First Regional Co-operative Credit Union Limited

Financial Statements
31 December 2008

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of First Regional Co-operative Credit Union Limited, set out on pages 1 to 51, which comprise the balance sheet as of 31 December 2008 statement of income and expenditure, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As more fully explained in Note 2(r), the Credit Union has classified members' shares available for withdrawal as equity, and the dividends paid on these shares as an appropriation of accumulated surplus. International Financial Reporting Standards require that members' shares available for withdrawal be classified as liabilities in accordance with the substance rather than the legal form of the arrangement, and that the dividends paid thereon be classified as an expense. These departures from International Financial Reporting Standards have resulted in an overstatement of equity and an understatement of liabilities of $1,061,042,000 (2007 - $975,764,000), as well as an overstatement of net surplus of $41,998,000 for the year ended 31 December 2008 (2007 - $41,983,000).

Qualified Opinion

In our opinion, except for the matters described in the preceding paragraph, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act.

Chartered Accountants

30 March 2009
Montego Bay, Jamaica

First Regional Co-operative Credit Union Limited

Statement of Income and Expenditure

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Interest Income			
Interest on members' loans		238,239	197,051
Interest on liquid assets		10,260	6,448
Interest on investments		53,132	48,150
		301,631	251,649
Interest Expense			
Interest on members' fixed deposits		16,876	14,457
Interest on members' other deposits		14,636	13,211
Other financial costs		7,752	6,553
Bank charges		3,876	3,887
Interest on external credit		24	69
		43,164	38,177
Net Interest Income		258,467	213,472
Loan impairment provision, net of recoveries	14	(22,692)	(7,885)
Net Interest Income after Impairment Losses on Loans		235,775	205,587
Non-Interest Income			
Fees and other income	6	6,113	7,411
Net Interest and Other Income		241,888	212,998
Operating Expenses			
Administrative		115,722	103,615
Other operating expenses		17,386	16,006
	7	133,108	119,621
NET SURPLUS		108,780	93,377

First Regional Co-operative Credit Union Limited

Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
ASSETS			
Earning Assets			
Liquid Assets			
Savings and call deposits	10	65,939	50,050
Short-term investments	11	205,709	186,179
		271,648	236,229
Reverse Repurchase Agreements	12	90,298	62,015
Financial Investments	13		
Available-for-sale		17,471	23,548
Loans and receivables		45,567	40,122
Held-to-maturity		84,623	128,756
		147,661	192,426
Loans to Members, net of impairment provision	14	1,426,771	1,288,242
		1,936,378	1,778,912
Non-Earning Assets			
Liquid Assets			
Cash and bank balances	15	13,033	7,191
Other Assets			
Accounts receivable	16	29,764	23,773
Assets held for sale	17	7,802	7,802
		37,566	31,575
Intangible Assets	18	2,379	3,431
Property, Plant and Equipment	19	16,810	17,223
Retirement Benefit Asset	20	29,569	24,318
		99,357	83,738
		2,035,735	1,862,650

First Regional Co-operative Credit Union Limited

Balance Sheet

31 December 2008

(expressed in Japanese dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
LIABILITIES AND EQUITY			
Liabilities			
Interest Bearing Liabilities			
Members' deposits	21	478,353	449,847
Bank overdraft	22	-	5,976
External loan	23	38	771
		478,391	456,594
Non-Interest Bearing Liabilities			
Accounts payable	24	16,731	17,503
		495,122	474,097
Equity			
Members' share capital	25	1,061,042	975,764
Institutional capital	26	309,181	278,496
Non-institutional capital	27	48,484	41,065
Accumulated surplus		121,906	93,228
		1,540,613	1,388,553
		2,035,735	1,862,650

Approved for issue on behalf of the Board of Directors on 30 March 2009 and signed on its behalf by:

James Walsh Director

Norma Walters Director

First Regional Co-operative Credit Union Limited

Statement of Changes in Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Members' Share Capital	Institutional Capital	Non-Institutional Capital	Accumulated Surplus	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2007		819,172	237,483	27,387	96,525	1,180,567
Net surplus		-	-	-	93,377	93,377
Contributions	25	1,123,145	-	-	-	1,123,145
Withdrawals	25	(966,553)	-	-	-	(966,553)
Appropriation from 2006 surplus -						
Dividends paid		-	-	-	(41,983)	(41,983)
Appropriations from 2007 surplus -						
Transfer to institutional capital	26	-	26,466	-	(26,466)	-
Transfer to capital expenditure reserve			13,500		(13,500)	
Transfer to other reserves	27	-	-	13,678	(13,678)	-
Entrance fees	26	-	1,047	-	(1,047)	-
Balance at 31 December 2007		975,764	278,496	41,065	93,228	1,388,553
Net surplus		-	-	-	108,780	108,780
Contributions	25	1,203,656	-	-	-	1,203,656
Withdrawals	25	(1,118,378)	-	-	-	(1,118,378)
Appropriation from 2007 surplus -						
Dividends paid		-	-	-	(41,998)	(41,998)
Appropriations from 2008 surplus -						
Transfer to institutional capital	26	-	29,524	-	(29,524)	-
Transfer to other reserves	27	-		7,419	(7,419)	-
Entrance fees	26	-	1,161	-	(1,161)	-
Balance at 31 December 2008		1,061,042	309,181	48,484	121,906	1,540,613

