Financial Statements

KPMG

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To the Registrar of Co-operative Societies
CITY OF KINGSTON CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Auditors' Report

We have audited the financial statements of City of Kingston Co-operative Credit Union Limited as of and for the year ended December 31, 2003, set out on pages 34 to 65, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the co-operative's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As detailed in note 17, members' share capital is accounted for and presented as a part of the co-operative's capital with the return to members, being treated as dividends, paid out of undistributed surplus which is in accordance with industry practice and consistent with, the provisions of the Co-operative Societies Act and the rules of the co-operative. International Financial Reporting Standards ("IFRS") require such shares to be classified as a liability with the return to members being classified as interest expense charged in arriving at net surplus or deficit for the year.

In our opinion, proper accounting records have been kept and the financial statements:

(a) are in agreement therewith;

(b) except for the effect of the matter set out in the immediately preceding paragraph,

   (i) have been prepared in accordance with IFRS, and

   (ii) give a true and fair view of the state of affairs of the co-operative as at December 31, 2003 and of the results of its operations and its cash flows for the year then ended; and

(c) comply with the provisions of the Co-operative Societies Act.

The comparative figures were audited by another firm of chartered accountants who issued an unqualified audit opinion, on June 12, 2003.

KPMG Peat Marwick

March 30, 2004

Balance Sheet
December 31, 2003

	Notes	2003 $	2002 $ (Restated)
ASSETS			
Earning assets:			
Loans to members	4	1,354,422,226	1,250,866,746
Credit card advances		10,026,493	10,250,170
Less allowance for loan losses	5	(25,835,515)	(64,542,687)
		1,338,613,204	1,196,574,229
Liquid assets	6	1,128,457,105	1,064,931,404
Financial investments	7	173,045,225	138,745,532
Total earning assets		2,640,115,534	2,400,251,165
Non-earning assets:			
Liquid assets	8	61,151,876	20,927,232
Other assets	9	199,616,683	136,262,834
Employee benefit asset	21	51,219,000	43,992,000
Fixed assets	10	85,643,725	57,663,510
Total non-earning assets		397,631,284	258,845,576
TOTAL ASSETS		3,037,746,818	2,659,096,741
LIABILITIES			
Interest bearing liabilities:			
Savings deposits	12	1,186,974,812	996,960,863
External credits	13	22,998,611	25,034,577
Others	14	-	1,238,387
Total interest-bearing liabilities		1,209,973,423	1,023,233,827
Non-interest bearing liabilities:			
Accruals		32,978,340	25,018,924
Payables	15	23,405,226	24,190,077
Others	16	3,327,535	7,766,108
Total non-interest bearing liabilities		59,711,101	56,975,109
Total liabilities		1,269,684,524	1,080,208,936
CAPITAL			
Members share capital	17	1,412,342,892	1,293,600,158
Non-institutional capital		17,040,178	12,199,688
Institutional capital	18	266,505,223	229,095,959
Loan loss reserve	19	20,955,001	-
Pension reserve	20	51,219,000	43,992,000
Total capital		1,768,062,294	1,578,887,805
TOTAL LIABILITIES AND CAPITAL		3,037,746,818	2,659,096,741

The financial statements on pages 34to 65 were approved by the Board of Directors on March 30, 2004 and signed on its behalf by:

__________ Director

__________ Director

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

Statement of Revenues and Expenses
Year ended December 31, 2003

	Notes	2003 $	2002 $ (Restated)
Interest income:			
Loans to members		276,675,363	289,819,980
Investments and deposits		260,940,847	155,426,958
		537,616,210	445,246,938
Interest expense:			
Member's deposits		153,532,607	116,739,625
External credits		3,357,640	4,477,465
Other financial costs	22	16,504,954	31,540,402
		173,395,201	152,757,492
Net interest income:		364,221,009	292,489,446
Allowance for loan losses	5	18,226,167	(57,412,926)
Provision for loss on accrued interest		1,649,912	(17,433,653)
Net interest income after provision		384,097,088	217,642,867
Non-interest income:			
Fees		15,289,638	8,436,935
Dividend on equity investments		164,995	1,028,698
Other income	23	46,848,765	36,499,686
Gross margin		446,400,486	263,608,186
Less operating expenses	24	(374,723,623)	(257,453,656)
Net surplus for year		71,676,863	6,154,530

Statement of Changes in Equity
Year ended December 31, 2003

	Members share capital $	Institutional capital $	Non —Institutional capital $	Pension reserve $	Loan loss reserve $	Total $
Balances at December 31, 2001:						
As previously stated	1,188,805,303	227,675,841	22,864,579	-	-	1,439,345,723
Effect of first-time adoption of International Financial Reporting Standards (IFRS) [note 32(a)]	-	-	(25,132,107)	38,398,000	38,002,171	51,268,064
Balances at December 31, 2001, as restated	1,188,805,303	227,675,841	(2,267,528)	38,398,000	38,002,171	1,490,613,787
Entrance fees	-	9,423	-	-	-	9,423
Transfer from general reserve	-	179,789	-	-	-	179,789
Amounts subscribed	1,172,147,734	-	-	-	-	1,172,147,734
Withdrawals and transfers	(1,067,352,879)	-	-	-	-	(1,067,352,879)
Appropriation of net surplus for 2001:						
Dividends on shares	-	-	(21,500,000)	-	-	(21,500,000)
Social outreach programme	-	-	(1,250,000)	-	-	(1,250,000)
General reserves	-	-	(114,579)	-	-	(114,579)
Decrease in loan loss reserve	-	-	38,002,171	-	(38,002,171)	-
Transfer of pension reserve	-	-	(5,594,000)	5,594,000	-	-
Restated net surplus for the year [note 32(c)]	-	-	6,154,530	-	-	6,154,530
Statutory transfer for 2002, as restated	-	1,230,906	(1,230,906)	-	-	-
Balance at December 31, 2002, as restated [note 32(b)]	1,293,600,158	229,095,959	12,199,688	43,992,000	-	1,578,887,805

