



*Smart decisions.
Lasting value.*

**Manchester Co-Operative
Credit Union(1977) Limited
Financial Statements
For the year ended
31st December 2020**

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

I N D E X

P A G E S

**REPORT OF THE INDEPENDENT AUDITORS TO THE
REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES**

1 - 1d

FINANCIAL STATEMENTS:

Statement of Financial Position	2
Statement of Comprehensive Income	3
Statement of Changes in Equity - Summary	4 - 5
Statement of Changes in Equity - Non-Institutional Capital	6 - 7
Statement of Changes in Equity - Institutional Capital	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 52

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Opinion

We have audited the financial statements of Manchester Co-operative Credit Union (1977) Limited ("the Credit Union") which comprise the statement of financial position as at 31st December 2020, the statement of comprehensive income, statements of changes in equity, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31st December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Co-operative Societies Act.

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 Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL') on Financial Assets	Our procedures in this area includes the following:
<p>IFRS 9 was implemented by the Credit Union on January 1, 2018. The adopted standard is new and complex and requires the Credit Union to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgment and estimates.</p> <p>The key areas requiring greater management judgment include the identification of significant increase in credit risk ('SICR'), the determination of probabilities of default, loss given default, exposure at default and the implication of forward-looking information.</p>	<ul style="list-style-type: none"> ▪ Obtaining an understanding of the models used by the Credit Union for the calculation of expected credit losses including governance over the determination of key judgments. ▪ Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into IFRS 9 impairment models for investments. ▪ Testing the completeness and accuracy of the data used in the models of the underlying accounting records based on a sample basis.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Key Audit Matter	How the matter was addressed during the audit
Expected Credit Loss ('ECL') on Financial Assets	Our procedures in this area includes the following:
<p>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of material misstatement.</p> <p>We therefore determined that impairment on loans receivable and investment securities has a high degree of estimated uncertainty.</p> <p>In addition, disclosure regarding the Credit Union's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and material inputs to the IFRS 9 ECL results.</p>	<ul style="list-style-type: none"> ▪ Evaluation of the appropriateness of the Credit Union's impairment methodology including (SICR) criteria presented. ▪ Assessment of the assumptions for probability of default, loss given default and exposure at default. ▪ Assessment of the adequacy of the disclosure of the key assumption and judgments as well as the details of transition adjustment for compliance with IFRS 9.

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 do 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.

If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that matter to those charged with governance.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for maintenance of adequate accounting records in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act, and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 Credit Union's internal control.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit of the financial statements of the Credit Union of which we are the independent auditors.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance 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 those charged with governance 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.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with those charged with governance, 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 auditors' report unless law or regulation precludes public disclosure about the matter 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.

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, given the information required by the Co-operatives Societies Act, in the manner required.



Crowe Horwath Jamaica

47-49 Trinidad Terrace
Kingston 5
Jamaica

September 28, 2021

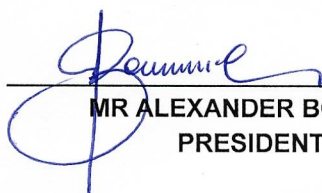
MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Notes</u>	2020 \$	2019 \$
<u>ASSETS:</u>			
EARNING ASSETS:			
Liquid Assets	4	1,989,714,118	1,586,607,609
Loans to Members after Provision	5	3,370,632,457	3,443,976,033
Financial Investments	7	903,608,201	746,485,077
Total Earning Assets		<u>6,263,954,776</u>	<u>5,777,068,719</u>
NON-EARNING ASSETS:			
Liquid Assets	8	171,094,867	91,128,149
Other Assets	9	46,491,920	43,143,027
Property, Plant and Equipment	10	280,265,768	77,669,127
Retirement Benefit Asset	11	63,343,000	68,264,000
Total Non-Earning Assets		<u>561,195,555</u>	<u>280,204,303</u>
TOTAL ASSETS		<u>6,825,150,331</u>	<u>6,057,273,022</u>
<u>LIABILITIES:</u>			
INTEREST BEARING LIABILITIES:			
Members' Voluntary Share Capital	12	2,591,359,227	2,346,093,083
Savings Deposits	13	2,451,271,863	2,169,060,629
Total Interest Bearing Liabilities		<u>5,042,631,090</u>	<u>4,515,153,712</u>
NON-INTEREST BEARING LIABILITIES:			
Accruals	14	13,464,742	18,732,312
Payables	15	35,706,236	35,197,957
Others	16	18,176,539	13,656,322
Total Non-Interest Bearing Liabilities		<u>67,347,517</u>	<u>67,586,591</u>
TOTAL LIABILITIES		<u>5,109,978,607</u>	<u>4,582,740,303</u>
<u>EQUITY:</u>			
Members' Permanent Share Capital	17	147,488,454	141,458,975
Non-Institutional Capital	18	620,298,619	434,998,249
Institutional Capital	19	947,384,651	898,075,495
Total Capital		<u>1,715,171,724</u>	<u>1,474,532,719</u>
TOTAL LIABILITIES AND EQUITY		<u>6,825,150,331</u>	<u>6,057,273,022</u>

