

Independent Auditor's Report

To the Registrar of Co-operative Societies

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NAJ Co-operative Credit Union Limited ("the Credit Union") set out on pages 5 to 40, which comprise the statements of financial position as at December 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2019 and of financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and the Jamaican Co-operative and Friendly Societies Act. Except for an amount of \$ 4,550,965 which could not be substantiated and has been transferred from cash in hand to impairment loss expense account.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters(cont'd)

Key Audit Matters	How we addressed key audit matters
Significant increase in cash in hand	<p>We analysed the cash in hand account and verified that the actual cash in hand as at December 31, 2019 was \$3,087,102. This balance was traced and agreed to lodgements to the bank account in subsequent period and the lodgement log book.</p> <p>We compared the actual cash in hand of \$3,087,102 to \$7,638,067 stated in the general ledger and computed a difference of \$4,550,965. The difference has been recorded as receivable. An impairment loss provision of \$2,275,483 has been recognized in the statement of profit/loss to off set any amount that may not be recovered by court action or fidelity insurance claim.</p>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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To the Registrar of Co-operative Societies

Responsibilities of Management and the Board of Directors for the Financial Statements(cont'd)

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

The Board of Directors is responsible for overseeing the Credit Union's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description, which is located on page 4, forms part of our auditor's report.

Report on additional matters as required by the Co-operative Societies Act

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

The engagement partner on the audit resulting in this independent auditor's report is Worrick Bogle.

BOGLE & COMPANY
Chartered Accountants

August 31, 2020

Appendix to the Independent Auditor's report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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

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

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

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

<u>Assets</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		\$	\$
Non-current assets			
Earning:			
Financial investments	6	8,392,997	47,968,757
Loans, after provision for loan impairment	7	444,787,886	416,569,471
		<u>453,180,883</u>	<u>464,538,228</u>
Non-earning:			
Property, plant & equipment	8	53,087,120	54,743,076
Retirement benefit asset	9	7,598,618	5,005,062
		<u>60,685,738</u>	<u>59,748,138</u>
Current assets			
Earning:			
Financial investments	6	153,826,460	111,825,383
Loans, after provision for loan impairment	7	18,387,308	12,180,821
Liquid assets	10	3,036,870	10,841,576
		<u>175,250,638</u>	<u>134,847,780</u>
Non-earning:			
Other assets	11	10,538,142	8,283,527
Cash and bank balances	12	11,991,525	10,230,383
		<u>22,529,667</u>	<u>18,513,910</u>
Total assets		<u><u>711,646,926</u></u>	<u><u>677,648,056</u></u>

The financial statements were approved by the Board of Directors on August 31, and signed on its behalf by:

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Ms. Janett Coore Farr

President

.....

Mr. Derrick Tulloch

Treasurer

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

<u>Equity and Liabilities</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		\$	\$
Equity:			
Members' permanent shares	13	14,808,638	9,977,676
Institutional capital	14	67,940,188	67,392,574
Non-institutional capital	15	12,942,144	10,101,240
Undistributed surplus	16	2,510,303	9,086,662
		<u>98,201,273</u>	<u>96,558,152</u>
 Non current liabilities			
Interest bearing liabilities:			
Members' shares (voluntary)	17	117,748,287	118,969,916
External credit- long-term portion	18	26,363,450	27,644,324
		<u>144,111,737</u>	<u>146,614,240</u>
 Current liabilities			
Interest bearing liabilities:			
Members' shares (voluntary)	17	216,696,006	195,517,903
Members' deposits	19	248,470,337	232,103,254
External credit - current portion	18	1,261,300	1,156,742
		<u>466,427,643</u>	<u>428,777,899</u>
Non-interest bearing liabilities:			
Deferred income	20	754,013	1,986,278
Payables & accruals	21	2,152,260	3,711,487
		<u>2,906,273</u>	<u>5,697,765</u>
 Total equity and liabilities		 <u><u>711,646,926</u></u>	 <u><u>677,648,056</u></u>

The financial statements were approved by the Board of Directors on August 31, and approved on its behalf by:

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Ms. Janett Coore Farr

President

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Mr. Derrick Tulloch

Treasurer

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

	Notes	<u>2019</u>	<u>2018</u>
		\$	\$
Interest income			
Interest on members' loans		51,210,642	49,901,766
Interest on investments		3,305,267	4,983,632
		54,515,909	54,885,398
Interest expense			
External credit		2,819,328	3,445,532
Shares & deposits		6,440,637	4,914,281
		9,259,965	8,359,813
Net interest income		45,255,944	46,525,585
Bad debts recovered		2,671,456	25,000
Bad debts (written off)		-	(1,293,137)
Net interest income after allowance for loan loss		47,927,400	45,257,448
Other income	22	12,991,543	13,949,872
Provision for impairment loss(cash)		(2,275,483)	-
Gross margin		58,643,460	59,207,320
Operating expenses	23	(56,032,388)	(46,955,567)
Surplus for the year		2,611,072	12,251,753
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Pension re-measurement		3,015,000	(2,438,000)
		3,015,000	(2,438,000)
Total comprehensive income		5,626,072	9,813,753