Statement of Changes in Equity
Year ended December 31, 2003

	Members share capital $	Institutional capital $	Non —Institutional capital $	Pension reserve $	Loan loss reserve $	Total $
Balances at December 31, 2002 as restated [note 32(b)]	1,293,600,158	229,095,959	12,199,688	43,992,000	-	1,578,887,805
Entrance fees	-	4,892	-	-	-	4,892
Amounts subscribed	1,369,900,643	-	-	-	-	1,369,900,643
Withdrawals and transfers	(1,251,157,909)	-	-	-	-	(1,251,157,909)
Appropriation of net surplus for 2002:						
Increase in general reserves	-	27,260,000	(27,260,000)	-	-	-
Social outreach programme	-	-	(1,250,000)	-	-	(1,250,000)
Transfer of pension reserve	-	-	(7,227,000)	7,227,000	-	-
Net surplus for the year	-	-	71,676,863*	-	-	71,676,863*
Increase in loan loss reserve	-	-	(20,955,001)*	-	20,955,001	-
Statutory transfer for 2003	-	10,144,372	(10,144,372)	-	-	-
Balance at December 31, 2003	1,412,342,892	266,505,223	17,040,178	51,219,000	20,955,001	1,768,062,294

* Net surplus for the year	71,676,863
Increase in loan loss reserve	(20,955,001)
Net surplus subject to statutory transfer	50,721,862

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

Statement of Changes in Equity
Year ended December 31, 2003

	Institutional Capital			
	Statutory & legal reserves $	Permanent share capital reserves $	General reserves $	Total $
Balances at December 31, 2001	92,627,410	120,000,000	15,048,431	227,675,841
Statutory transfer for 2002	1,230,906	-	-	1,230,906
Entrance fees	9,423	-	-	9,423
Transfer to general reserve	-	-	179,789	179,789
Balance at December 31, 2002 as restated	93,867,739	120,000,000	15,228,220	229,095,959
Statutory transfer for 2003	10,144,372	-	-	10,144,372
Entrance fees	4,892	-	-	4,892
Transfer to general reserve	-	-	27,260,000	27,260,000
Balance at December 31, 2003	104,017,003	120,000,000	42,488,220	266,505,223

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

Statement of Changes in Equity
Year ended December 31, 2003

	Non-Institutional Capital		
	General reserves	Undistributed net income	Total
	$	$	$
Balances at December 31, 2001	17,600,039	5,264,540	22,864,579
Effect of first-time adoption of International Financial Reporting Standards (IFRS) [note 32(a)]	-	(25,132,107)	(25,132,107)
Balances as at December 31, 2001 as restated	17,600,039	(19,867,567)	(2,267,528)
Appropriations of net surplus for 2001:			
Dividend on shares	-	(21,500,000)	(21,500,000)
Social outreach programme	-	(1,250,000)	(1,250,000)
General reserve	-	(114,579)	(114,579)
Transfer of general reserves	(17,600,039)	17,600,039	-
Decrease in loan loss reserve		38,002,171	38,002,171
Increase in pension reserve		(5,594,000)	(5,594,000)
Restated net surplus for the year [note 32(c)]	-	6,154,530	6,154,530
Statutory transfer for 2002, as restated	-	(1,230,906)	(1,230,906)
Balances at December 31, 2002 as restated [note 32(b)]	-	12,199,688	12,199,688
Net surplus for the year	-	71,676,863	71,676,863
Loan loss reserve	-	(20,955,001)	(20,955,001)
Net surplus for the year, subject to statutory transfer	-	50,721,862	50,721,862
Transfer to general reserve	-	(27,260,000)	(27,260,000)
Increase in pension reserve	-	(7,227,000)	(7,227,000)
Appropriations of net surplus for 2002:			
Social outreach programme	-	(1,250,000)	(1,250,000)
Statutory transfer for 2003	-	(10,144,372)	(10,144,372)
Balances at December 31, 2003	-	17,040,178	17,040,178

Statement of Cash Flows
Year ended December 31, 2003

	2003 $	2002 $ (Restated)
Cash flows from operating activities:		
Net surplus for year	71,676,863	6,154,530
Adjustments to reconcile net surplus for year to net cash flows (used)/provided by operating activities		
Depreciation	8,224,757	8,441,855
Amortisation of deferred expenses	14,876,239	12,945,427
Allowance for loan losses	(18,226,167)	57,412,926
Provision for loss on accrued interest	(1,649,912)	17,433,653
Loss on sale of fixed assets	379,269	-
Employee benefit asset	(7,227,000)	(5,594,000)
Other assets	(76,580,176)	3,227,291
Non-interest bearing liabilities	2,735,992	8,637,648
Net cash (used)/provided by operating activities	(5,790,135)	108,659,330
Cash flows from investing activities:		
Additions to fixed assets	(36,584,241)	(14,858,424)
Financial investments	(34,299,693)	406,473,149
Loans to members	(124,036,485)	(91,717,647)
Credit card advances	223,677	(10,250,170)
Net cash (used)/provided in investing activities	(194,696,742)	289,646,908
Cash flows from financing activities:		
Members share capital	118,742,734	104,794,855
Entrance fees	4,892	9,423
Saving deposits	190,013,949	114,412,704
External credits	(2,035,966)	(6,898,483)
Other interest-bearing liabilities	(1,238,387)	(23,075,785)
Outreach programme	(1,250,000)	(1,250,000)
Dividends paid	-	(21,500,000)
Net cash provided by financing activities	304,237,222	166,492,714
Increase in liquid assets	103,750,345	564,798,952
Liquid assets at beginning of year	1,085,858,636	521,059,684
Liquid assets at end of year	1,189,608,981	1,085,858,636
Liquid assets — earning	1,128,457,105	1,064,931,404
Liquid assets — non-earning	61,151,876	20,927,232
	1,189,608,981	1,085,858,636

1. Identification

The co-operative is registered under the Co-operative Societies Act. Membership is limited to persons and their families living or working in the corporate area, or to other co-operative societies. The co-operative's operations are concentrated in the parishes of Kingston, St. Andrew and St. Catherine.