First Regional Co-operative Credit Union Limited

Statement of Changes in Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		Institutional Capital			
	Note	**Statutory Reserve**	**General Reserve**	**Capital Expenditure Reserve**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January 2007		183,287	27,442	26,754	237,483
Appropriations from 2007 surplus -					
20% statutory reserve	26	18,466	-	-	18,466
Transfer from accumulated surplus		8,000	-	13,500	21,500
Entrance fees		1,047	-	-	1,047
Balance at 31 December 2007		210,800	27,442	40,254	278,496
Appropriations from 2008 surplus -					
20% statutory reserve	26	21,524	-	-	21,524
Transfer from accumulated surplus		8,000	-	-	8,000
Transfer from general reserve		27,442	(27,442)	-	-
Entrance fees	26	1,161	-	-	1,161
Balance at 31 December 2008		268,927	-	40,254	309,181

		Non-Institutional Capital		
	Note	**Retirement Benefit Asset Reserve**	**Loan Loss Reserve**	**Total**
		$'000	**$'000**	**$'000**
Balance at 1 January 2007		21,443	5,944	27,387
Transfer of increase in retirement benefit asset	27	2,875	-	2,875
Transfer from accumulated surplus	27	-	10,803	10,803
Balance at 31 December 2007		24,318	16,747	41,065
Transfer of increase in retirement benefit asset	27	5,251	-	5,251
Transfer from accumulated surplus	27	-	2,168	2,168
Balance at 31 December 2008		29,569	18,915	48,484

First Regional Co-operative Credit Union Limited

Statement of Cash Flows

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	2008 $'000	2007 $'000
Cash Flows from Operating Activities		
Interest received	300,905	245,354
Interest paid	(89,231)	(78,814)
Fees and other income, net	5,193	7,149
Recoveries on impaired loans	1,767	589
Unrealised foreign exchange gain, net	(707)	-
Payments to employees and suppliers	(128,946)	(112,279)
Tax refund	1,600	5,615
Tax paid	(5,428)	(8,332)
	85,153	59,282
Changes in operating assets and liabilities -		
Loans	(163,374)	(246,696)
Other assets	(2,097)	2,054
Retirement benefit asset	(5,251)	(2,875)
Members' deposits	32,575	16,048
Cash used in operating activities	(52,994)	(172,187)
Cash Flows from Investing Activities		
Short-term investments	(18,546)	(1,851)
Financial investments	43,907	1,269
Reverse repurchase agreements	(25,736)	25,042
Purchase of intangible assets	(1,284)	(5,147)
Purchase of property, plant and equipment	(2,185)	(2,393)
Cash (used in)/provided by investing activities	(3,844)	16,920
Cash Flows from Financing Activities		
External loan	(733)	(885)
Members' share capital	85,278	156,592
Cash used in financing activities	84,545	155,707
Effect of exchange rate changes on cash and cash equivalents	-	82
Increase in cash and cash equivalents	27,707	440
Cash and cash equivalents at beginning of year	51,265	50,743
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 15)	78,972	51,265

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements
Year ended 31 December 2008
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

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

Membership to the Credit Union is obtained by the holding of members' shares, which are deposits available for withdrawal on demand. Individual membership may not exceed 20% of the total of the members' shares of the Credit Union. Membership is primarily available to individuals who were born in the parishes of St. Ann and St. Mary and who work, reside or have relatives residing in these parishes.

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

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

2. Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the classification of members' shares as equity and not liabilities and the dividends paid on these shares as an appropriation of surplus and not an expense, and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Interpretations and amendments to published standards effective in the current year

Certain new interpretations and amendments to existing standards have been published that became effective during the current financial year. The Credit Union has assessed the relevance of all such new interpretations and amendments and has adopted the following interpretations and amendments, which are relevant to its operations. The 2007 comparative figures have been amended as required, in accordance with the relevant requirements.

IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The adoption of this interpretation did not have any impact on the Credit Union's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Interpretations and amendments to published standards effective in the current year (Continued)

IAS 39 (Amendment) – Financial instruments: Recognition and measurement (effective 1 July 2008). An amendment to IAS 39 was issued in October 2008 which permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit and loss by the entity upon initial recognition) out of the fair value through profit or loss by category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and to have receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale). In both instances the entity has to have the intention and ability to hold that financial asset for the foreseeable future or to maturity. The Credit Union did not exercise this option and as such IAS 39 (Amendment) had no impact on these financial statements.

There was no impact on opening accumulated surplus at 1 January 2007 from the adoption of the above-mentioned interpretation and amendment.

Interpretations effective in 2008 but not relevant to the Credit Union
The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Credit Union's operations:

IFRIC 11- IFRS 2 - Group and Treasury Share Transactions

IFRIC 12 - Service Concession Arrangements

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

IAS 1 - Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009).
The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. IAS 1 will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes equity. Management is currently assessing the impact of these changes.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial Instruments - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009). This amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Credit Union is examining the effect of this amendment on its operations.

IAS 36 (Amendment) - Impairment of assets (effective from 1 January 2009). The objective of this amendment is to ensure that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation are made. The Credit Union will provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment) - Intangible assets (effective from 1 January 2009). This amendment stipulates that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Credit Union will apply the amendments of IAS 38 from 1 January 2009, but it is not expected to have any impact on the Credit Union's financial statements.

IAS 19 (Amendment) - Employee benefits (effective from 1 January 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Credit Union is examining the effect of this amendment on its operations for the period beginning 1 January 2009.