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2019

	Permanent Shares	Institutional Capital	General Reserves	Retirement Benefit Reserve	Undistributed Surplus	Total
	\$	\$	\$	\$	\$	\$
December 31, 2017	8,836,270	64,913,623	4,840,637	6,423,062	2,634,014	87,647,606
Surplus for the year					12,251,753	12,251,753
Statutory reserves		2,450,351			(2,450,351)	-
Issue of new share	1,141,406					1,141,406
Prior Year adjustments					260	260
Entrance fees		28,600				28,600
Appropriations -						-
Dividends reserves					(1,000,000)	(1,000,000)
Honoraria					(300,000)	(300,000)
General reserves			800,000		(800,000)	-
Staff appreciation					(229,014)	(229,014)
Transfers to reserves			40,341			40,341
Payments from reserves			(584,800)			(584,800)
Prior year pension income				1,020,000	(1,020,000)	-
Loss on pension remeasurement				(2,438,000)		(2,438,000)
December 31, 2018	9,977,676	67,392,574	5,096,178	5,005,062	9,086,662	96,558,152
Surplus for the year					2,611,072	2,611,072
Transfer to statutory reserves		522,214			(522,214)	-
Entrance fees		25,400				25,400
Pension remeasurement				3,015,000		3,015,000
Transfer from surplus				(421,444)	421,444	-
Share subscriptions	331,274					331,274
Appropriations -						-
Dividends	4,499,688				(6,000,000)	(1,500,312)
Honoraria					(800,000)	(800,000)
Donations			500,000		(500,000)	-
Education			800,000		(800,000)	-
General reserves			500,000		(500,000)	-
Staff appreciation					(486,661)	(486,661)
Payments/transfer			(1,552,652)			(1,552,652)
Balance December 31, 2019	14,808,638	67,940,188	5,343,526	7,598,618	2,510,303	98,201,273

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Surplus for the year	2,611,072	12,251,753
Adjustment to reconcile loss for the year to net cash from operating activities		
Depreciation	2,114,261	2,187,201
Retirements benefit asset	(2,593,556)	(1,179,000)
Prior year adjustment	-	260
Transfers to reserves	-	40,341
	<u>2,131,777</u>	<u>13,300,555</u>
<u>(Increase)/decrease in current assets</u>		
Other assets	(2,254,615)	274,636
<u>Increase/(decrease) in current liabilities</u>		
Payables & accruals	(1,559,227)	(1,368,035)
Net cash flows provided by operating activities	<u>(1,682,065)</u>	<u>12,207,156</u>
<u>Cash flows from investing activities</u>		
Loans to members	(34,424,902)	(25,939,759)
Financial investments	(2,425,317)	(47,364,415)
Acquisition of property, plant and equipment	(458,313)	(81,434)
Net cash used in investing activities	<u>(37,308,532)</u>	<u>(73,385,608)</u>
<u>Cash flows from financing activities</u>		
Members shares & deposits	36,323,557	43,702,080
Deferred income	(1,232,265)	1,986,278
External credit	(1,176,316)	(9,566,566)
Permanent shares	4,830,962	1,141,406
Entrance fees	25,400	28,600
Appropriations	(5,824,305)	(1,113,814)
Net cash flows provided by financing activities	<u>32,947,033</u>	<u>36,177,984</u>
Net increase(decrease) in cash & cash equivalents	(6,043,564)	(25,000,468)
Cash & cash equivalents at the beginning of the year	21,071,959	46,072,427
Cash & cash equivalents at the end of the year	<u>15,028,395</u>	<u>21,071,959</u>
<u>Represented by:</u>		
Liquid assets	3,036,870	10,841,576
Cash and bank balances	11,991,525	10,230,383
	<u>15,028,395</u>	<u>21,071,959</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1. Identification & Activities

N A J & Health Services Co-operative Credit Union Ltd- “the Credit Union”

- a) 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 6 Trevennion Park Road, Kingston 5, Jamaica.
- b) Membership is restricted to members of the Nurses Association of Jamaica and other medical professionals and their families. The liability of members is limited by shares.
- c) No member may hold more than 20% of the total share capital.
- d) The main activities of the Credit Union are to promote thrift among 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.
- e) The Credit union is exempted from Income Tax under Section 59(1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

2. Basis of Preparation

The significant accounting policies that have been used in preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The measurement bases used are those specified by International Financial Reporting Standards (IFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

- a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations adopted by the International Accounting Standards Board (IASB).

New, revised and amended standards and interpretations that became effective during the year.

Amendment to IFRS 9, 'Financial Instruments', 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment enables entities to measure certain pre payable financial assets with negative compensation at amortised cost. These assets would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. This amendment had no significant impact on the Credit Union's operations.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. Basis of Preparation(cont'd)

Amendment to IAS 19, Employee benefits' (effective for annual periods beginning on or after 1 January 2019). This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. Any reduction in a surplus is recognised in profit or loss as a part of past service cost or gain or loss on settlement regardless of whether that surplus was not previously recognised due to the impact of the asset ceiling. Any changes in the asset ceiling is recognised separately in other comprehensive income. This amendment had no significant impact on the Credit Union's operations.

New, revised and amended standards and interpretations that are issued but not yet effective.

Amendments to IAS 1, 'Presentation of financial statements' and to IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020).

These amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendments also clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Credit Union does not expect any significant impact from the adoption of these amendments.

b) Functional currency

The amounts stated in the financial statements are in Jamaican Dollars which is the functional currency of the primary economic environment in which the Credit Union operates.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. Significant Accounting Policies

In addition, for financial reporting purposes, fair value measurements are categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

d) Use of estimates and judgements

The preparation of the financial statements to conform with International Financial Reporting Standards (**IFRS**) requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to assets and liabilities at the reporting date, and the income and expenses for the year ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimate is revised, and future period if the revision affects both current and future periods.