The co-operative's main activities are the promotion of thrift, the provision of loans to members exclusively for provident and productive purposes and to receive the savings of its members either as payments on shares or as deposits.

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

The co-operative employed 109 persons as at December 31, 2003 (2002: 111).

2. Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board (IASB), except as described in note 17, interpretations issued by the International Financial Reporting Interpretation Committee of the IASB and recommendations issued by the Institute of Chartered Accountants of Jamaica and comply in all material respects with the provisions of the Co-operative Societies Act.

The financial statements are prepared using IFRS for the first time. Consequently, where necessary, prior year comparatives have been reclassified and restated to conform to IFRS. IFRS 1 - First time adoption of IFRS, has been applied before its effective date in the preparation of these financial statements. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the co-operative is provided in note 32.

The financial statements are presented in Jamaica dollars. They have been prepared on the historical cost basis, except for the inclusion of certain investments at fair value.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The significant accounting policies used in the preparation of the financial statements summarised below conform, in all material respects, to IFRS, except as aforementioned, and the Co-operative Societies Act.

The accounting policies have been applied consistently to all periods presented in the financial statements and in preparing an opening IFRS balance sheet at January 1, 2002 for the purposes of the transition to IFRS.

3. Significant accounting policies

(a) Fixed assets:

(i) Fixed assets:

Fixed assets are stated at cost less accumulated depreciation and impairment losses [see accounting policy (j)].

(ii) Depreciation:

Depreciation is provided on the straight-line basis at rates estimated to write-off the relevant assets over their expected useful lives. The rates used are as follows:

Buildings	2 1/2% per annum
Motorbike	33 1/3% per annum
Office machinery & equipment	10% per annum
Data processing equipment	33 1/3% per annum
Furniture & fixtures	10% per annum

Land is not depreciated.

(b) Investments:

Investments that are purchased at the time of issue are classified as originated securities. Debt investments that the co-operative has the intent and ability to hold to maturity are classified as held-to-maturity. All other investments are classified as available-for-sale instruments.

Originated securities and held-to-maturity investments are initially measured at cost and subsequently amortised cost, calculated on the effective interest rate method, less impairment losses [see accounting policy (j)]. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Available-for-sale investments are measured at fair value with changes in fair value recognised in the statement of revenues and expenses, except where fair value cannot be reliably measured, they are stated at cost.

Investments are recognised on the day they are transferred to the co-operative.

Fair value is determined based on quoted market bid price. Where a quoted market price is not available, the fair value is estimated using discounted cash flow. The estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

3. Significant accounting policies (cont'd)

(c) Reverse repurchase agreements:

A reverse repurchase agreement ("reverse repo") is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending.

The co-operative enters into reverse repurchase agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognised as "securities purchased under resale agreements" and are collaterised by the underlying securities.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

(d) Loans to members and allowance for loan losses:

(i) Loans to members:

Loans are stated at cost less allowance for loan losses (see below).

(ii) Allowance for loan losses:

An allowance for loan loss is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the contractual terms will not be collected. Where a loan is identified as impaired, a specific provision is recorded against such loan to reduce it to its estimated recoverable amount. The recoverable amount is determined as the present value of the expected future cash flows discounted at the loan's original effective interest rate.

An allowance for loan loss is also made where there is objective evidence that a portfolio of similar loans is impaired. The expected cash flows for a portfolio of similar loans are estimated based on previous experience and the credit rating of the borrowers.

The guidelines stipulated by the Jamaica Co-operative Credit Union League ("JCCUL") require the allowance for loan losses to be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, before considering securities held against such loans.

The allowance for loan losses required by the JCCUL that is in excess of the requirements of IFRS is treated as an appropriation of undistributed net income and included in a non-distributable loan loss reserve.

3. Significant accounting policies (cont'd)

(e) Other assets:

Other assets are stated at cost less impairment losses [see accounting policy (j)].

(f) Deferred expenditure:

Deferred expenditure, which represents computer software development costs, is stated at cost less accumulated amortisation. The cost is being amortised over three years.

(g) Other payables and accruals:

Other payables and accruals are stated at cost.

(h) Provisions:

A provision is recognised in the balance sheet when the co-operative has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) External credits:

External credits are stated at cost.

(j) Impairment:

The carrying amounts of the co-operative's assets, other than loans to members [see accounting policy (d)], are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of revenues and expenses.

(i) Calculation of recoverable amount:

The recoverable amount of the co-operative's originated and held-to-maturity investments and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies (cont'd)

(j) Impairment: (cont'd)

(ii) Reversals of impairment:

In respect of originated and held-to-maturity investments and receivables, the impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Interest, fee and dividend income:

Interest income is recognised in the statement of revenues and expenses as it accrue, taking into account the effective yield of the asset.

Fee income is recognised when the related service is provided.

Dividend income is recognised in the statement of revenues and expenses on the date the dividend is declared.

(l) Foreign currencies:

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the statement of revenues and expenses. Gains and losses arising from fluctuation in exchange rates are reflected in the statement of revenues and expenses.