IFRS 7 (Amendment) – Financial instruments: disclosures (effective from 1 January 2009). For financial assets reclassified in accordance with IAS 39 (amendment), an entity is required to disclose details of carrying amounts and fair values until they are derecognised, together with details of the fair value gain or loss that would have been recognised in profit and loss or equity if the financial assets had not been reclassified. As the Credit Union has not reclassified any of its financial instruments under IAS 39 (amendment), this amendment has no impact on the Credit Union's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

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

The Credit Union has concluded that the following standards, interpretations and amendments to existing standards, which are published but not yet effective, are not relevant to its operations and will therefore have no material impact on adoption.

IAS 16 (Amendment) - Property, plant and equipment (and consequential amendment to IAS 7, Statement of cash flows)

IAS 20 (Amendment) - Accounting for government grants and disclosure of government assistance

IAS 23 (Amendment) - Borrowing Costs

IAS 27 (Amendment) - Consolidated and separate financial statements

IAS 27 (Revised) - Consolidated and Separate Financial Statements

IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32, Financial Instruments: Presentation, and IFRS 7, Financial instruments: Disclosures)

IAS 29 (Amendment) - Financial reporting in hyperinflationary economies

IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7)

IAS 38 (Amendment) - Intangible assets

IAS 40 (Amendment) - Investment property

IAS 41 (Amendment) - Agriculture

IFRS 1 (Amendment) - First time adoption of IFRS, and IAS 27 Consolidated and separate financial statements

IFRS 2 (Amendment) - Share-based Payment

IFRS 3 (Revised) - Business Combinations

IFRS 5 (Amendment) - Non-current assets held-for-sale and discontinued operations (and consequential amendment to IFRS 1 - First-time adoption

IFRS 8 - Operating Segments

IFRIC 13 - Customer Loyalty Programmes

IFRIC 15 - Agreements for construction of real estates

IFRIC 16 - Hedges of a net investment in a foreign operation

IFRIC 17- Distribution of non-cash assets to owners

IFRIC 18 - Transfer of assets from customers

2. Significant Accounting Policies (Continued)

(b) Interest income and expense

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

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

(c) Fees and other income

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Credit Union operates (“the functional currency”). The financial statements are presented in Jamaican dollars, which is the Credit Union’s functional and presentation currency.

(ii) Transactions and balances

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

(e) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

The Credit Union classifies its financial assets in the following categories: loans and receivables, held-to-maturity, available-for-sale and financial assets at fair value through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

At the balance sheet date, the following items were classified as loans and receivables: loans to members net of impairment provision, reverse repurchase agreements and accounts receivable.

At the balance sheet date, Government of Jamaica securities were classified as held-to-maturity.

At the balance sheet date, the following items were classified as available-for-sale: deposits, short term investments and equities.

At the balance sheet date, the following items were classified as financial assets at fair value through profit and loss: cash in hand and at bank.

2. Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Financial liabilities

The Credit Union's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At balance sheet date the following items were classified as financial liabilities: members' deposits, bank overdraft, external loan and accounts payable.

(f) Investments

The Credit Union classifies its investments as loans and receivables; held-to-maturity; and available-for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates such designation at every reporting date.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity. Were the Credit Union required to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale. Held-to-maturity investments are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective yield method.

Investments classified as available-for-sale are non-derivative financial assets, intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. Purchases and sales of investments are recognised at trade date, which is the date that the Credit Union commits to purchase or sell the asset. Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the Credit Union has transferred substantially all the risk and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in the statement of income and expenditure and other changes in the carrying amount are recognised in equity. Changes in the fair value of non-monetary available-for-sale investments are recognised in equity.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income and expenditure as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of income and expenditure.

First Regional Co-operative Credit Union Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Investments (Continued)

If the market for a financial asset is not active (as for unlisted securities), the Credit Union establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, or amounts derived from discounted cash flow models, making maximum use of market inputs.

The Credit Union assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired. In the case of equity and securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in the statement of income and expenditure, is removed from equity and recognised in the statement of income and expenditure. Impairment losses recognised in the statement of income and expenditure on equity instruments are not reversed through the statement of income and expenditure.

(g) Loans and allowance for impairment losses

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

An allowance for impairment is established if there is objective evidence that the Credit Union will not be able to collect all amounts outstanding according to the original contractual terms of the loan. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

A loan is classified as delinquent when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually two months in arrears, the loan will be classified as delinquent and assessed for impairment.

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt-forgiveness. Write-offs are charged against previously established provisions for impairment losses and reduce the principal amount of the loan. Recoveries, in part or in full, of amounts previously written-off are credited to recoveries of impaired loans in the statement of income and expenditure.

The Credit Union's impairment loss provision requirements, as stipulated by the Union League, that exceed the IFRS impairment provision, are dealt with in a non-distributable loan loss reserve as an appropriation of accumulated surplus.

2. Significant Accounting Policies (Continued)

(h) Reverse repurchase agreements

Securities purchased under agreements to resell are recorded as collateralised financing transactions. They are originally recorded at cost which is the cash given to originate the transaction and are subsequently measured at amortised cost using the effective interest method. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(i) Accounts receivable

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

(j) Cash and cash equivalents

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

(k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is considered as met only when the asset (or disposal groups) is available for immediate sale in its present condition, and its sale is highly probable. A sale is considered to be highly probable where an appropriate level of management has undertaken an active programme to locate a buyer, and the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the previous carrying amount and fair value, less costs to sell.