Use of estimates and judgements(cont'd)

Judgements made by management in the application of International Reporting Financial Standards (**IFRS**) that have significant effect on the financial statements and estimates with a significant risks of material adjustments are discussed below

I. Useful Lives of Property, plant and equipment

The useful life of property, plant and equipment are reviewed at the reporting date, and, if any expectations differ from previous estimates, the charge is accounted for as a change in accounting estimates.

II. Going concern

The preparation of the financial statements in accordance with IFRS assumes that the Credit Union will continue in operational existence for the foreseeable future. This means that the statements of profit or loss and financial position assume no intention or necessity to liquidate the company or curtail the scale of operation.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. Basis of Preparation(cont'd)

III. Subsequent event

Subsequent to the end of the financial year the word Health Organization (WHO) has declared the coronavirus, Covid-19, to be a pandemic. Jamaica discovered its first case on March 10, 2020.

It is expected that the Credit union will experience a significant decline in cash resources as it has since implemented a one month moratorium on principal repayment on loans. Based on the high level of the Credit Union cash resources, management is of the view that the Credit Union's revenue and profitability will be sustained during the period impacted by the coronavirus. Consequently, management continues to believe that the going concern presumption remains appropriate for the financial statements and the Credit Union will continue to meet its obligations as they fall due.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies

a) Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset if, and only if:

(a) It is probable that future economic benefits associated with the item will flow to the entity; and

(b) the cost of the item can be measured reliably

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost.

This Credit Union recognises depreciation under the expense heading of “depreciation” in the period.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used by the Credit Union is the reducing balance basis for all categories of assets apart from computer which uses the straight-line basis and is designed to write off the cost assets over the period of their useful lives. The annual rates of depreciation are as follows:

Building	2.5%
Furniture, fixtures & equipment	10%
Computer and Equipment	12.5%

Repairs and maintenance expenditures are charged to the profit or loss during the financial period in which they are incurred.

b) Employee Benefits

The cost of providing employee benefits is recognised in the period in which the benefit is earned by the employee, rather than when it is paid, and each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies(cont'd)

b) Employee Benefits (cont'd)

Types of post-employment benefit plans

Post-employment benefit plans are informal or formal arrangements where an entity provides post-employment benefits to one or more employees, e.g. retirement benefits (pensions or lump sum payments), life insurance and medical care.

The accounting treatment for a post-employment benefit plan depends on the economic substance of the plan and results in the plan being classified as either a defined contribution plan or a defined benefit plan.

Defined benefit plan

The Credit Union participates in a multi-employer defined benefit plan administered by the Jamaica Co-operative Credit Union League Limited into which the Credit union and its employees make contributions. The Credit Union has an obligation to provide agreed benefits to current and past employees and effectively places actuarial and investment risk on the Credit Union.

Defined Contribution Plan

The Credit Union also contributes to a defined contribution plan. Contribution by the Credit Union to this plan is an expense to the Credit Union and the Credit Union bears no further risk nor obligation.

c) Financial Instruments: Classification; Recognition; Derecognition and Measurement

A financial instrument is an instrument that give rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

Classification

Financial assets comprise financial investments, loans originated, liquid assets, cash and bank balances and other assets. Financial liabilities comprise voluntary shares, members deposits and payables. Equity is described as permanent shares

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

c) Financial Instruments: Classification; Recognition; Derecognition and Measurement(cont'd)

Recognition & Initial Measurement

The Credit Union recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Credit Union initially recognise loans to members and other assets on the date they are generated. At initial recognition the Credit Union measures a financial asset or liability at its fair value. Transaction cost of assets or liabilities carried at fair value through profit or loss are expensed.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortized cost.

Classification and subsequent re-measurement

The Credit Union has classified its financial instruments in the following measurement categories:

- Amortised cost
- Fair value through profit or loss

d) Financial investments

Financial investments are financial instruments which are held to collect contractual cash flows and to sell.

Permanent shares held with the Jamaica Co-operative Credit Union League are equity instruments. The Credit Union has elected to measure these shares at fair value through other comprehensive income.

Voluntary shares, mortgage fund, gilt edge securities and bond are debt instruments and are measured at fair value through the profit or loss.

e) Loans originated

Loans provided by the Credit Union to its members are classified as loans originated. The objectives of the loan portfolio is to hold and collect contractual cash flows; the performance targets of the portfolio are determined by the compliance rate in terms of interest and principal payments and the key performance index for each portfolio is the delinquency ratio. Loan originated are measured at fair value through the profit or loss.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies(cont'd)

f) Liquid assets

A liquid asset is an asset that can readily be converted into cash is similar to cash itself because the **asset** can be sold with little impact on its value. Investments are considered liquid assets if they can be readily liquidated. Savings accounts held at The National Commercial Bank Jamaica Limited and Cumax Money Market Account held with Credit Union Fund Management Company Limited are classified as liquid assets and measured at fair value through the profit or loss.

g) Cash and bank balances

Cash and Bank balances includes notes and coins on hand and unrestricted funds held at other financial institutions representing non-interest-bearing liquid assets owned by the Credit Union.