(m) Employee benefits:

Employee benefits comprising pension asset included in the financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the co-operative's pension asset as computed by the actuary. In carrying out their audit, the auditors have relied on the work of the actuary and the actuary's report.

The employees of the co-operative participate in a defined benefit multi-employer pension scheme operated by JCCUL.

3. Significant accounting policies (cont'd)

(m) Employee benefits: (cont'd)

The co-operative's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the balance sheet date on long-term government bonds with dates approximating the terms of the related liability. The calculation is performed by a qualified actuary, using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of revenues and expenses on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the statement of revenues and expenses.

All actuarial gains and losses as at January 1, 2002, the date of transition to IFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to January 1, 2002 in calculating the co-operatives obligation in respect of the plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the statement of revenues and expenses over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the co-operative, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(n) League fees and stabilisation dues:

JCCUL has determined the rate of calculating league fees at 0.25% (2002:0.275%) of total assets. Stabilisation dues are computed at a rate of 0.35% (2002: 0.35%).

4. Loans to members

	2003 $	2002 $
Balance at beginning of year	1,250,866,746	1,212,716,291
Loans granted	949,651,454	699,690,050
	2,200,518,200	1,912,406,341
Less repayments and transfers	(846,095,974)	(661,539,595)
Balance at end of year	1,354,422,226	1,250,866,746

4. Loans to members (cont d)

(a) Delinquent loans:

The following is a summary of delinquent loans at December 31, 2003.

Period overdue	Number in arrears	Loans in arrears	Rate (%)	Loan loss provision required
			$	$
2 to 3 months	2885	43,142,259	10	4,314,226
3 to 6 months	307	25,823,480	30	7,747,044
6 to 12 months	249	27,898,827	60	16,739,296
Over 12 months	77	17,989,950	100	17,989,950
		114,854,516		46,790,516

The value of chattels held as security against some outstanding loans has not been taken into account in estimating unrecoverable loans. The directors estimate the value of these chattels to be in excess of $105,000,000.

Delinquent loans and advances on which interest is no longer accrued amounted to $71,712,256 (2002: $76,038,979) as at balance sheet date.

(b) Loans, net of provision for probable losses, are due from the date of the balance sheet as follows:

	2003	2002
	$	$
Within 3 months	45,662,141	148,209,716
From 3 months to 1 year	82,469,512	107,235,723
From 1 year to 5 years	1,210,481,551	941,128,793
	1,338,613,204	1,196,574,232

5. Allowance for loan losses

	2003 $	2002 $
Balance brought forward	64,542,687	60,696,953
Adjustment to 2002 provision	5,982,291	-
Loans written-off	(26,463,296)	(53,567,192)
(Decrease)/increase in provision for current year	(18,226,167)	57,412,926
Balance carried forward	25,835,515	64,542,687

Provision made in accordance with JCCUL provisioning requirements is as follows:

	2003 $	2002 $
Specific provisions	25,835,515	64,542,687
General provision	20,955,001	-
	46,790,516	64,542,687

In keeping with IFRS, the general provision is included in loan loss reserve and treated as an appropriation of retained earnings (note 19).

6. Earning assets — liquid assets

	2003 $	2002 $
Originated securities and deposits:		
Government of Jamaica securities (< nine months)	85,850,833	127,658,601
Securities purchased under agreement to resell	753,239,143	674,162,535
Short-term deposits	278,497,126	231,866,215
Available-for-sale investments:		
Units held in unit trust	10,870,003	31,244,053
	1,128,457,105	1,064,931,404

7. Financial investments

	2003 $	2002 $
Originated securities:		
Government of Jamaica securities (> nine months)	158,213,000	95,691,000
Available-for-sale investments:		
Quoted shares	797,268	656,401
Unquoted shares	14,034,957	13,022,588
Others (insurance policies)	-	29,375,542
	173,045,225	138,745,531

8. Non-earning — liquid assets

	2003 $	2002 $
Cash and cash equivalents	61,151,876	20,927,232

9. Non-earning — other assets

	2003 $	2002 $
Deferred expenditure (note 11)	17,872,715	25,890,853
Other receivables	5,360,393	17,870,287
Interest receivables on investments	76,693,100	30,669,324
Tax recoverable - investments	30,609,875	-
Prepaid expenses	122,000	345,093
CUETS settlement	5,052,834	1,087,056
Interest receivable on members loans	52,190,988	58,118,414
Provision for loss on accrued interest	-	(20,907,467)
Dishonoured cheques	3,581,496	2,756,853
Remittance clearing	8,133,282	20,432,421
	199,616,683	136,262,833

Notes to the Financial Statements (continued)
Year ended December 31, 2003

10. Fixed assets

	Land and buildings $	Motorbike $	Office machinery, equipment, furniture and fixtures $	Data processing equipment $	Total $
At cost:					
Balance at December 31, 2002	40,351,604	452,342	38,278,273	38,260,386	117,342,605
Additions	7,031,386	238,000	11,836,033	17,478,822	36,584,241
Adjustments	-	-	37,567	(43,585)	(6,018)
Disposals	-	(452,342)	(927,426)	-	(1,379,768)
Balance at December 31, 2003	47,382,990	238,000	49,224,447	55,695,623	152,541,060
Depreciation:					
Balance at December 31, 2002	7,363,899	452,341	17,719,945	34,142,912	59,679,097
Charge for the year	1,005,405	72,722	3,900,063	3,246,567	8,224,757
Eliminated on disposals	-	(452,341)	(554,178)	-	(1,006,519)
Balance at December 31, 2003	8,369,304	72,722	21,065,830	37,389,479	66,897,335
Net book values:					
Balance at December 31, 2003	39,013,686	165,278	28,158,617	18,306,144	85,643,725
Balance at December 31, 2002	32,987,705	1	20,558,328	4,117,474	57,663,510

Land and buildings include land with a cost of $874,731 (2002: $874,731).