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28/09/2021 AND SIGNED ON ITS BEHALF BY:


MR ALEXANDER BOURNE
PRESIDENT


NICHOLAS SPENCE
TREASURER

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Notes</u>	2020 \$	2019 \$
INTEREST INCOME:			
Liquid Assets		57,890,721	45,533,553
Loans to Members		449,830,250	457,034,292
Financial Investments		<u>26,573,201</u>	<u>27,724,343</u>
		<u>534,294,172</u>	<u>530,292,188</u>
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares		47,052,070	42,559,156
Savings Deposits		24,010,081	20,968,142
Other Financial Costs	20	<u>19,088,026</u>	<u>17,065,411</u>
		<u>90,150,177</u>	<u>80,592,709</u>
NET INTEREST INCOME		444,143,995	449,699,479
Less Provision for Loan Impairment	6	77,735,341	60,375,566
Less Reimbursement to Members for ATM Fraud		<u>823,134</u>	<u>771,380</u>
NET INTEREST INCOME AFTER PROVISION		365,585,520	388,552,533
NON - INTEREST INCOME			
Other Income	21	<u>70,719,660</u>	<u>70,981,891</u>
		<u>70,719,660</u>	<u>70,981,891</u>
GROSS INCOME		436,305,180	459,534,424
Less Operating Expenses	22	<u>389,759,401</u>	<u>403,878,416</u>
NET INCOME BEFORE HONORARIA		46,545,779	55,656,008
Honoraria Payment		<u>-</u>	<u>(2,000,000)</u>
NET INCOME AFTER HONORARIA		<u>46,545,779</u>	<u>53,656,008</u>
<u>OTHER COMPREHENSIVE INCOME</u>			
Items that will or may be reclassified to profit or loss:			
Revaluation- Available for Sale Investments		(3,984,449)	103,418,414
Items that will not be reclassified to profit or loss:			
Pension Expense	11	<u>(4,921,000)</u>	<u>24,518,000</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>37,640,330</u></u>	<u><u>181,592,422</u></u>

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

SUMMARY

	Members' Permanent Share Capital	Non- Institutional Capital	Institutional Capital	Total
	\$	\$	\$	\$
Balance at 31st December 2018 as restated brought forward	128,830,494	354,717,698	806,944,292	1,290,492,484
Total Surplus for the Year	-	53,656,008	-	53,656,008
Other Comprehensive Income				
Revaluation - Available for Sale Investments	-	103,418,414	-	103,418,414
Pension Expense	-	24,518,000	-	24,518,000
	-	127,936,414	-	127,936,414
Total Comprehensive Income for the Year after Honoraria	-	181,592,422	-	181,592,422
Transactions with Owners				
Permanent Share Capital Subscribed	12,628,481	-	-	12,628,481
Appropriations of Net Surplus for 2018				
Dividends on Permanent Shares	-	(6,571,331)	-	(6,571,331)
Institutional Capital	-	(80,000,001)	80,000,001	-
Capital Development Reserves	-	(15,000,000)	-	(15,000,000)
Social Outreach Programme	-	(2,000,000)	-	(2,000,000)
Sydney Carter Scholarship	-	(1,500,000)	-	(1,500,000)
Disaster Relief Fund	-	(1,000,000)	-	(1,000,000)
Loan Loss Reserve	-	(50,000,000)	-	(50,000,000)
Transfer to Capital Development Programme	-	15,000,000	-	15,000,000
Transfer to Social Outreach Programme	-	2,000,000	-	2,000,000
Transfer to Sydney Carter Scholarship	-	1,500,000	-	1,500,000
Transfer to Disaster Relief Fund	-	1,000,000	-	1,000,000
Transfer to Loan Loss Reserve	-	50,000,000	-	50,000,000
Redemption of Permanent Shares	-	(4,937)	-	(4,937)
Payments made from Other Non-Qualifying Reserves	-	(3,604,400)	-	(3,604,400)
Transfer to Statutory Reserve	-	(11,131,202)	11,131,202	-
	12,628,481	(101,311,871)	91,131,203	2,447,813
Balance at 31st December 2019	141,458,975	434,998,249	898,075,495	1,474,532,719

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

SUMMARY (CONT'D)