h) Other assets

Other assets are sundry receivables and prepayments. These are recognized at fair value and **measured at amortized cost.**

i) Members' voluntary shares

The voluntary shares are classified as interest earning liabilities. Interest is calculated and paid annually based on the weighted average balance on the members account during the year. The rate of interest is determined by the Board of Directors. Voluntary shares are initially recognized at fair value and subsequently measured at amortized cost.

j) Members' deposits

These are savings accounts held by the members of the Credit Union. These amounts are payable on demand. Interest on these accounts is calculated and paid annually. The rates of interest paid are determined by the Board of Directors. Members deposits are classified as financial liabilities and are measured at amortized cost.

k) Permanent shares

This represents equity in the Credit Union which cannot be withdrawn but may be transferred to another member or repurchased by the Credit Union. These shares are classified as equity and are measured at their nominal value.

l) Payables & accruals

These are short term liabilities which are recognized at fair value and measured at amortized cost

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies(cont'd)

m) Institutional capital

Institutional Capital includes the Statutory Reserve Fund as well as various other reserves established from time to time as is deemed necessary by the Board of Directors to support the operation of the Credit Union and thereby protect the interest of the members. These reserves are not available for distribution.

The stronger the overall capital position, the easier it is for the Credit Union to deal with future uncertainties such as asset loss and adverse economic cycles.

n) Non - Institutional capital

Non institutional capital are amounts approved by the members at their annual general meetings and set aside to facilitate outreach and development activities of the Credit Union.

o) Revenue recognition

Interest on loans

Interest on loans is recognized when interest is calculated on the outstanding balance at the beginning of each month, using the reducing balance method.

When a loan is classified as impaired, recognition of interest in accordance with the original terms and conditions of the loan ceases and interest is taken into account on the cash basis.

Interest on investments

Interest income from investments is recognized on the accrual basis.

Dividend income

Dividend income is recognized when the Credit Union's right to receive payment is established.

Commission and Fees

Fees and commission income are generally recognised on a cash basis when the services have been provided.

p) Interest expense

Interest expense is recognized in the statement of profit or loss for interest bearing liabilities on the accrual basis using the weighted average method.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies(cont'd)

q) Operating expense

Operating expenses are recognized in profit or loss upon utilization of the service or as incurred.

r) Allowance for loan Impairment

The Credit Union recognizes loss allowances for expected credit loss on financial assets that are debt instruments and that are not measured at fair value through other comprehensive income.

An allowance for loan impairment is established based on lifetime expected credit loss (ECL) which is the ECL that result from all possible default events over the expected life of the loan. Loans for which a lifetime ELC is recognized but which are not credit impaired are referred to as 'stage 1'. If significant increase in credit risk since initial recognition is identified, the loan moves to 'stage 2', but is not yet credit impaired. If the loan is credit impaired it moves to 'stage 3'.

The loan loss provision is derived based on a model which takes account of, among other factors, 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 rate of interest of the loan and the probability of default.

Provision is calculated as follows:

State 1: 12 months loan repayments for loans 30 days past due

Stage 2: Principal & interest for loans 31-90 days past due

Stage 3: Principal only for loans over 90 days past due.

s) Regulatory provision

In both current and prior year regulatory provisions are established for loans originated as a result of a review of the carrying value of loans in arrears and are derived based on the requirements stipulated by the Jamaica Co-operative Credit Union League Limited (JCCUL) provisioning policy of making full provision for loans in arrears over twelve (12) months. General provisions ranging from 10 % to 60% are established in respect of loans in arrears for two (2) to twelve months. Regulatory provision that exceeds International Financial Reporting Standards are dealt with in a non-distributable loan loss as an appropriation of undistributed surplus.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

3. Significant accounting policies(cont'd)

t) Write-off

Loans are written of (either partially or in full) when there is no reasonable expectation of recovering it in its entirety or a portion there of. This generally the case when the Credit Union determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts written off could still be subject to enforcement activities in order to comply with the Credit Union's procedures for recovery of amounts due.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. Financial risk management

The Credit Union activities are related to the use of financial instruments which involves analysis, evaluation and management of risks. The Board of Director is responsible for the establishment of the risk management framework.

The Credit Union has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

a) Credit risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Credit Union's loans to members & debt instruments with other institutions.

Loans to members

The management of credit risk in respect of loans to members and guarantees is delegated to the Credit Committee. The Committee is responsible for oversight of the Credit Union's credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit

facilities, reviewing and assessing credit risk, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk grading. There is a documented credit policy in place which guides the Credit Union's credit review process.

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk (before recognition of collateral held) at the reporting date was:

	<u>2019</u>	<u>2018</u>
	\$	\$
Loans to members	463,175,194	428,750,292
Liquid assets – earning	3,036,870	10,841,576
Financial investments	162,219,457	159,794,140
Other assets	10,538,142	8,283,527
	<u>638,969,663</u>	<u>607,669,535</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

5. Financial risk management(cont'd)

b) Liquidity risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations for its financial liabilities. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds to meet its obligations when due under both normal or stressed conditions. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis.