(l) Intangible assets

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

(m) Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation for buildings. No depreciation is considered necessary in respect of land. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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

Depreciation is calculated on the straight line basis at annual rates that will write off the carrying value of the assets over their estimated useful lives. The estimated useful lives are as follows:

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2. Significant Accounting Policies (Continued)

(m) Property, plant and equipment (Continued)

Straight line basis -	
Buildings	2½%
Furniture, fixtures and equipment	10%
Computer equipment	$33^1/_3$%
Reducing balance basis -	
Roadway	2½%

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

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

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

(n) Impairment of non-financial assets

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

(o) Employee benefits

Pension plan

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

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

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

First Regional Co-operative Credit Union Limited

2. Significant Accounting Policies (Continued)

(o) Employee benefits (Continued)
Pension plan (Continued)

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

(p) Accounts payable

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

(q) Provisions

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

(r) Members' shares

Members' shares represent withdrawable deposit holdings of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits.

In accordance with industry practice, the Credit Union classifies members' shares as equity, and the dividend paid thereon as an appropriation of accumulated surplus, and not as an expense. IFRS require that voluntary shares be classified as a liability, and that the dividends paid on these shares be classified as an expense.

(s) Institutional capital

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

(t) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Financial Risk Management

The Credit Union's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial business, and operational risk is an inevitable consequence of being in business. The Credit Union seeks to eliminate those risks which it can but, cognisant that it is impossible to eliminate all risks, it seeks to mitigate remaining risks while trying to achieve an appropriate trade-off between risk and return.

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

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

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

(i) Risk Compliance Unit
This unit ensures conformity with regulatory requirements. A Risk and Compliance Manager ensures that all regulatory requirements of the Bank of Jamaica, the League and the Financial Investigating Unit of the Ministry of Finance and Planning are met.

(ii) Risk Management Unit (RMU)
The League has established an RMU for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.

(iii) The Treasury and Investment Committees
The Treasury Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Credit Union. The Investment Committee is responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union.

(iv) Asset and Liability Committee
The Asset and Liability Committee is responsible for appropriate trading limits and reports on compliance controls to ensure that its mandate is properly followed.

(v) Supervisory Committee
The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Board of Directors through the Supervisory Committee.

3. Financial Risk Management (Continued)

(vi) Credit Committee
The Credit Committee oversees the approval and disbursement of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan of portfolio.

The most important types of risks are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

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

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

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

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

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

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

The main types of collateral obtained are as follows:

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

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

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3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment

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

The Credit Union addresses impairment assessment individually.

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

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

Management determines whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Credit Union:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratios, net income percentage of sales);
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

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

	2008		2007	
	Loans $'000	**Impairment Provision $'000**	**Loans $'000**	**Impairment Provision $'000**
Loans to Members, net of impairment provision	1,426,771	12,584	1,288,242	7,606

3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment (Continued)

The maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

	2008 $'000	2007 $'000
Cash and balances due from other financial institutions (excluding cash on hand)	281,552	242,637
Reverse repurchase agreements	90,298	62,015
Financial investments	147,661	192,426
Accounts receivable	29,764	23,773
Loans, net of impairment provision	1,426,771	1,288,242
	1,976,046	1,809,093
Credit risk exposure relating to off-balance sheet items is as follows:		
Loan commitments	64,733	38,953

The above table represents a worst case scenario of credit risk exposure to the Credit Union at 31 December 2008 and 2007, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying values as reported in the balance sheet.

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

	2008 $'000	2007 $'000
Neither past due nor impaired	1,379,420	1,192,335
Past due but not impaired	9,567	32,711
Impaired	50,368	70,802
Gross	1,439,355	1,295,848
Less: Allowance for impairment	(12,584)	(7,606)
Net	1,426,771	1,288,242

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

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3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment (Continued)

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

	2008 $'000	2007 $'000
Less than 2 months	4,738	8,961
2 - 3 months	1,581	18,370
3 - 6 months	687	4,405
6 - 12 months	2,561	975
	9,567	32,711

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

(iii) Financial assets – individually impaired
Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	2008 $'000	2007 $'000
Loans	50,368	70,802

The fair value of collateral that the Credit Union held as security for individually impaired loans was approximately $77,376,000 (2007 - $67,866,000).

There are no financial assets other than those listed above that were individually impaired.

(iv) Renegotiated loans
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. Renegotiated loans that would otherwise be past due or impaired totalled Nil at 31 December 2008 (2007 - $789,000).

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3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment (Continued)

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

	Carrying Amount 2008 $'000	Carrying Amount 2007 $'000
Motor vehicles	3,540	3,257
Real estate	-	20,296
	3,540	23,553

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

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

	2008 $'000	2007 $'000
Government of Jamaica	84,623	128,756
Corporate	90,298	62,015
Other	45,567	40,122
	220,488	230,893

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Notes to the Financial Statements
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3. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment (Continued)

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

	2008	**2007**
	$'000	**$'000**
Construction and real estate	477,677	253,033
Education	55,960	46,704
Business investment	81,511	85,911
Agriculture	3,790	2,913
Personal and others	798,591	884,221
	1,417,529	1,272,782
Less: Provision for credit losses	(12,584)	(7,606)
	1,404,945	1,265,176
Interest receivable	21,826	23,066
	1,426,771	1,288,242

(b) Liquidity risk
Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet commitments associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfill commitments to lend.

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

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash outflows and the availability of liquid cash available to meet these outflows;

(ii) Maintaining a balanced portfolio between financial investments and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(iii) Optimising cash returns on investments; and

(iv) Monitoring balance sheet liquidity ratios against internal and regulatory requirements. One of the most important of these is to maintain code one rating liquidity ratio according to the PEARLS-M standard.

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Notes to the Financial Statements
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3. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

Liquidity risk management process (Continued)

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

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

Financial liabilities cash flows

The tables below presents the undiscounted cash flows payable (both interest and principal cash flows) of the Credit Union's financial liabilities based on contractual repayment obligations.