11. Deferred expenditure

	2003 $	2002 $
Balance at beginning of year	25,890,853	30,006,578
Additions	9,117,766	8,829,702
Amortisation charge for year	(17,135,904)	(12,945,427)
Balance at end of year (note 9)	17,872,715	25,890,853

12. Savings deposits

	2003 $	2002 $
Balance at beginning of year	996,960,864	867,416,193
Add deposits	1,795,208,591	1,113,179,789
	2,792,169,454	1,980,595,982
Less withdrawals and transfers	(1,605,194,642)	(983,635,119)
Balance at end of year	1,186,974,812	996,960,863

13. External credits

	2003 $	2002 $
National Housing Development Corporation No. 1 (note i)	2,000,000	2,200,000
National Housing Trust (note ii)	-	588,648
Government of Jamaica/Government of Netherlands (note iii)	10,498,611	10,318,334
National Development Bank (note iv)	-	827,596
National Housing Development Corporation No. 2 (note v)	10,500,000	11,100,000
	22,998,611	25,034,578

(i) The loan bears interest at 10.5% and is repayable over twenty-five years in quarterly equal instalments of $50,000. The loan is secured by a promissory note.

(ii) The loan was repaid during the year.

(iii) The loan bears interest at 11% and is repayable quarterly. The loan is secured by promissory note.

(iv) The loan was repaid during the year.

(v) The loan bears interest at 13% and is repayable over twenty-five years in quarterly equal instalments of $150,000. The loan is secured by a promissory note.

14. Interest bearing liabilities - others

	2003 $	2002 $
Current account BNS	-	1,238,387

This represents the co-operative s liability to its bankers on its current accounts after taking into account all cheques issued but not presented for encashment at the year-end.

15. Payables

	2003 $	2002 $
Other payables	196,004	30,023
Housing programme	-	692,318
Mortgage instalment — USAID & SMP	3,827,126	1,339,100
Housing programme — upkeep savings	-	1,662,504
Standing order payments	7,993,976	6,156,098
Advance loans and interest	11,004,146	8,975,868
Premiums payable	383,974	5,334,166
	23,405,226	24,190,077

16. Non-interest bearing liabilities - others

	2003 $	2002 $
Honoraria	136,736	136,736
Social outreach	94,871	1,785,475
Unallocated receipts	1,958,273	5,820,460
Miscellaneous	-	23,437
Stale dated cheques	1,137,655	-
	3,327,535	7,766,108

17. Members share capital

	2003 $	2002 $
Balance at start of year	1,293,600,158	1,188,805,303
Add amount subscribed	1,369,900,643	1,172,147,734
	2,663,500,801	2,360,953,037
Less withdrawals and transfers	(1,251,157,909)	(1,067,352,879)
Balance at end of year	1,412,342,892	1,293,600,158

17. Members' share capital (cont'd)

Shares in the co-operative entitle each member to one vote in the conduct of the affairs of the co-operative at general meetings. Shares may be transferred to another member or anyone eligible for membership with the consent of the Board of Directors. Shares may be withdrawn in whole or in part by the member, however, the Board of Directors reserves the right at any time to require a member to give notice not exceeding six months, provided that no member may withdraw any shareholdings below the amount of his total liability to the co-operative without the approval of the Board of Directors.

Members' share capital is classified in the financial statements as part of the co-operative's capital. IFRS requires that such shares to be classified as a liability as their terms provide for withdrawal at the option of the member. Payments to members as return on capital are classified as dividends and presented as an appropriation of undistributed surplus. IFRS requires that inasmuch as the shares themselves are classified as a liability, such payments be classified as interest expense and presented as a charge in arriving at a net surplus for the period. In this regard, the financial statements are not in compliance with IFRS.

If IFRS had been applied in relation to this matter, liabilities would have increased and capital decreased by $1,412,342,892 (2002: $1,293,600,158).

There would have been no effect on interest expense and net surplus for the year ended December 31, 2002 as no dividends were declared for that year. The effect on interest expense and net surplus for the year ended December 31, 2003 cannot be determined prior to a declaration of dividend.

18. Institutional capital

	2003 $	2002 $
Statutory and legal reserves	104,017,003	93,867,739
Permanent share capital reserves	120,000,000	120,000,000
General reserves	42,488,220	15,228,220
	266,505,223	229,095,959

Institutional capital forms a part of the permanent capital of the co-operative and is not available for distribution.

Statutory and legal reserves:

The statutory and legal reserves are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of net profit be carried to a reserve fund. Upon application by a Registered Society the Registrar may allow the required percentage to be reduced, but not below 10%. The transfer is calculated on net profits net of loan loss reserve.

Permanent share capital reserves:

Permanent share capital reserves were created in 1999 as an appropriation from the accumulated surplus, approved at an Annual General Meeting, as a basis for the trading of the co-operative's shares. It will be distributed to members as soon as legislation is passed.

18. Institutional capital (cont'd)

General reserves:

General reserves comprise distributions from the accumulated surplus arising from a decision at Annual General Meetings, for the purpose of strengthening the capital base of the co-operative.

19. Loan loss reserves

This is a non-distributable loan loss reserve which represents the excess of the loan loss provision over IAS 39 requirements.

20. Pension reserve

The pension reserve represents the pension surplus arising on the actuarial valuation, under IAS 19, of the pension scheme in which the co-operative participates. Annual changes in the value of the scheme are shown in the statement of revenues and expenses, then transferred to this reserve.