	Members' Permanent Share Capital	Non- Institutional Capital	Institutional Capital	Total
	\$	\$	\$	\$
Balance at 31st December 2019	<u>141,458,975</u>	<u>434,998,249</u>	<u>898,075,495</u>	<u>1,474,532,719</u>
Total Surplus for the Year	-	46,545,779	-	46,545,779
Other Comprehensive Income				
Revaluation - Available for Sale Investments	-	(3,984,449)	-	(3,984,449)
Pension Expense	-	(4,921,000)	-	(4,921,000)
	-	(8,905,449)	-	(8,905,449)
Total Comprehensive Income for the Year after Honoraria	<u>-</u>	<u>37,640,330</u>	<u>-</u>	<u>37,640,330</u>
Transactions with Owners				
Permanent Share Capital Subscribed	6,029,479	-	-	6,029,479
Appropriations of Net Surplus for 2019				
Dividends on Permanent Shares	-	(6,029,479)	-	(6,029,479)
Institutional Capital	-	(40,000,000)	40,000,000	-
Capital Development Reserves	-	-	-	-
Social Outreach Programme	-	(1,000,000)	-	(1,000,000)
Sydney Carter Scholarship	-	(1,500,000)	-	(1,500,000)
Disaster Relief Fund	-	(1,000,000)	-	(1,000,000)
Unsecured Loan Reserve	-	(2,000,000)	-	(2,000,000)
Revaluation Surplus	-	203,824,364	-	203,824,364
Transfer to Social Outreach Programme	-	1,000,000	-	1,000,000
Transfer to Sydney Carter Scholarship	-	1,500,000	-	1,500,000
Transfer to Disaster Relief Fund	-	1,000,000	-	1,000,000
Transfer to Unsecured Loan Reserve	-	2,000,000	-	2,000,000
Redemption of Permanent Shares	-	4,592	-	4,592
Payments made from Other Non-Qualifying Reserves	-	(830,282)	-	(830,282)
Transfer to Statutory Reserve	-	(9,309,156)	9,309,156	-
	<u>6,029,479</u>	<u>147,660,039</u>	<u>49,309,156</u>	<u>202,998,675</u>
Balance at 31st December 2020	<u>147,488,454</u>	<u>620,298,619</u>	<u>947,384,651</u>	<u>1,715,171,724</u>

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

NON-INSTITUTIONAL CAPITAL

	(i) Capital Reserves \$	Other Reserves \$	Loan Loss Reserves \$	(ii) Capital Development Reserves \$	Retirement Benefit Reserves \$	Other Non - Qualifying Reserves \$	Permanent Share Transfer Fund \$	Undistributed Net Income \$	Total \$
Balance at 31st December 2018 as restated brought forward	8,725,445	19,678,277	-	85,000,000	43,746,000	19,871,860	5,032,376	172,663,740	354,717,698
Total Surplus for the Year	-	-	-	-	-	-	-	53,656,008	53,656,008
Other Comprehensive Income									
Revaluation - Available for Sale Investments	-	103,418,414	-	-	-	-	-	-	103,418,414
Pension Expense	-	-	-	-	24,518,000	-	-	-	24,518,000
	-	103,418,414	-	-	24,518,000	-	-	-	127,936,414
Total Comprehensive Income for the Year after Honoraria	-	103,418,414	-	-	24,518,000	-	-	53,656,008	181,592,422
Transactions with Owners									
Appropriations of Net Surplus for 2018									
Dividends on Permanent Shares	-	-	-	-	-	-	-	(6,571,331)	(6,571,331)
Transfer to Institutional Capital	-	-	-	-	-	-	-	(80,000,001)	(80,000,001)
Capital Development Reserves	-	-	-	15,000,000	-	-	-	(15,000,000)	-
Social Outreach Programme	-	-	-	-	-	2,000,000	-	(2,000,000)	-
Sydney Carter Scholarship	-	-	-	-	-	1,500,000	-	(1,500,000)	-
Disaster Relief Fund	-	-	-	-	-	1,000,000	-	(1,000,000)	-
Loan Loss Reserve	-	-	50,000,000	-	-	-	-	(50,000,000)	-
Transfer of 20% of Net Income for the Year before Honoraria	-	-	-	-	-	-	-	(11,131,202)	(11,131,202)
Transfer to Permanent Share Transfer Fund	-	-	-	-	-	-	(4,937)	-	(4,937)
Payments made from Non-Qualifying Reserve	-	-	-	-	-	(3,604,400)	-	-	(3,604,400)
Transactions with Owners	-	-	50,000,000	15,000,000	-	895,600	(4,937)	(167,202,534)	(101,311,871)
Balance at 31st December 2019	<u>8,725,445</u>	<u>123,096,691</u>	<u>50,000,000</u>	<u>100,000,000</u>	<u>68,264,000</u>	<u>20,767,460</u>	<u>5,027,439</u>	<u>59,117,214</u>	<u>434,998,249</u>

(i) Capital Reserves represent unrealised gain on revaluation of the Co-operative's building.

(ii) Capital Development Reserves are being set aside for the future acquisition of Computer Equipment and Software.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

NON-INSTITUTIONAL CAPITAL (CONT'D)