	2008					
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No Specific**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities						
Interest bearing liabilities						
Members' deposits	342,081	130,039	15,987	-	22,773	510,880
External loan	40	-	-	-	-	40
Non-interest bearing liability						
Payables and other accruals	16,731	-	-	-	-	16,731
Total financial liabilities	358,852	130,039	15,987	-	22,773	527,651

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Notes to the Financial Statements
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3. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

Financial liabilities cash flows (Continued)

	2007					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities						
Interest bearing liabilities						
Members' deposits	302,013	120,205	27,009	-	14,232	463,459
Bank overdraft	5,976	-	-	-	-	5,976
External loan	388	389	-	-	-	777
Non-interest bearing liability						
Payables and other accruals	17,503	-	-	-	-	17,503
Total financial liabilities	325,880	120,594	27,009	-	14,232	487,715

Off-balance sheet items

The tables below show the contractual expiry by maturity of the Credit Union's commitments.

	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At 31 December 2008				
Loan commitments	64,733	-	-	64,733
At 31 December 2007				
Loan commitments	38,953	-	-	38,953

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, 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 same day to the commercial banks.

First Regional Co-operative Credit Union Limited

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3. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

Concentrations of currency risk – balance sheet financial instrument

The table below summarises the Credit Union's exposure to foreign currency exchange rate risk at 31 December.

	2008				
	Jamaican	**US$**	**GBP**	**CAN$**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets					
Earning assets					
Liquid assets -					
Savings and call deposits	65,939	-	-	-	65,939
Short-term investments	205,709	-	-	-	205,709
Reverse repurchase agreements	83,308	6,990	-	-	90,298
Financial investments	126,096	13,101	7,051	1,413	147,661
Loans, after provision for impairment	1,426,771	-	-	-	1,426,771
Non-earning assets					
Cash and bank balances	13,033	-	-	-	13,033
Other assets					
Accounts receivable	29,764	-	-	-	29,764
Total assets	1,950,620	20,091	7,051	1,413	1,979,175
Liabilities					
Interest bearing liabilities					
Members' deposits	478,353	-	-	-	478,353
External loan	38	-	-	-	38
Non-interest bearing liabilities	16,731	-	-	-	16,731
Total liabilities	495,122	-	-	-	495,122
Net Position	1,455,498	20,091	7,051	1,413	1,484,053

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3. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

	2007				
	Jamaican	**US$**	**GBP**	**CAN$**	**Total**
	J$'000	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets					
Earning assets					
Liquid assets -					
Savings and call deposits	50,050	-	-	-	50,050
Short-term investments	185,208	971	-	-	186,179
Reverse repurchase agreements	62,015	-	-	-	62,015
Financial investments	166,026	16,406	8,459	1,535	192,426
Loans, after provision for impairment	1,288,242	-	-	-	1,288,242
Non-earning assets					
Cash and bank balances	7,191	-	-	-	7,191
Other assets -					
Accounts receivable	23,773	-	-	-	23,773
Total assets	1,782,505	17,377	8,459	1,535	1,809,876
Liabilities					
Interest bearing liabilities					
Members' deposits	449,847	-	-	-	449,847
Bank overdraft	5,976	-	-	-	5,976
External loan	771	-	-	-	771
Non-interest bearing liabilities	17,503	-	-	-	17,503
Total liabilities	474,097	-	-	-	474,097
Net Position	1,308,408	17,377	8,459	1,535	1,335,779

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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.

	% Change in Currency Rate 2008	Effect on Net Surplus 2008 $'000	Effect on Equity 2008 $'000	% Change in Currency Rate 2007	Effect on Net Surplus 2007 $'000	Effect on Equity 2007 $'000
Currency:						
USD	15	3,014	3,014	4	743	743
GBP	15	1,058	1,058	3	241	241
CAN	15	212	212	5	77	77
USD	-5	(1,009)	(1,009)	-	-	-
GBP	-5	(353)	(353)	-	-	-
CAN	-5	(71)	(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.

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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.

	2008						
	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	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							
Cash and bank balances	-	-	-	-	-	13,033	13,033
Accounts receivable	-	-	-	-	-	29,764	29,764
Total assets	4,519	473,741	85,268	641,919	693,422	80,306	1,979,175
Liabilities and Equity							
Interest bearing liabilities							
Members' deposits	-	318,583	122,594	14,403	-	22,773	478,353
External credit	-	38	-	-	-	-	38
Non-interest bearing liabilities							
Payables and other accruals	-	-	-	-	-	16,731	16,731
Equity	-	-	-	-	-	1,540,613	1,540,613
Total liabilities and equity	-	318,621	122,594	14,403	-	1,580,117	2,035,735
Total Interest Rate Sensitivity Gap	4,519	155,120	(37,326)	627,516	693,422	(1,499,811)	(56,560)
Cumulative Gap	4,519	159,639	122,313	749,829	1,443,251	(56,560)	

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3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