21. Employee benefits

The co-operative participates in a defined benefit plan operated by the Jamaica Co-operative Credit Union League Limited. This is a contributory pension scheme that is jointly funded by payments from employees of 5% (10% optional), and by the co-operative of 6% of the employee's taxable remuneration, taking into account the recommendations of independent qualified actuaries.

(a) Employee benefit asset:

	2003 $'000	2002 $'000
Present value of funded obligations	(26,998)	(23,246)
Fair value of pension plan assets	88,628	74,001
Unrecognised actuarial gains	(10,411)	(6,763)
Asset recognised in balance sheet	51,219	43,992

(b) Movements in the net asset recognised in the balance sheet:

	2003 $'000	2002 $'000
Net asset at January 1	43,992	38,398
Contributions received	3,490	2,377
Credit recognised in statement of revenues and expenses	3,737	3,217
Net asset at December 31	51,219	43,992

21. Employee benefits (cont d)

(c) Credit recognised in the statement of revenues and expenses:

	2003 $ 000	2002 $ 000
Current service costs	(741)	(913)
Interest on obligation	3,104	2,276
Expected return on pension plan assets	(6,100)	(4,580)
	(3,737)	(3,217)
Actual return on pension plan assets	11%	23%

(d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2003 %	2002 %
Discount rate	14.0	12.5
Expected return on plan assets	9.5	8.0
Future salary increases	9.5	9.5

22. Other financial costs

	2003 $	2002 $
Expenses — VISA credit card	1,690,574	1,343,010
Expenses — remittance service	19,167	17,439,851
Interest on overdraft	-	138,149
Bank charges	3,662,547	2,971,376
Legal expenses	11,132,666	9,648,016
	16,504,954	31,540,402

23. Other income

	2003 $	2002 $
Remittance service	453,998	19,585,770
Visa credit card operation	3,614,678	3,901,285
Miscellaneous income	7,595,136	13,800
Foreign currency gain	8,591,105	447,594
Profit on cambio trading	3,456	28,340
Late charge fee	7,974,548	7,124,018
Legal department income	5,319,160	5,398,879
Fair value gains on equities	1,806,479	-
Bad debt recoveries	11,490,205	-
	46,848,765	36,499,686

24. Operating expenses

Operating expenses included the following:

	2003 $	2002 $
Personnel expenses:		
Salaries and wages	129,933,675	102,177,824
Employer s statutory contributions	9,519,497	6,895,475
Education and training	4,196,000	3,223,362
Unused vacation leave	(4,503,725)	1,901,610
Pension cost	(3,737,000)	(3,217,000)
	135,408,447	110,981,271
Members securities:		
CUNA life savings and loan protection	9,623,556	10,596,176
Bond insurance	706,824	636,976
	10,330,380	11,233,152
Administrative expenses:		
Printing, stationery and supplies	9,955,877	5,266,219
Rates and taxes	-	585,535
Repairs and maintenance	6,085,228	7,011,706
Depreciation and amortisation	8,224,757	8,441,855
Rental of premises	2,784,530	1,305,310
Travelling and subsistence	27,141,613	21,321,704
Meetings and functions	2,872,686	2,180,634
Subscriptions and other administrative expenses	7,385,235	5,261 225
Electricity	5,498,443	4,600,740
Telephone	7,692,722	2,310,682
Auditors remuneration - current year - fees	1,750,000	1,750,000
- expenses	254,725	-
- previous year	2,856,220	-
Data processing	15,260,502	13,896,985
Annual general meeting	2,862,898	2,104,977
Professional and consulting fees	6,971,710	11,839,297
Security expenses	10,613,602	10,550,104
JETS Switch fees	936,248	-
Insurance premiums - property	3,120,000	2,219,111
	122,267,014	100,646,084

Notes to the Financial Statements (continued)
Year ended December 31, 2003

24. Operating expenses (cont d)

	2003 $	2002 $
Marketing and promotion expenses:		
Publicity and promotion	25,892,141	21,814,383
Representation and affiliation expenses:		
League and other dues	14,657,780	11,392,766
League meetings	806,890	1,386,000
	15,464,670	12,778,766
Amounts written off	65,360,971	-
TOTAL OPERATING EXPENSES	374,723,623	257,453,656

25. Staff and volunteers loans

These represent loans granted to members of staff, the Board of Directors, supervisory and credit committees.

	Number	Loans $	Shares $
Staff	95	40,386,716	4,731,346
Volunteers	17	9,870,607	5,633,054
	112	50,257,323	10,364,400

No special conditions were attached to these loans and the conditions of repayment have been complied with. Two waivers were granted in respect of staff. These waivers were approved in accordance with the policies of the organisation.

26. Life savings and loan protection insurance

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

27. Comparison of ledger balances

	Savings deposits $	Loans $	Shares $
General ledger	1,186,974,812	1,354,422,226	1,412,342,892
Personal ledger	1,186,974,812	1,354,422,226	1,412,342,892
Differences as at December 31, 2003	-	-	-
Differences as at December 31, 2002	-	-	-

28. Loans commitments

At December 31, 2003, there were loan commitments to members totalling $6,442,400. (2002: $3,900,000).

29. Contingencies

There are certain legal actions brought against the co-operative which are outlined below.

The co-operative's attorneys-at-law are unable at this time to provide any opinion as to the likely outcome of these claims and accordingly, no provision have been made in these financial statements.

(a) A personal injury claim against the co-operative for $16,525,000 resulting from a motor vehicle accident in which one of the co-operative's vehicles was involved. This matter is still pending.

(b) A claim against the co-operative by a delinquent member who has alleged that his property was sold for less than it is valued. A defence and counter claim was filed by the co-operative. The plaintiff has failed to file a defence and counterclaim within the required time. The co-operative will be applying to have the matter struck out.

(c) A claim against the co-operative for $200,000 for breach of contract.