	(i)		(ii)						
	Capital Reserves	Other Reserves	Loan Loss Reserves	Capital Development Reserves	Retirement Benefit Reserves	Other Non - Qualifying Reserves	Permanent Share Transfer Fund	Undistributed Net Income	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 31st December 2019	<u>8,725,445</u>	<u>123,096,691</u>	<u>50,000,000</u>	<u>100,000,000</u>	<u>68,264,000</u>	<u>20,767,460</u>	<u>5,027,439</u>	<u>59,117,214</u>	<u>434,998,249</u>
Total Surplus for the Year	-	-	-	-	-	-	-	46,545,779	46,545,779
Other Comprehensive Income									
Revaluation - Available for Sale Investments	-	(3,984,449)	-	-	-	-	-	-	(3,984,449)
Pension Expense	-	-	-	-	(4,921,000)	-	-	-	(4,921,000)
Minimum Business Tax	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>(3,984,449)</u>	<u>-</u>	<u>-</u>	<u>(4,921,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,905,449)</u>
Total Comprehensive Income for the Year after Honoraria	<u>-</u>	<u>(3,984,449)</u>	<u>-</u>	<u>-</u>	<u>(4,921,000)</u>	<u>-</u>	<u>-</u>	<u>46,545,779</u>	<u>37,640,330</u>
Transactions with Owners									
Appropriations of Net Surplus for 2019									
Dividends on Permanent Shares	-	-	-	-	-	-	-	(6,029,479)	(6,029,479)
Transfer to Institutional Capital	-	-	-	-	-	-	-	(40,000,000)	(40,000,000)
Social Outreach Programme	-	-	-	-	-	1,000,000	-	(1,000,000)	-
Sydney Carter Scholarship	-	-	-	-	-	1,500,000	-	(1,500,000)	-
Disaster Relief Fund	-	-	-	-	-	1,000,000	-	(1,000,000)	-
Unsecured Loan Reserve	-	-	2,000,000	-	-	-	-	(2,000,000)	-
Revaluation Surplus	203,824,364	-	-	-	-	-	-	-	203,824,364
Transfer of 20% of Net Income for the Year before Honoraria	-	-	-	-	-	-	-	(9,309,156)	(9,309,156)
Transfer to Permanent Share Transfer Fund	-	-	-	-	-	-	4,592	-	4,592
Payments made from Non-Qualifying Reserve	-	-	-	-	-	(830,282)	-	-	(830,282)
Transfer to Loan Loss Reserve	-	-	-	-	-	-	-	-	-
	<u>203,824,364</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,669,718</u>	<u>4,592</u>	<u>(60,838,635)</u>	<u>147,660,039</u>
Transactions with Owners									
Balance at 31st December 2020	<u>212,549,809</u>	<u>119,112,242</u>	<u>52,000,000</u>	<u>100,000,000</u>	<u>63,343,000</u>	<u>23,437,178</u>	<u>5,032,031</u>	<u>44,824,358</u>	<u>620,298,619</u>

(i) Capital Reserves represent unrealised gain on revaluation of the Co-operative's building.

(ii) Capital Development Reserves are being set aside for the future acquisition of Computer Equipment and Software.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

Institutional Capital

	Statutory and Legal Reserves	Revenue Reserves	Total
	\$	\$	\$
Balance at 31st December 2018	309,997,037	496,947,255	806,944,292
Transfer of 20 % of Net Income for the Year before Honoraria	11,131,202	-	11,131,202
Transfer from Undistributed Net Income to Institutional Capital	-	80,000,001	80,000,001
Balance at 31st December 2019	321,128,239	576,947,256	898,075,495
Transfer of 20% of Net Income for the Year before Honoraria	9,309,156	-	9,309,156
Transfer from Undistributed Net Income to Institutional Capital	-	40,000,000	40,000,000
Balance at 31st December 2020	330,437,395	616,947,256	947,384,651

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

	2020	2019
	₹	₹
Cash flows from Operating Activities		
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA	37,640,330	181,592,422
Non- cash items included in income		
Depreciation - Property, Plant and Equipment	18,506,799	14,619,637
(Gain)/Loss on Disposal of Property, Plant and Equipment	(20,000)	-
Pension Income	4,921,000	(24,518,000)
Gain on Revaluation of Investments	3,984,449	(103,418,414)
Provision for Loan Impairment	77,735,341	60,375,566
	<u>142,767,919</u>	<u>128,651,211</u>
(Increase)/Decrease in Operating Assets		
Other Assets	(3,348,893)	2,081,363
(Decrease)/Increase in Operating Liabilities		
Accruals	(5,267,570)	1,435,525
Payables	508,279	6,671,089
Others	4,520,217	(2,980,669)
	<u>139,179,952</u>	<u>135,858,519</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Addition to Property, Plant & Equipment	(221,103,440)	(3,770,615)
Proceeds in Disposal of Property, Plant & Equipment	20,000	-
Financial Investments	(161,107,573)	(364,128,284)
Loans to Members	(1,736,169,678)	(2,218,702,005)
Repayment of Loans by Members	1,731,777,913	2,021,538,976
	<u>1,731,777,913</u>	<u>2,021,538,976</u>
Net Cash Used in Investing Activities	(386,582,778)	(565,061,928)
Cash Flows from Financing Activities:		
Voluntary Share Capital	245,266,144	220,716,590
Permanent Share Capital	6,029,479	12,628,481
Savings Deposits	282,211,234	236,939,661
Social Outreach	(835,044)	(1,999,062)
Permanent Share Transfer Fund	4,592	(4,937)
Dividend on Permanent Shares	(6,029,479)	(6,571,331)
Share Building Reserves	4,762	32,592
Revaluation Surplus	203,824,364	-
Disaster Relief Fund	-	(137,930)
Sydney Carter Scholarship Fund	-	(1,500,000)
	<u>730,476,053</u>	<u>460,104,064</u>
Net Cash Provided by Financing Activities		
Increase in Liquid Assets	483,073,227	30,900,655
Liquid Assets at Beginning of Year	1,677,735,758	1,646,835,103
Liquid Assets at End of Year	<u>2,160,808,985</u>	<u>1,677,735,758</u>
Liquid Assets - Earning	1,989,714,118	1,586,607,609
Liquid Assets - Non - Earning	171,094,867	91,128,149
	<u>2,160,808,985</u>	<u>1,677,735,758</u>