	2007						
	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	4,294	45,756	-	-	-	-	50,050
Short-term investments	-	184,598	-	-	-	1,581	186,179
Reverse repurchase agreements	-	61,693	-	-	-	322	62,015
Financial investments	-	62,114	57,721	63,548	5,000	4,043	192,426
Loans, net of provision for impairment	-	36,196	75,164	551,612	602,204	23,066	1,288,242
Non-earning assets							
Cash and bank balances		-	-	-	-	7,191	7,191
Accounts receivable	-	-	-	-	-	23,773	23,773
Total assets	4,294	390,357	132,885	615,160	607,204	59,976	1,809,876
Liabilities and Equity							
Interest bearing liabilities							
Members' deposits	-	295,006	112,151	22,133	-	20,557	449,847
Bank overdraft	5,976	-	-	-	-	-	5,976
External credit		-	-	771	-	-	771
Non-interest bearing liabilities							
Payables and other accruals		-	-	-	-	17,503	17,503
Equity		-	-	-	-	1,388,553	1,388,553
Total liabilities and equity	5,976	295,006	112,151	22,904	-	1,426,613	1,862,650
Total Interest Rate Sensitivity Gap	(1,682)	95,351	20,734	592,256	607,204	(1,366,637)	(52,774)
Cumulative Gap	(1,682)	93,669	114,403	706,659	1,313,863	(52,774)	

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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:

	2008					
	Immediately Rate Sensitive	**Within 3 Months**	**3 to 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	-	15	16	15	-	15
Foreign currencies	-	2	3	8	-	6
Loans and receivables	-	14	-	-	-	14
Loans (1)	-	17	17	17	17	17
Interest bearing liabilities -						
Members' deposits (2)	-	7	6	11	-	7
External credit	-	6	-	-	-	6

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3. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

	2007					
	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	-	13	-	-	-	13
Foreign currencies	-	4	-	-	-	4
Reverse repurchase agreements	-	11	-	-	-	11
Financial investments						
Local	-	10	13	13	12	13
Foreign currencies	-	3	-	8	-	6
Loans and receivables	-	12	-	-	-	12
Loans (1)	-	16	16	16	16	16
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 income and expenditure and equity.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of 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.

Change in Basis Points 2008	Effect on Net Surplus 2008 $'000	Effect on Equity 2008 $'000	Change in Basis Points 2007	Effect on Net Surplus 2007 $'000	Effect on Equity 2007 $'000
- 800	(3,064)	(3,064)	-368	(8,800)	(8,800)
+500	1,915	1,915	+368	8,800	8,800

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3. Financial Risk Management (Continued)

(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 balance sheet, 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%.

The table below summarises the composition of regulatory capital and the ratios of the Credit Union for the years ended 31 December 2008 and 2007.

	Actual	Required	Actual	Required
	2008	**2008**	**2007**	**2007**
	$'000	**$'000**	**$'000**	**$'000**
Total regulatory capital	479,572	121,144	403,780	110,729
Risk-weighted assets:				
Total risk-weighted assets	1,525,124		1,373,688	
Total capital ratio	31.44%		29.39%	

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 balance sheet dates.

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 balance sheet date.

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

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

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

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
In the process of applying accounting policies, management has made no significant judgements on the amounts recognised in the financial statements

(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 income and expenditure, 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) 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.

(iii) 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.

6. Fees and Other Income

	2008 $'000	2007 $'000
Rental	2,074	2,454
Exchange gain	853	1,794
Other	3,186	3,163
	6,113	7,411

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7. Expenses by Nature

Total direct, administrative and other operating expenses:

	2008 $'000	2007 $'000
Salaries, pension and other staff benefits (Note 8)	77,648	68,611
Property	8,056	7,612
Advertising and promotion	3,314	2,337
Auditors' remuneration -		
Current year	4,200	4,200
Prior year	650	500
Professional fees	2,125	921
Office	2,809	2,955
Insurance	1,094	1,008
Representation and affiliation	14,072	13,669
Security	5,189	3,756
Depreciation and amortisation	4,934	5,092
Awards and donations	1,265	1,182
Utilities	7,696	6,418
Other operating	56	1,360
	133,108	119,621

8. Staff Costs

	2008 $'000	2007 $'000
Wages and salaries	60,470	50,981
Termination	-	1,785
Statutory contributions	6,088	5,328
Pension (Note 20)	(1,877)	149
Other	12,967	10,368
	77,648	68,611

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.

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10. Savings and Call Deposits

	2008 $'000	2007 $'000
Bank savings deposits	4,519	4,295
CuCash	61,420	45,755
	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

	2008 $'000	2007 $'000
Available-for-sale, at fair value -		
Jamaica Co-operative Credit Union League Limited -		
Fixed deposits and CuCash	205,709	164,556
National Commercial Bank Jamaica Limited -		
Fixed deposits	-	20,381
Foreign currency deposits	-	971
Dehring Bunting & Golding Limited -		
Fixed deposit	-	271
	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 $2,060,000 (2007 - $322,000).

At 31 December 2008, the Credit Union held securities totaling approximately $88,238,000 (2007 - $61,693,000) representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

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13. Financial Investments

	2008 $'000	2007 $'000
Available-for-sale, at fair value -		
Jamaica Co-operative Credit Union League Limited -		
Unquoted equities (a)	7,769	7,424
Fixed and other deposits	124	113
Quality Network Co-operative Limited (QNET) -		
Unquoted equities (b)	1,114	1,114
National Commercial Bank Jamaica Limited -		
Foreign currency deposits	716	5,728
Bank of Nova Scotia Jamaica Limited -		
Foreign currency deposits	7,748	9,169
	17,471	23,548
Loans and receivables, at amortised cost -		
Jamaica Co-operative Credit Union League Limited -		
Mortgage funds (c)	3,884	3,550
CuPremium	41,683	36,572
	45,567	40,122
Held-to-maturity, at amortised cost -		
Government of Jamaica securities -		
Debentures	5,787	17,965
Local registered stocks	-	5,150
JA dollar investment bonds	22,958	10,537
US dollar investment bond	13,101	11,502
Certificates of deposits	42,777	83,602
	84,623	128,756
	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 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.