(d) A claim against the co-operative for approximately $1,000,000 for libel and slander. The co-operative is vigorously defending this claim.

(e) The co-operative was assessed $12,584,370 by the Commissioner of Taxpayer, Audit and Assessment Department (TAAD), for PAYE deductions arising on employees' emoluments over the period January 1998 to December 2001. An objection has been filed by the co-operative and the TAAD has decided to conduct further investigations. Management is awaiting the outcome of these investigations, hence, no provisions have been made in the financial statements for these amounts.

30. Fidelity insurance

Fidelity insurance coverage was adequately maintained during the year.

31. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of these financial statements, financial assets have been determined to include loans to members, investments, cash and cash equivalents and receivables. Financial liabilities have been determined to be external credits, payables and accruals.

Information relating to fair values and risks of financial instruments is summarised below.

(i) Fair value:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties who are under no compulsion to act and is evidenced by a quoted market price, if one exists, in an arm's length transaction.

31. Financial instruments (cont d)

Information relating to fair values and risks of financial instruments is summarised below. (cont d)

(i) Fair value: (cont d)

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

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

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

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

The following table sets out the fair values of the financial statements of the co-operative using the above-mentioned valuation methods and assumptions.

	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets:				
Loans and advances	1,338,613	1,338,613	1,196,574	1,196,574
Liquid assets	1,128,457	1,134,085	1,064,931	1,064,931
Financial instruments	173,045	161,979	138,746	139,792
Non-earning assets	397,631	397,631	258,846	258,846
	3,037,746	3,032,308	2,659,097	2,660,143
Financial liabilities:				
Savings deposits	1,186,975	1,186,975	996,961	996,961
External credits	22,999	22,999	25,035	25,035
Non-interest bearing liabilities	59,711	59,711	58,213	58,213
	1,269,685	1,269,685	1,080,209	1,080,209

31. Financial instruments (cont d)

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The co-operative has significant concentration of credit risks in loans to members and investments.

The co-operative manages this risk by screening its customers, establishing credit limits, obtaining collateral for loans and the rigorous follow-up of loan receivables; and ensuring investments and securities purchased under resale agreements are low-risk or held with sound financial institutions. At the balance sheet date, there were no other significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying balance of each financial asset.

(iii) Interest rate risk:

Interest rate risk is the potential for economic loss due to future interest rate changes. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The co-operative has substantial investments in financial assets whose yields are based on contractual rates.

	2003				
	Within 3 months $ 000	3 to 12 months $ 000	Over 12 months $ 000	Non-rate sensitive $ 000	Total $ 000
ASSETS					
Loans	27,939	89,966	1,210,682	-	1,328,587
Credit card advances	10,026	-	-	-	10,026
Liquid assets	1,013,399	104,188		10,870	1,128,457
Financial investments	55,175	103,038	-	14,832	173,045
Non-earning assets	-	-	-	397,631	397,631
Total assets	1,106,539	297,192	1,210,682	423,333	3,037,746
LIABILITIES					
Savings deposits	1,076,069	50,661	60,245	-	1,186,975
External credits	1,943	2,236	18,820	-	22,999
Non-interest bearing liabilities	-	-	-	59,711	59,711
Total liabilities	1,078,012	52,897	79,065	59,711	1,269,685
Total interest rate sensitivity gap	28,527	244,295	1,131,617	363,622	1,768,061
Cumulative gap	28,527	272,822	1,404,439	1,768,061	1,768,061

31. Financial instruments (cont d)

(iii) Interest rate risk: (cont d)

	2002				
	Within 3 months	3 to 12 months	Over 12 months	Non-rate sensitive	Total
	$ 000	$ 000	$ 000	$ 000	$ 000
ASSETS					
Loans	136,650	107,236	942,438	-	1,186,324
Credit card advance	10,250	-	-	-	10,250
Liquid assets	906,029	127,659	-	31,243	1,064,931
Financial investments	36,691	59,000	-	43,055	138,746
Non-earning assets	-	-	-	258,846	258,846
Total assets	1,089,620	293,895	942,438	333,144	2,659,097
LIABILITIES					
Savings deposits	919,122	43,280	34,559	-	996,961
External credits	3,359	2,236	19,440	-	25,035
Other	-	-	-	1,238	1,238
Non-interest bearing liabilities	-	-	-	56,975	56,975
Total liabilities	922,481	45,516	53,999	58,213	1,080,209
Total interest rate sensitivity gap	167,139	248,379	888,439	274,931	1,578,888
Cumulative gap	167,139	415,518	1,303,957	1,578,888	1,578,888

Average effective yields by the earlier of contractual repricing and maturity dates:

	2003			
	Within 3 months	3 to 12 months	Over 12 months	Total
	(%)	(%)	(%)	(%)
Loans	16.6	18.0	21.4	21.0
Credit card advances	48.0	48.0		
Liquid assets	23.3	27.4	-	23.7
Financial instruments	23.5	20.8	-	21.7
Savings deposits	14.0	16.1	16.7	14.3
External credits	11.1	11.4	12.0	11.9

Average effective yields by the earlier of contractual repricing and maturity dates:

	2002			
	Within 3 months	3 to 12 months	Over 12 months	Total
	(%)	(%)	(%)	(%)
Loans	21.7	21.2	22.5	22.3
Credit card advances	48.0	-	-	48.0
Liquid assets	16.4	16.6	-	16.5
Financial investments	17.8	16.7	-	17.2
Savings deposits	11.9	13.0	16.7	12.2
External credits	11.3	11.4	11.9	11.4

31. Financial instruments (cont'd)

(iv) Foreign currency:

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The co-operative is exposed to foreign currency risk due to fluctuation in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. Net foreign currency assets were as follows:

	2003 US$	2002 US$
Bank accounts	96,060	100,807
Investments	131,480	-
	227,540	100,807

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The society has no significant exposure to market risk as it has no significant financial instruments subject to this risk.