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

1. Identification:

The Co-operative is registered under the Co-operative Societies Act. Membership is limited to persons working, living or born in the parish of Manchester, residents within a twenty-mile radius of Christiana and spouses, parents, brothers, sisters, children and grandchildren of members. The Co-operative's main activities are:

- (a) the promotion of thrift;
- (b) the provision of loans to members exclusively for provident and productive purposes; and
- (c) to receive the savings of its members either as payment 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.

2. Adoption of Standards, Interpretation and Amendments:

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has accessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The new standards which became effective during the year and considered relevant to the Credit Union were:

- a) The following are Standards and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union:

Amendments to References to the Conceptual Framework in IFRS Standards (Effective January 2020)

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (Effective January 2020)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Definition of a Business (Amendments to IFRS 3) (Effective January 2020)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A, Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (cont'd):

- a) Standards and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union (Cont'd):

Definition of Material (Amendments to IAS 1 and IAS 8) (Effect January 2020)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards.

These affected the financial statements for accounting periods beginning on or after the first day of the months stated. The adoption of these Standards and amendments did not have a material impact on the Credit Union's financial statements.

- (b) Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (Effect January 2022)

The amendments in *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset,

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively. Earlier application is permitted.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) (Effect January 2022)

The changes in *Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)* specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Entities should apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (cont'd):

(b) Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective: (Cont'd)

Reference to the Conceptual Framework (Amendments to IFRS 3)(Effect January 2022):

The changes in *Reference to the Conceptual Framework (Amendments to IFRS 3)*:

- updates IFRS 3, so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework* ;
- adds to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the *Conceptual Framework*) to identify the liabilities it has assumed in a business combination; and
- adds to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) (Effect January 2022):

The amendments in Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Annual Improvements to IFRS Standards 2018–2020

The IASB has issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project.

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards (Subsidiary as a first-time adopter) (Effect January 2022)

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (cont'd):

- (b) Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective: (Cont'd)**

Annual Improvements to IFRS Standards 2018–2020 (Cont'd)

Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards (Cont'd):

IFRS 9 Financial Instruments (Effect January 2022)

Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IAS 41 Agriculture-Taxation in fair value measurements (Effect January 2022)

The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Credit Union is assessing the impact these amendments will have on its 2020 and 2021 financial statements.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

- (a) Statement of Compliance and Basis of Preparation -**

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), and comply with the requirements of the Co-operative Societies Act. They have been prepared under the historical cost convention and are represented in Jamaican Dollars which is the functional currency of the Credit Union.

- (b) Use of Estimates -**

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires directors and management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on historical experience and directors and management's best knowledge of current events and actions and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Critical Accounting Estimate and judgement applied

- i) Classification of Financial Asset**

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest on the principal payment amount outstanding requires management to make certain judgments on its business operations

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

(b) Use of Estimates (Cont'd)-

Critical Accounting Estimate and judgement applied (Cont'd)

ii) Impairment of Financial Assets

Establishing the criteria of determining whether credit risk of the financial assets has increase significantly since initial recognition , determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Risk of Estimation uncertainty

i) Measurement of Expected Credit allowance/provision under IFRS 9

The measurement of expected credit allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. That is the likelihood of members defaulting and the resulting loss).

A number of significant judgements are also required in applying the accounting requirement for measuring expected credit losses, as follow:

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of expected credit losses;
- Establishing of the number and relative weightings of forward-looking scenarios for each type pf product or market and associated expected credit loss;
- Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

(c) Loans to Members and Provisions for Loan Impairment -

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

The Credit Union, under the IFRS 9 Expected Credit Loss (ECL) impairment framework, recognises ECLs on loans, taking into account past events, current conditions and forecast information. In this regard, the Credit Union determines the economic variables that are likely to influence the borrowers' ability to meet their loan obligations in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

Additionally, the credit union is required to update the amount of ECLs recognised at each reporting date to reflect changes in credit risk of the loan portfolio.

Loans to members are held solely for the collection of principal and interest in accordance with the contractual arrangement between the credit union and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

The credit union assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorised in the recognised credit score bands.

Loan Staging

By way of disclosure, the credit union estimates and reports the ECL on a stage by stage basis.

Stage 1

Loans are placed in Stage 1 at origination and remains in this stage providing that such loans have not experience a significant increase in credit risk.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

(c) Loans to Members and Provisions for Loan Impairment (cont'd)-

Loan Staging (Cont'd)

Stage 2

Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk.

Stage 3

Loans are transitioned into Stage 3 if there is evidence that these loans are impaired or are at a default stage. Loans that are past due for a period of 90 days or more are deemed to have defaulted.