The Credit Union is subject to a liquidity limit imposed by the Credit Union League and compliance is regularly monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposit. For this purpose, liquid assets include, Loans which are expected to be repaid within the year, cash bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the reporting date was 0.28 (2018 0.41)

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash resources:		
Loans (after provision for loan impairment)	5,882,473	1,132,968
Financial investments	109,962,243	151,894,260
Liquid assets	3,036,870	10,841,576
Other assets	1,164,940	1,439,576
Cash & bank balances	11,991,525	10,230,383
	<u>132,038,051</u>	<u>175,538,763</u>
Saving deposits and other liabilities:		
Members' share capital	216,696,006	195,517,903
Members deposits	248,470,337	232,103,254
External loans	307,708	280,612
Payables & accruals	2,152,260	3,711,487
	<u>467,626,311</u>	<u>431,613,256</u>
Ratio	0.28	0.41

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. Financial risk management(cont'd)

Liquidity risk

The following table presents the undiscounted contractual maturities of financial liabilities, on the basis of their earliest possible contractual maturity.

	2019				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Carrying value
	\$	\$	\$	\$	\$
Members' share capital	215,616,961	1,079,045	57,548,314	60,199,973	334,444,293
Members' deposits	144,355,218	87,748,036	-	-	232,103,254
External Loans	96,559	211,149	953,592.00	26,363,450	27,624,750
Payables and accruals	2,152,260	-	-	-	2,152,260
	<u>362,220,998</u>	<u>89,038,230</u>	<u>58,501,906</u>	<u>86,563,423</u>	<u>596,324,557</u>

	2018				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Carrying value
	\$	\$	\$	\$	\$
Members' share capital	13,385,938	14,135,608	68,244,974	194,985,618	290,752,138
Members' deposits	160,447,636	88,022,701	-	-	248,470,337
External loans	92,762	187,850	876,130.00	27,644,324	28,801,066
Payables and accruals	3,711,487	-	-	-	3,711,487
	<u>177,637,823</u>	<u>102,346,159</u>	<u>69,121,104</u>	<u>222,629,942</u>	<u>571,735,028</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. Financial risk management(cont'd)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rate and equity prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. 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.

Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Credit Union does not deal in foreign currencies nor currently hold any securities denominated in foreign currencies. There is therefore no exposure to currency risk at this time.

Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments. The Credit Union exposure to interest rate risk at the reporting date was as follows:

	2019			
	Within 3 months	3 to 12 months	Over 12 months	Carrying value
<u>Assets</u>	\$	\$	\$	\$
Loans	5,882,473	12,504,835	444,787,886	463,175,194
Liquid assets	3,036,870	-	-	3,036,870
Financial investments	109,962,243	1,863,140	47,968,757	159,794,140
	118,881,586	14,367,975	492,756,643	626,006,204
<u>Liabilities</u>				
Savings deposits	144,355,218	87,748,036	-	232,103,254
Members' shares	215,616,961	1,079,045.00	117,748,287	334,444,293
External Loans	307,708	953,592	26,363,450	27,624,750
	360,279,887	89,780,673	144,111,737	594,172,297
Total interest rate gap	(241,398,301)	(75,412,698)	348,644,906	31,833,907
Cumulative gap	(241,398,301)	(316,810,999)	31,833,907	

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. Financial risk management(cont'd)

Interest rate risk(cont'd)

	2018			
	Within 3 months	3 to 12 months	Over 12 months	Carrying value
<u>Assets</u>	\$	\$	\$	\$
Loans	1,132,968	11,047,853	416,569,471	428,750,292
Liquid assets	10,841,576	-	-	10,841,576
Financial investments	151,894,260	1,932,200	8,392,997	162,219,457
	163,868,804	12,980,053	424,962,468	601,811,325
<u>Liabilities</u>				
Savings deposits	160,447,636	88,022,701	-	248,470,337
Members' shares	191,148,863	4,369,040	118,969,916	314,487,819
External Loans	280,612	876,130	27,644,324	28,801,066
	351,877,111	93,267,871	146,614,240	591,759,222
Total interest rate gap	(188,008,307)	(80,287,818)	278,348,228	10,052,103
Cumulative gap	(188,008,307)	(268,296,125)	10,052,103	

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

5. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure and from external factors other than financial risks such as arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Credit Union's objective when managing operational risk so as to balance the avoidance of financial loss and damages to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to identify operational risk is assigned to the Board of Directors. This responsibility is supported by overall co-operative standards for the management of operational risk in following areas:

Requirements for periodic assessment of operational risk faced, and the adequacy of controls and procedure to address the risks identified.

Requirements for the appropriate segregation of duties, including the independent authorisation of transactions;

Compliance with regulatory and other legal requirements;

Documentation of controls and procedures;

Requirements for the reporting of operational losses and proposed remedial action;

Development of contingency plans;

Ethical and business standards;

Risk, mitigation, including insurance where this is effective;

Compliance with the Credit Union's policies is supported by a programme of periodic reviews;

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Capital management

The Credit Union's objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern. The Credit Union defines its capital as Permanent share capital, institutional capital and special reserve. Its dividend pay-out is made taking into account the maintenance of an adequate capital base. The Credit Union is required by the Jamaica Co-operative League Limited to maintain its institutional capital at a minimum of 8 % of total assets. At the statement of financial position date, this ratio was 17% (2018:- 17 %) which is in compliance with the requirements.