(vi) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the co-operative will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. The co-operative is exposed to daily calls on its cash resources. The co-operative maintains sufficient maturing instruments to meet these daily needs. The matching and controlled mismatching of maturities and interest rates of assets and liabilities are fundamental to the management of the co-operative.

(vii) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The co-operative manages this risk through budgetary measures ensuring as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

32. Explanation of transition to IFRS (cont d)

(a) Reconciliation of equity as at January 1, 2002: (cont d)

CAPITAL				
Members share capital		1,188,805,303	-	1,188,805,303
Institutional capital		227,675,841	-	227,675,841
Non-institutional capital		22,864,579	(25,132,107)	(2,267,528)
Loan loss reserve	d(i)	-	38,002,171	38,002,171
Pension reserve	d(iii)	-	38,398,000	38,398,000
Total capital		1,439,345,723	51,268,064	1,490,613,787
TOTAL LIABILITIES AND CAPITAL		2,419,903,108	57,843,531	2,477,746,639

(b) Reconciliation of equity as at December 31, 2002:

	Notes	Previous Jamaica GAAP $	Effect of transition to IFRS $	IFRS $
ASSETS				
Earning assets:				
Loans to members		1,250,866,746	-	1,250,866,746
Credit card advances		10,250,170	-	10,250,170
Less provision for loan losses	d(i)	(46,855,276)	(17,687,411)	(64,542,687)
		1,214,261,640	(17,687,411)	1,196,574,229
Liquid assets		1,064,931,404	-	1,064,931,404
Financial investments		138,745,532	-	138,745,532
Total earning assets		2,417,938,576	(17,687,411)	2,400,251,165
Non-earning assets:				
Liquid assets		20,927,232	-	20,927,232
Other assets	d(ii)	138,612,500	(2,349,666)	136,262,834
Employee benefit asset	d(iii)	-	43,992,000	43,992,000
Fixed assets		57,663,510	-	57,663,510
Total non-earning assets		217,203,242	41,642,334	258,845,576
TOTAL ASSETS		2,635,141,818	23,954,923	2,659,096,741
LIABILITIES				
Interest bearing liabilities:				
Savings deposits	d(iv)	996,960,863	-	996,960,863
External credits		25,034,577	-	25,034,577
Others		1,238,387	-	1,238,387
Total interest-bearing liabilities		1,023,233,827	-	1,023,233,827
Non-interest bearing liabilities:				
Accruals		16,541,847	8,477,077	25,018,924
Payables		24,190,077	-	24,190,077
Others		7,766,108	-	7,766,108
Total non-interest bearing liabilities		48,498,032	8,477,077	56,975,109
Total liabilities		1,071,731,859	8,477,077	1,080,208,936

32. Explanation of transition to IFRS (cont d)

(b) Reconciliation of equity as at December 31, 2002: (cont d)

	Notes	Previous Jamaica GAAP $	Effect of transition to IFRS $	IFRS $
CAPITAL				
Members share capital		1,293,600,158	-	1,293,600,158
Non-institutional capital		33,555,798	(21,356,110)	12,199,688
Institutional capital		236,254,003	(7,158,244)	229,095,959
Pension reserve	d(iii)	-	43,992,000	43,992,000
Total capital		1,563,409,959	15,477,846	1,578,887,805
TOTAL LIABILITIES AND CAPITAL		2,635,141,818	23,954,923	2,659,096,741

(c) Reconciliation of net surplus for year 2002:

	Notes	Previous Jamaica GAAP $	Effect of transition to IFRS $	IFRS $
Interest income:				
Loans to members		289,819,980	-	289,819,980
Investments and deposits		155,426,958	-	155,426,958
		445,246,938	-	445,246,938
Interest expense:				
Member s deposits		116,739,625	-	116,739,625
External credits		4,477,465	-	4,477,465
Other financial costs		31,540,402	-	31,540,402
		152,757,492	-	152,757,492
Net interest income		292,489,446	-	292,489,446
Provision for loan losses	d(i)	(14,522,056)	(42,890,870)	(57,412,926)
Provision for loss on accrued interest		(17,433,653)	-	(17,433,653)
Net interest income after provision		260,533,737	(42,890,870)	217,642,867
Non-interest income:				
Fees		8,436,935	-	8,436,935
Dividend on equity investments		1,028,698	-	1,028,698
Other income		36,499,686	-	36,499,686
Gross margin		306,499,056	(42,890,870)	263,608,186
Less operating expenses	d(ii),(iii),(iv)	(264,554,308)	7,100,652	(257,453,656)
Net surplus for the year		41,944,748	(35,790,218)	6,154,530

32. Explanation of transition to IFRS (cont'd)

(d) Notes to the reconciliation of equity:

(i) Provision for loan loss was provided based on the requirements of IAS 39. Where the loan loss reserve required by JCCUL exceeds the provision determined under IFRS, the difference is taken to a loan loss reserve.

(ii) Deferred expenses which were previously recognised amounting to $2,349,666 (2001: $5,757,928) were written off as they do not qualify as assets under IFRS.

(iii) An employee benefit asset has been recognised in respect of the defined benefit pension plan. Recognition was not required under previous Jamaica GAAP. The amount recognised was determined by an independent actuary using the projected unit credit method. The asset has been transferred to a non-distributable reserve account (see note 20).

(iv) A provision has been made for unused vacation leave in accordance with IFRS. This was not required under previous Jamaica GAAP.

(e) Effect on statement of cash flows:

There are no material differences between the statement of cash flows reported under IFRS and that reported under previous Jamaica GAAP.