaica Co-operative Credit Union League Limited on the basis that the nature of the capital expenditure reserve was more accurately reflected as part of non-institutional capital.

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

Effect on the statement of financial position

	As previously reported	Restatement	As restated
	2008		
	\$'000	\$'000	\$'000
Equity			
Institutional capital	309,181	(40,254)	268,927
Non-institutional capital	48,484	40,254	88,738
	2007		
	\$'000	\$'000	\$'000
Equity			
Institutional capital	278,496	(40,254)	238,242
Non-institutional capital	41,065	40,254	81,319



36. Subsequent Events

In February 2010, the Credit Union participated in the Jamaica Debt Exchange (JDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available to the Credit Union under the election options contained in the transaction.

The key features of the JDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the "Old Notes") were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the "New Notes"). Participation in the JDX was voluntary.
- The New Notes comprising 24 new instruments have a variety of payment terms, including fixed and variable rates in Jamaican dollars, CPI-indexed in Jamaican dollars, and fixed rates in U.S. dollars. While all the Old Notes were callable by the Government of Jamaica, all the fixed rate New Notes and certain variable rate New Notes will be non-callable.
- Eligible investors had the option to choose New Notes based on the type and maturity profile of the Old Notes which were offered for exchange based on certain election options. The election options only allowed investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 24 February 2010 (the Final Settlement Date).

The JDX has had a significant impact on the expected future cash flows from the Credit Union's investment portfolio. The table below summarises the impact on coupon rates and maturities of the instruments that were exchanged.

	<u>Pre JDX</u>	<u>Post JDX</u>
Jamaican dollar denominated instruments:		
Total face value exchanged J\$71,703,000		
Weighted average coupon rate	21.56%	11.87%
Weighted average tenor to maturity (days)	569	919
US dollar denominated instruments:		
Total face value exchanged US\$161,000		
Weighted average coupon rate	7.50%	7.25%
Weighted average tenor to maturity (days)	<u>1,009</u>	<u>777</u>