Insurance

The Credit Union has in place the following insurance coverage which are deemed adequate:

- Fidelity bond
- Life savings & loan protection
- General all risks

Related party balances

At December 31, 2019, 18 members of the Credit Union's Board of Directors, Committee members and key management personnel had savings and loans inclusive of interest as stated below:

	<u>2019</u>	<u>2018</u>
	\$	\$
Savings	17,531,811	19,537,324
Loans (inclusive of interest)	54,199,547	76,338,265

During the year, no director nor committee member received any loan which necessitated a waiver of the loan policy.

Collaterals

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

6. Financial investments

	Maturity Schedule 2019			
	Within 3 months	3 to 12 months	1 to 5 years	Carrying value
	Current		Non -current	2019
	\$	\$	\$	\$
<u>Equity Instruments-Unquoted</u>				
Permanent shares			2,007,555	2,007,555
Ordinary shares			430,480	430,480
Ordinary shares			500,000	500,000
<u>Equity Instruments-Quoted</u>				
Ordinary shares			4,125,114	4,125,114
<u>Debt Instruments</u>				
Fixed term deposit	10,009,569			10,009,569
Mortgage Fund			-	-
CU Premium	141,884,691			141,884,691
Income portfolio			899,203	899,203
Investment in unit trust		1,932,200		1,932,200
Capital Growth Fund			430,645	430,645
	<u>151,894,260</u>	<u>1,932,200</u>	<u>8,392,997</u>	<u>162,219,457</u>

	Maturity Schedule 2018			
	Within 3 months	3 to 12 months	1 to 5 years	Carrying value
	Current		Non -current	2018
	\$	\$	\$	\$
<u>Equity Instruments-Unquoted</u>				
Permanent shares			2,007,555	2,007,555
Ordinary shares			430,480	430,480
Shares			500,000	500,000
<u>Equity Instruments-Quoted</u>				
Ordinary shares			3,130,337	3,130,337
<u>Debt Instruments</u>				
Fixed term deposit	10,881,780			10,881,780
Mortgage Fund			1,778	1,778
CU Premium			41,898,607	41,898,607
Cumax Money Market Fund	99,080,463			99,080,463
Investment in unit trust		1,863,140		1,863,140
	<u>109,962,243</u>	<u>1,863,140</u>	<u>47,968,757</u>	<u>159,794,140</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

7. Loans originated

	Maturity schedule 2019				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Value
	Current		Non-current		2018
	\$	\$	\$	\$	\$
Principal	3,188,403	13,067,573	200,715,061	244,072,825	461,043,862
Interest receivable	4,537,514	-	-	-	4,537,514
Less provision for loan loss	(1,843,444)	(562,738)	-	-	(2,406,182)
Carrying value	5,882,473	12,504,835	200,715,061	244,072,825	463,175,194

	Maturity schedule 2018				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Value
	Current		Non-current		2019
	\$	\$	\$	\$	\$
Principal	3,072,411	12,225,646	201,220,603	215,348,868	431,867,528
Interest receivable	1,960,402	-	-	-	1,960,402
Less provision for loan loss	(3,899,845)	(1,177,793)	-	-	(5,077,638)
Carrying value	1,132,968	11,047,853	201,220,603	215,348,868	428,750,292

Movement in loan loss provision

	<u>2019</u>	<u>2018</u>
	\$	\$
Allowance for loan loss at the beginning of year	5,077,638	3,784,501
Increase/(decrease) in provision	<u>(2,671,456)</u>	<u>1,293,137</u>
Net provision at December 31,	<u>2,406,182</u>	<u>5,077,638</u>

Summary of delinquent loans

	<u>2019</u>	<u>2018</u>
	\$	\$
Neither past due nor impaired	408,170,137	368,517,127
Past due but not impaired:		
Less than 2 months	46,614,220	58,339,659
2 to 3 months	3,518,490	2,314,663
4 to 6 months	4,296,775	4,021,907
7 to 12 months	850,422	634,574
Less provision for loan losses	<u>(2,406,182)</u>	<u>(5,077,638)</u>
	<u>461,043,862</u>	<u>428,750,292</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

7. Loans originated(cont'd)

Provision for loan loss

The credit union provides for loan loss using the expected credit loss model. At the reporting date the provision for loan loss was as follows:

2019

Stages	Aging	Number of Loans	Expected Credit Loss	Calculated Provision
			\$	\$
Stage 1	Less than 2 months	473	35,856,133	1,704,193
Stage 2	2 - 3 months	27	1,176,006	139,251
Stage 3	over 3 months	39	4,212,697	562,738
Total		539	41,244,836	2,406,182

2018

Stages	Aging	Number of Loans	Expected Credit Loss	Calculated Provision
			\$	\$
Stage 1	Less than 2 months	501	95,690,021	3,833,476
Stage 2	2 - 3 months	6	477,862	66,369
Stage 3	over 3 months	19	1,177,792	1,177,793
Total		526	97,345,675	5,077,638

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

7. Loans originated(cont'd)

Provision for loan loss(cont'd)

Provision required by the rules of the Jamaica Co-operative Credit Union League Limited are stated below for comparative purposes.