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14. Loans to Members

(a) Movement in loans during the year:

	2008 $'000	2007 $'000
Balance at beginning of year	1,288,242	1,038,200
Add: Disbursements during the year	699,769	662,484
	1,988,011	1,700,684
Less: Repayments and transfers	(570,482)	(427,902)
	1,417,529	1,272,782
Less: Provision for loan impairment	(12,584)	(7,606)
	1,404,945	1,265,176
Add: Interest receivable	21,826	23,066
	1,426,771	1,288,242

(b) Delinquent loans

At 31 December 2008, there were 176 (2007 - 252) 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 2008 is in excess of the provision required under IFRS provisioning rules. The excess of the League's provision over the IFRS provision is dealt with through a transfer from accumulated surplus to a loan loss reserve as indicated in Note 14 (c) below.

Number of Months in Arrears	Total Number of Loans	Delinquent Loans $'000	Savings Held Against Loans $'000	Exposure $'000	Rate %	Provision $'000
Less than 2	71	16,739	153	16,586	-	-
2 - 3	58	11,538	54	11,484	10	1,154
3 - 6	50	17,988	113	17,875	30	5,396
6 -12	68	13,671	120	13,551	60	8,202
Greater than 12	-	-	-	-	100	-
	247	59,936	440	59,496		14,752

14. Loans to Members (Continued)

(c) Provision for impairment:

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

	2008 $'000	2007 $'000
Additional amounts provided during the year	24,459	9,338
Bad debts written off during the year	41	(864)
Bad debts recovered during the year	(1,808)	(589)
Charged to statement of income and expenditure during the year	22,692	7,885

15. Cash and Bank Balances

	2008 $'000	2007 $'000
On hand	3,129	783
Current accounts	9,904	6,408
	13,033	7,191

Cash balances do not attract interest.

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

	2008 $'000	2007 $'000
Cash	13,033	7,191
Savings and call deposits (Note 10)	65,939	50,050
Bank overdraft (Note 22)	-	(5,976)
	78,972	51,265

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16. Accounts Receivable

	2008 $'000	2007 $'000
Withholding tax recoverable	24,295	20,467
Prepaid expenses	1,054	943
Other	4,415	2,363
	29,764	23,773

17. Assets Held for Sale

Assets held for sale represent land and building in Ocho Rios, St. Ann - $1,090,324 and land at Islington, St. Mary - $6,712,277. Negotiations with interested parties have taken place and the directors are committed to finalise the disposal of the assets. Subsequent to the year end, the building in Ocho Rios was sold for approximately $8,250,000. The land is expected to be sold within the next 12 months. The directors are of the opinion that the fair value less costs to sell to exceeds the carrying amount of the assets held for sale.

18. Intangible Assets

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

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

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19. Property, Plant and Equipment

	2008					
	Land and Buildings	Computer Equipment	Furniture, Fixtures and Equipment	Roadway	Work - In-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
1 January 2008	11,040	20,629	23,410	509	-	55,588
Additions	-	1,299	658	-	228	2,185
Disposal	-	(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
Disposal	-	(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

	2007				
	Land and Buildings	Computer Equipment	Furniture, Fixtures and Equipment	Roadway	Total
	$'000	$'000	$'000	$'000	$'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

First Regional Co-operative Credit Union Limited

20. Retirement Benefits

The Credit Union participates in a joint contributory pension scheme, which is open to all permanent employees of the Credit Union and operated by the Jamaica Co-operative Credit Union League Limited. The plan provides benefits to members based on average earnings for their final 3 years of service with the Credit Union and employees each contributing 5 - 10% of pensionable salaries. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 December 2008. 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.

The defined benefit asset recognised in the balance sheet was determined as follows:

	2008 $'000	**2007 $'000**
Fair value of plan assets	50,388	43,249
Present value of funded obligations	(16,549)	(20,370)
	33,839	22,879
Unrecognised actuarial (gains)/losses	(4,270)	1,439
	29,569	24,318

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

	2008 $'000	**2007 $'000**
Current service cost, net of employee contribution	(230)	(412)
Interest cost	(2,784)	(3,015)
Expected return on plan assets	4,891	3,283
Net actuarial loss recognised during the year	-	(5)
Total included in staff costs (Note 8)	1,877	(149)

The actual return on plan assets was a net surplus of approximately $4,703,000 (2007 - $226,000).

First Regional Co-operative Credit Union Limited

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20. Retirement Benefits (Continued)

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

	2008 $'000	2007 $'000
At beginning of year	43,249	39,056
Expected return on plan assets	4,891	3,283
Actuarial gains on plan assets	(188)	(3,057)
Contributions -		
Employer	3,373	3,023
Employee	2,573	2,324
Benefits paid	(3,510)	(1,380)
At end of year	50,388	43,249

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

	2008 $'000	2007 $'000
At beginning of year	20,370	22,077
Current service cost	2,803	2,736
Interest cost	2,784	3,015
Actuarial gains on obligations	(5,898)	(6,078)
Benefits paid	(3,510)	(1,380)
At end of year	16,549	20,370

Expected contributions to the plan for the year ended 31 December 2009 amount to approximately $3,711,000.