(d) Investments -

At initial recognition, the Credit Union measures a financial asset at its fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset; such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Immediately after recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

From 1st January 2018, the Credit Union has applied IFRS 9 and classified its financial assets as either Fair value through profit or loss (FVTPL); Fair value through other comprehensive income (FVOCI) or Amortised cost.

Classification and subsequent measurement of debt instruments depend on the credit union's business model for managing the asset; and the cash flow characteristics of the asset.

Based on these factors, the credit union classifies its debt instruments into one of the following three measurement categories:

- *Amortised cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at (vi). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.
- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).
- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within. 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(e) Property, Plant and Equipment -

Land and Buildings are shown at deemed cost less subsequent depreciation for building. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost. The Credit Union has elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any.

Depreciation is provided on the straight-line basis by reference to cost or valuation, calculated at rates estimated to write-off the relevant assets over their useful lives. The annual rates used are as follows:

Buildings	2 %
Furniture, Fixtures & Equipment	10%
Computer Equipment & Software	20%
Motor Vehicle	15%

Land is not depreciated.

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

Gains or losses on disposal of Property, Plant and equipment are determined by their carrying amount and are taken into account in determining operating profit.

(f) Impairment -

Business Model: the business model reflects how the Credit Union manages the assets in order to generate cash flows. That is, whether the credit union's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Loss allowances are measured at an amount equal to lifetime ECL except for the following are measured as a 12-month ECL:

- debt investment securities that are low in risk
- other financial instruments (other than lease receivables) on which credit risk not not increased significantly.

(f) Impairment (Cont'd)-

12-month ECL are the portion of ECL that result from default events of a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised is referred to as Stage 1 financial instrument.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial Instruments for which lifetime ECL is recognised and is not credit-impaired is referred to Stage 2 financial instruments.

At each reporting date, the credit union assesses whether the financial assets carried at amortised cost are credit-impaired (referred to a Stage 3 financial assets).

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(g) Employee Benefits -

Pension assets

The Credit Union participates in a multi-employer defined benefit pension plan. The pension plan is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries. A defined benefit plan is a pension plan that defines the amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position as asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related pension obligation.

Service costs are recognised in the profit or loss, and include current and past service costs as well as gains or losses on curtailment.

Net interest expense/(income) is recognised in the statement of comprehensive income as part of staff costs, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset), at the beginning of the annual reporting period, to the balance of the net defined benefit obligation (asset) and the fair value of plan assets.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity, through other comprehensive income, in the period in which they arise.

(h) Provisions -

General

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

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

IFRS 9- Expected Credit Loss (ECL)

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and measurement". IFRS 9 bring fundamental changes to the accounting of financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Credit Union has adopt consequential amendments to IFRS 7 "Financial Instruments Disclosure", which are applied to disclosures about they financial year 2018, but have not been applied to the comparative information

The Expected Credit Loss (ECL) represents the amount the Credit Union is likely to lose in the event of a default.

In recognising Expected Credit Loss (ECL) as prescribed by IFRS 9, the Credit Union took into account past events, current conditions and forecast information. The Credit Union determined the economic variables that are likely to influence the borrowers ability to meet their loan obligation in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(h) Provisions (Cont'd) -

IFRS 9- Expected Credit Loss (ECL) (Cont'd)

At each reporting date, the Credit Union is required to update the amount of ECLs recognised to reflect changes in credit risk of the loan portfolio.

At least once annually, the credit union re-assesses the risk ratings bands and carries out the necessary adjustments in order to ensure that the ratings bands are consistent with prevailing trends and conditions.

As permitted by transitional provisions of IFRS 9, any adjustments to the carrying amount of financial assets and liabilities at the date of transition were recognized in the opening retained earning and other reserves of the current period

(i) Permanent Shares -

Under International Financial Reporting Standards(IFRS), Voluntary Shares in the Credit Union can no longer be regarded as Share Capital but should be treated as a liability. The Credit Union has therefore established Permanent Shares in order to strengthen its capital base. Special Bye-Laws were passed at the Annual General Meeting held on 7th May 2009, in accordance with the Co-operative Societies Act and approved by the Registrar. All new applicants for membership and existing members of the Credit Union are required to subscribe a minimum of one Permanent Share. These shares are issued at par value of \$2,000 each and are referred to as Permanent Shares.

Monies paid for Permanent Shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Credit Union.

Permanent Shares are redeemable only upon transfer to another member. An individual ceasing to be a member of the Credit Union, may have any amount held as Permanent Shares transferred to the Credit Union for subsequent disposal to any new or existing member. To facilitate this, the Credit Union has established a Permanent Share Transfer Fund.

(j) Foreign Currency Transactions -

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Foreign currencies at the date of the statement of the financial position are converted at the rates ruling on that date. Gains or losses arising from fluctuations in exchange rates are included in the statement of comprehensive income.

(k) Institutional Capital -

Institutional Capital includes Revenue Reserves and the Statutory and Legal Reserves as set out in Article XIV Rule 66. These reserves are set aside in order to strengthen the capital base of the Credit Union and are not available for distribution.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(l) Statutory Reserve -

The Co-operative Societies Act provides that at least twenty percent (20%) of the annual net income should be carried to a Statutory Reserve Fund.