December 31,2019						
Months in Arrears	Total Number of loans	Total Delinquent loans	Savings Held	Exposure	Provision	
		\$	\$	\$	\$	%
Less than 2 months	122	46,614,220	84,556,065	(37,941,845)	-	-
2-3 months	9	3,518,490	5,913,684	(2,395,194)	351,849	10%
4-6 months	7	4,296,775	5,506,612	(1,209,837)	1,289,033	30%
7- 12 months	4	850,422	1,095,108	(244,686)	510,253	60%
Over 12 months	-	-	-	-	-	100%
Totals	142	55,279,907	97,071,469	(41,791,562)	2,151,135	

December 31,2018						
Months in Arrears	Total Number of loans	Total Delinquent loans	Savings Held	Exposure	Provision	
		\$	\$	\$	\$	%
Less than 2 months	122	58,339,659	106,099,069	(47,759,410)	-	-
2-3 months	6	2,314,663	2,906,610	(591,947)	231,466	10%
4-6 months	7	4,021,907	4,611,698	(589,791)	1,206,572	30%
7- 12 months	4	634,573	374,641	259,932	380,744	60%
Over 12 months	-	-	-	-	-	100%
Totals	139	65,310,802	113,992,018	(48,681,216)	1,818,782	

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

8. Property, plant & equipment

	Furniture & fixtures	Building	Computers	Total
<u>At cost</u>	\$	\$	\$	\$
Balance December 31, 2017	5,232,068	60,281,508	1,665,978	67,179,554
Addition during 2018	-	-	81,434	81,434
Assets written off	(848,793)	-	(848,793)	(1,697,586)
Balance December 31, 2018	4,383,275	60,281,508	898,619	65,563,402
Addition during 2019	32,399	-	425,914	458,313
Assets written off	(224,293)	-	(374,792)	(599,085)
Balance December 31, 2019	4,191,381	60,281,508	949,741	65,422,630
<u>Accumulated depreciation</u>				
Balance December 31, 2017	3,018,363	6,273,708	1,038,640	10,330,711
Depreciation retired	(848,793)	-	(848,793)	(1,697,586)
Charge for the year 2018	464,328	1,507,038	215,835	2,187,201
Balance December 31, 2018	2,633,898	7,780,746	405,682	10,820,326
Depreciation retired	(224,285)	-	(374,792)	(599,077)
Charge for the year 2019	424,085	1,507,036	183,140	2,114,261
Balance December 31, 2019	2,833,698	9,287,782	214,030	12,335,510
<u>Carrying value</u>				
December 31, 2019	1,357,683	50,993,726	735,711	53,087,120
December 31, 2018	1,749,377	52,500,762	492,937	54,743,076

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

9. Retirement benefit asset

	<u>2019</u> \$'000	<u>2018</u> \$'000
Present Value of obligations	26,669	25,216
Fair value of plan assets	<u>(34,267)</u>	<u>(30,221)</u>
	(7,598)	(5,005)
Effect of Asset Ceiling	<u>-</u>	<u>-</u>
Asset recognised in the statement of financial position	<u><u>(7,598)</u></u>	<u><u>(5,005)</u></u>
Movement in Net Liability(Asset)		
Opening Net Liability(Asset)	(5,005)	(7,264)
Pension Expense (Income)	1615	1015
Total Remeasurement included in OCI	(3,015)	2,438
Employer's Contributions	<u>(1,193)</u>	<u>(1,194)</u>
	<u><u>(7,598)</u></u>	<u><u>(5,005)</u></u>
Discount rate at beginning of period	8.00%	9.00%
Discount rate at end of period	7.00%	8.00%

10. Liquid assets

	<u>2019</u> \$	<u>2018</u> \$
National Commercial Bank Limited		
- savings accounts	2,219,514	10,263,727
First Global Bank Limited		
-current account	<u>817,356</u>	<u>577,849</u>
	<u><u>3,036,870</u></u>	<u><u>10,841,576</u></u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

11. Other Assets

	<u>2019</u>	<u>2018</u>
	\$	\$
Staff loans	8,202,660	7,842,210
GCT recoverable	-	272,799
Withholding Tax	-	108,518
Rent	60,000	60,000
Embezzlement	4,550,965	-
Provision for Impairment - cash	(2,275,483)	-
	<u>10,538,142</u>	<u>8,283,527</u>

12. Cash & Bank Balances

	<u>2019</u>	<u>2018</u>
	\$	\$
National Commercial Bank Limited - current account	5,125,804	6,401,120
The Bank of Nova Scotia Jamaica Limited	3,768,840	2,804,236
Cash in hand denominated in United states Dollars	9,779	212,500
Cash in hand	3,087,102	812,527
	<u>11,991,525</u>	<u>10,230,383</u>

13. Permanent Shares

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance at December 31	9,977,676	8,836,270
Add subscription	331,274	1,141,406
Dividends	4,499,688	-
	<u>14,808,638</u>	<u>9,977,676</u>

14. Institutional capital

	<u>2019</u>	<u>2018</u>
	\$	\$
Undistributed surplus	27,421,779	27,421,779
Statutory reserve	40,518,409	39,970,795
	<u>67,940,188</u>	<u>67,392,574</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

15. Non-institutional capital

	<u>2019</u>	<u>2018</u>
	\$	\$
Scholarship fund reserve	70,000	5,000
Promotion	667,197	667,197
Share transfer fund	230,800	184,782
Retirement Benefit Asset Reserve	7,598,618	5,005,062
Special reserve	1,350,874	1,350,874
Dividend reserve	1,191,981	1,129,271
Donation & gifts reserve	383,322	81,887
Bad debt reserve	49,352	777,167
Information technology development	600,000	600,000
General reserve	800,000	300,000
	<u>12,942,144</u>	<u>10,101,240</u>