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 balance sheet 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:

	2008		2007	
	$'000	%	$'000	%
Quoted equities	2,016	4	3,027	7
Real estate	7,558	15	3,892	9
Government bonds	25,194	50	23,787	55
Repurchase agreements	11,085	22	11,245	26
US$ bonds	1,512	3	432	1
Other	3,023	6	866	2
	50,388		43,249	

First Regional Co-operative Credit Union Limited

20. 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:

	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Fair value of plan assets	50,388	43,249	39,056	29,758	24,047
Defined benefit obligation	(16,549)	(20,370)	(22,077)	(12,496)	(7,157)
Surplus	33,839	22,879	16,979	17,262	16,890
Experience adjustments –					
Fair value of plan assets	(188)	(3,057)	6,175	1,647	(2,137)
Defined benefit obligation	(5,898)	(6,078)	(4,278)	4,884	552

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

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

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21. Members' Deposits

	2008 $'000	2007 $'000
(a) Members' Special and Fixed deposits -		
Opening balance	204,513	203,213
Deposits during the year	55,597	24,006
Interest during the year	17,179	5,943
	277,289	233,162
Less: Withdrawals during the year	(58,163)	(28,649)
	219,126	204,513
(b) Members' Ordinary deposits -		
Opening balance	94,510	93,867
Deposits during the year	49,466	57,263
Interest during the year	2,130	948
	146,106	152,078
Less: Withdrawals during the year	(49,239)	(57,568)
	96,867	94,510
(c) Members' Golden Harvest deposits -		
Opening balance	21,740	19,914
Deposits during the year	6,903	14,059
Interest during the year	1,536	1,886
	30,179	35,859
Less: Withdrawals during the year	(15,776)	(14,119)
	14,403	21,740
(d) Members' Solid Saver deposits -		
Opening balance	90,492	86,669
Deposits during the year	72,622	76,606
Interest during the year	6,340	4,605
	169,454	167,880
Less: Withdrawals during the year	(69,996)	(77,388)
	99,458	90,492
(e) Members' Other deposits -		
Opening balance	29,468	23,417
Deposits during the year	98,354	75,016
Interest during the year	1,677	240
	129,499	98,673
Less: Withdrawals during the year	(88,546)	(69,205)
	40,953	29,468

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21. Members' Deposits (Continued)

	2008 $'000	2007 $'000
(f) Members' Dream Loan deposits -		
Opening balance	2,405	-
Deposits during the year	4,453	2,470
	6,858	2,470
Less: Withdrawals during the year	(1,962)	(65)
	4,896	2,405
(g) Interest payable on members' deposits	2,650	6,719
	478,353	449,847

The weighted average effective rate of interest on members' deposits at year end was 8% (2007 - 7%).

22. Bank Overdraft

During the year, the Credit Union negotiated 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 2008, the Credit Union had not drawn on the facility. In the prior year, the bank overdraft represented cheques issued and unpresented.

23. External Loan

	2008 $'000	2007 $'000
Jamaica Co-operative Credit Union League Limited	38	771

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% (2007 - 6%).

24. Accounts Payable

	2008 $'000	2007 $'000
Jamaica Co-operative Credit Union League Limited	25	25
Other payables	6,361	5,185
Accrued expenses	10,345	12,293
	16,731	17,503

25. Members' Share Capital

	2008 $'000	2007 $'000
Balance at the beginning of the year	975,764	819,172
Shares deposited	1,203,656	1,123,145
Shares withdrawn	(1,118,378)	(966,553)
Balance at the year end	1,061,042	975,764

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26. Institutional Capital

	2008 $'000	2007 $'000
Statutory reserve	268,927	210,800
General reserve	-	27,442
Capital expenditure reserve	40,254	40,254
	309,181	278,496

(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. During the year, 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 apart of the Credit Union's capital base.

(c) Capital expenditure reserve

The capital expenditure reserve was established by transfer from the contingency reserve. This reserve will be available for future capital projects undertaken by the Credit Union.

27. Non-Institutional Capital

	2008 $'000	2007 $'000
Retirement benefit asset reserve	29,569	24,318
Loan loss reserve	18,915	16,747
	48,484	41,065

(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.

28. Commitments

At 31 December 2008 there were commitments of approximately $64,733,000 (2007 - $38,953,000) in respect of loans approved, but not disbursed.

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29. Comparison of Ledger Balances

	Shares $'000	Deposits $'000	Loans $'000
Balance per Members' Ledger	1,061,042	475,703	1,417,529
Add: Accrued interest	-	2,650	21,826
	1,061,042	478,353	1,439,355
Less: Provision for impairment	-	-	(12,584)
	1,061,042	478,353	1,426,771
Balance per General Ledger	1,061,042	478,353	1,426,771
	-	-	-

30. Insurance

(a) Fidelity insurance coverage
Fidelity insurance coverage was maintained during the year.

(b) Life savings and loan protection insurance
There were life savings and loan protection insurance during the year.

31. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(a) Key management compensation

	2008 $'000	2007 $'000
Salaries and other short-term employee benefits	20,552	15,474
Statutory contributions	1,940	1,524
Pension benefits	1,347	1,039
Other	3,407	4,106
	27,246	22,143

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31. Related Party Transactions and Balances

(b) Loans

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

	2008 $'000	2007 $'000
Beginning of the year	43,494	46,455
Loans advanced during year	14,871	10,461
Loan repayments received	(7,604)	(13,422)
Balance at year end	50,761	43,494
Interest charged	5,421	4,856
Interest received	(5,421)	(4,856)
	50,761	43,494

No provision for impairment has been required in 2008 and 2007 for the loans made to directors, committee members and key management of the Credit Union (and their families).

(c) Shares and savings

	2008 $'000	2007 $'000
Directors and committee members	17,417	16,164
Staff members	5,999	5,175