(m) Revenue Recognition -

Interest income earned from investments and fees are recorded on the accrual basis.

(n) Liquid Assets -

For the purpose of the statement of cash flows, liquid assets include cash and cash equivalents which consists of cash on hand, foreign and local savings accounts and current accounts held at banks.

(o) League fees and stabilisation dues -

JCCUL has fixed the rate of league fees at 0.20% (2019 - 0.20%) of total assets. Stabilisation dues are fixed at a rate of 0.15% (2019 - 0.15%) of total savings.

(p) Comparative Information -

Where necessary, comparative figures have been re-classified to conform to changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of IFRS.

(q) Risk Management -

The Board of Directors have overall responsibility for the implementation and monitoring of the Credit Union's management of risk. Its policies have been devised to identify and analyse the risks faced by the Credit Union. The Board, through its executive officers and various committees, is responsible for monitoring compliance with those policies and for reviewing their adequacy. All committees report periodically to the Board.

(r) Capital Management -

The Credit Union's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to its members, to provide benefits for other stakeholders, and to maintain a strong capital base in order to support the development of its business. The Credit Union defines its capital as members' permanent share capital, institutional capital and other eligible reserves. Its dividend payout is made taking into account maintenance of an adequate capital base. At least twenty percent (20%) of net income before honoraria must be transferred to reserves each year.

The Credit Union is required by the Jamaica Co-operative Credit Union League to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 16.1% (2019 - 17.2%) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (cont'd):

(s) Related Party Balances and Transactions:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

4. Earning Assets - Liquid Assets:

	2020	2019
	\$	\$
Savings Account Balances	151,301	154,123
Foreign Currency Savings Accounts	36,440,093	33,822,548
Placement with JCCUL	476,851,286	427,574,158
Placement with Other Financial Institutions	1,476,271,438	1,125,056,780
	<u>1,989,714,118</u>	<u>1,586,607,609</u>

5. Loans To Members:

	2020	2019
	\$	\$
Balance at Beginning of Year	3,531,825,905	3,380,708,228
Loans Granted	<u>1,687,049,642</u>	<u>2,172,656,653</u>
	5,218,875,547	5,553,364,881
Less Repayments and Transfers	<u>1,731,777,913</u>	<u>2,021,538,976</u>
	3,487,097,634	3,531,825,905
Less: Allowance for Expected Credit Loss (IFRS 9)	<u>(116,465,177)</u>	<u>(87,849,872)</u>
Balance at End of Year	<u><u>3,370,632,457</u></u>	<u><u>3,443,976,033</u></u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

6. Allowance for Expected Credit Loss:

(a) The movement in the provision for loan impairment determined under the requirements of IFRS is as follows:

	2020	2019
	\$	\$
Total Non-Performing Loans	<u>500</u>	<u>485</u>
Balance, 1st January	87,849,872	73,519,658
Allowance/Provision for the Year	<u>77,735,341</u>	<u>60,375,566</u>
	165,585,213	133,895,224
Recoveries during the Year	8,120,276	5,118,169
Charged off during the year	<u>(57,240,312)</u>	<u>(51,163,521)</u>
Balance, 31st December	<u>116,465,177</u>	<u>87,849,872</u>
Regulatory loan loss provision	105,929,623	106,824,521
Less: Allowance for Expected Credit Loss (IFRS 9)	<u>(116,465,177)</u>	<u>(87,849,872)</u>
(Shortage)/ Excess of Regulatory Loan Impairment over IFRS Provision	<u>(10,535,554)</u>	<u>18,974,649</u>

The provision determined in accordance with IFRS 9 exceeded the JCCUL requirements.

(b) The following is a summary of delinquent loans at 31st December determined under JCCUL regulatory requirements:

	DELINQUENT LOANS	RATE	2020 PROVISION FOR LOAN LOSSES	2019 PROVISION FOR LOAN LOSSES
	\$	%	\$	\$
1 Month	18,020,238	-	-	-
2 - 3 Months	9,008,749	10	900,875	1,333,749
3 - 6 Months	27,275,619	30	8,182,686	15,156,743
6 - 12 Months	56,856,437	60	34,113,862	26,002,324
Over 12 Months	<u>62,732,200</u>	100	<u>62,732,200</u>	<u>64,331,704</u>
	<u>173,893,243</u>		<u>105,929,623</u>	<u>106,824,521</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

6. Allowance for Expected Credit Loss (cont'd):

(c) Delinquent Loans:

MONTHS IN ARREARS	NO. OF LOANS IN ARREARS	DELINQUENT LOANS	PORTION SAVINGS HELD AGAINST LOANS	COVERED BY / (IN EXCESS OF) SAVINGS
	#	\$	\$	\$
1 month	82	18,020,238	5,717,464	12,302,774
2 to 3 months	25	9,008,749	2,227,869	6,780,880
3 to 6 months	86	27,275,619	6,329,858	20,945,761
6 to 12 months	130	56,856,437	7,940,495	48,915,942
Over 12 months	<u>177</u>	<u>62,732,200</u>	<u>8,413,632</u>	<u>54,318,568</u>
	<u>500</u>	<u>173,893,243</u>	<u>30,629,318</u>	<u>143,263,925</u>

(d) The Directors estimate the value of the chattels held as security against the outstanding loans to be \$30,629,318. (2019 - \$70,784,033). At 31st December 2020 there were 500 delinquent loans (2019 - 485).