16. Undistributed surplus

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance January 1,	9,086,662	2,634,014
Current year surplus	2,611,072	12,251,753
Transfer to statutory reserves	(522,214)	(2,450,351)
Dividends paid	(6,000,000)	(1,000,000)
Net transfer to other reserves	(2,665,217)	(2,348,754)
Balance at December 31	<u>2,510,303</u>	<u>9,086,662</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

17. Members' Share capital

Maturity schedule 2019				
Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying value
<u>Current</u>		<u>Non-current</u>		<u>2019</u>
\$	\$	\$	\$	\$
215,616,961	1,079,045	57,548,314	60,199,973	334,444,293

Maturity schedule 2018				
Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Carrying value
<u>Current</u>		<u>Non-current</u>		<u>2018</u>
\$	\$	\$	\$	\$
191,148,863	4,369,040	57,467,481	61,502,435	314,487,819

18. External Loans

	<u>2019</u>	<u>2018</u>
	\$	\$
Amount payable after one year	26,363,450	27,644,324
Amount payable within one year	<u>1,261,300</u>	<u>1,156,742</u>
	<u>27,624,750</u>	<u>28,801,066</u>

This loan is from Credit Union Fund Management Company Limited with the following terms:

Principal - \$30,985,560

Interest Rate 10 %

Repayment period 15 years

Maturity date December 25,2031

Secured by legal mortgage over property located at 6 Trevennion Park Road, Kingston 5, registered at Volume 1047 folio 80.

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

19. Members deposits

	Within 3 months	3 to 12 months	Carrying value
	<u>Current</u>		<u>2019</u>
	\$	\$	\$
Regular deposits	107,283,281	-	107,283,281
Fixed deposits	-	88,022,701	88,022,701
Golden harvest deposits	52,833,531	-	52,833,531
Santa account	31,000	-	31,000
Interest payable	299,824	-	299,824
	<u>160,447,636</u>	<u>88,022,701</u>	<u>248,470,337</u>

	Within 3 months	3 to 12 months	Carrying value
	<u>Current</u>		<u>2018</u>
	\$	\$	\$
Regular deposits	95,038,975	-	95,038,975
Fixed deposits	-	87,564,529	87,564,529
Golden harvest deposits	49,296,743	-	49,296,743
Santa account	19,500	-	19,500
Interest payable	-	183,507	183,507
	<u>144,355,218</u>	<u>87,748,036</u>	<u>232,103,254</u>

20. Deferred income

	<u>2019</u>	<u>2018</u>
	\$	\$
IFRS 9 implementation fund	1,986,278	3,218,543
Less transfer to income	<u>(1,232,265)</u>	<u>(1,232,265)</u>
	<u>754,013</u>	<u>1,986,278</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

21. Payables and accruals

	<u>2019</u>	<u>2018</u>
	\$	\$
Deceased members' balances	1,086,216	2,610,573
Unallocated receipts	31,907	-
Accrued charges	328,750	447,291
Vacation leave	85,937	73,385
Withholding tax payable	619,450	580,238
	<u>2,152,260</u>	<u>3,711,487</u>

22. Other income

	<u>2019</u>	<u>2018</u>
	\$	\$
Rental income	583,750	600,000
Gain on valuation of equity instruments	994,777	1,032,537
Dividends	177,485	49,928
Stabilization fund	1,232,265	1,232,265
Commission and fees	8,651,875	11,035,142
	<u>11,640,152</u>	<u>13,949,872</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

23. Operating expenses

	<u>2019</u>	<u>2018</u>
<u>Personnel</u>	\$	\$
Pension	1,799,000	1,047,965
Salaries	26,568,185	23,218,326
Staff welfare and training	3,226,400	1,944,933
Statutory contributions	2,746,738	2,005,650
	<u>34,340,323</u>	<u>28,216,874</u>

	<u>2019</u>	<u>2018</u>
<u>Administrative</u>	\$	\$
Audit Fees	573,625	538,230
Bank charges	108,180	221,718
Business tax	-	60,416
Cleaning & sanitation	680,686	88,945
Insurance premiums	4,174,718	3,880,520
Depreciation	2,114,264	2,187,201
Electricity	1,428,553	1,343,794
Professional fees	373,311	399,943
Office expenses	453,089	170,232
Printing and stationery	701,519	482,703
Property tax	96,600	96,600
Repairs and maintenance	1,568,550	1,997,514
Security	146,445	165,972
Telephone & cable	1,492,899	1,291,967
Travelling	25,800	28,340
Water	260,478	157,952
	<u>14,198,717</u>	<u>13,112,047</u>

	<u>2019</u>	<u>2018</u>
<u>Marketing & promotion</u>	\$	\$
	<u>1,285,267</u>	<u>444,508</u>

NAJ & HEALTH SERVICES CO-OPERATIVE CREDIT UNOIN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

23. Operating expenses(cont'd)

	<u>2019</u>	<u>2018</u>
<u>Representation & affiliation</u>	\$	\$
Annual General Meeting	931,969	1,043,674
League & committee meetings	1,463,919	2,037,364
League fees and other dues	1,345,285	1,136,921
Stabilization dues	819,887	870,979
Training	295,630	93,200
	<u>4,856,690</u>	<u>5,182,138</u>
Total operating expenses	<u><u>54,680,997</u></u>	<u><u>46,955,567</u></u>