7. Earning Assets - Financial Investments:

	2020 \$	2019 \$
<u>Fair value through other comprehensive income</u>		
Placement with JCCUL	12,381,741	12,221,351
Placement with Other Financial Institutions	<u>708,204,513</u>	<u>549,951,820</u>
	<u>720,586,254</u>	<u>562,173,171</u>
Un-quoted Equity Securities	136,421,531	136,421,531
Quoted Equity Shares	50,600,416	51,890,375
Expected Credit Losses/Provision for losses on unquoted shares	<u>(4,000,000)</u>	<u>(4,000,000)</u>
	<u>183,021,947</u>	<u>184,311,906</u>
	<u>903,608,201</u>	<u>746,485,077</u>

8. Non Earning - Liquid Assets:

	2020 \$	2019 \$
Cash and Bank	<u>171,094,867</u>	<u>91,128,149</u>

9. Non Earning - Other Assets:

	2020 \$	2019 \$
Accrued Income	35,872,963	37,328,681
Receivables	<u>10,618,957</u>	<u>5,814,346</u>
	<u>46,491,920</u>	<u>43,143,027</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

10. Property, Plant and Equipment:

	Land	Buildings	Furniture, Fixtures and Equipment	Construction Work in Progress	Motor Vehicle	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
<u>At Cost or Valuation:</u>							
31st December 2018	11,109,483	44,723,697	69,890,449	3,678,291	8,103,151	58,185,692	195,690,763
Additions	-	531,325	1,320,212	-	-	1,919,078	3,770,615
Transfer	-	-	736,997	(736,997)	-	-	-
Disposals	-	-	(52,763)	-	-	(1,799,639)	(1,852,402)
31st December 2019	11,109,483	45,255,022	71,894,895	2,941,294	8,103,151	58,305,131	197,608,976
Revaluation	66,890,517	136,933,848	-	-	-	-	203,824,365
Additions	-	-	16,244,554	877,752	-	156,769	17,279,075
Disposals/Write Off	-	-	(3,357,944)	-	-	-	(3,357,944)
31st December 2020	78,000,000	182,188,870	84,781,505	3,819,046	8,103,151	58,461,900	415,354,472
<u>Depreciation:</u>							
31st December 2018	-	15,373,145	43,341,985	-	8,103,151	40,354,332	107,172,613
Charge for year	-	1,101,914	5,869,614	-	-	7,648,109	14,619,637
Released on Disposal	-	-	(52,762)	-	-	(1,799,639)	(1,852,401)
31st December 2019	-	16,475,059	49,158,837	-	8,103,151	46,202,802	119,939,849
Charge for year	-	3,828,501	7,653,213	-	-	7,025,085	18,506,799
Released on Disposal	-	-	(3,357,944)	-	-	-	(3,357,944)
31st December 2020	-	20,303,560	53,454,106	-	8,103,151	53,227,887	135,088,704
<u>Net Book Values:</u>							
31st December 2020	78,000,000	161,885,310	31,327,399	3,819,046	-	5,234,013	280,265,768
31st December 2019	11,109,483	28,779,963	22,736,058	2,941,294	-	12,102,329	77,669,127
31st December 2018	11,109,483	29,350,552	26,548,464	3,678,291	-	17,831,360	88,518,150

Freehold land and buildings were revalued in March 2020 by Thomas, Forbes & Associates Limited, independent valuers, at an amount of \$245,000,000.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

11. Retirement Benefit Asset :

The Credit Union participates in a multi-employer pension scheme. The pension scheme is a defined benefit plan and is funded. The assets of the funded plan are held independently of the Credit Union's assets in separate trustee administered funds. Independent actuaries value the scheme annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31st December 2020.

The amounts recognised in the statement of financial position are determined as follows:

	2020	2019
	\$	\$
Present Value of funded obligations	307,205,000	277,400,000
Fair Value of Plan Assets	<u>(370,549,000)</u>	<u>(345,664,000)</u>
	(63,343,000)	(68,264,000)
Effect of Asset Ceiling	<u>-</u>	<u>-</u>
Asset in the Statement of Financial Position	<u>(63,343,000)</u>	<u>(68,264,000)</u>

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

	2020	2019
	\$	\$
Current service cost	8,329,000	8,642,000
Interest cost on Obligation	20,700,000	18,571,000
Interest Income on Plan assets	(26,127,000)	(21,902,000)
Administrative Expenses	<u>2,484,000</u>	<u>2,122,000</u>
Pension Expense	<u>5,386,000</u>	<u>7,433,000</u>

The actual return on plan assets was \$24,884,000 (2019 - \$36,579,000)

Movements in the amounts recognised in the statement of financial position:

	2020	2019
	\$	\$
Net Asset at beginning of year	(68,264,000)	(43,746,000)
Pension Expense	5,386,000	7,433,000
Remeasurement	7,741,000	(24,249,000)
Contributions Paid	<u>(8,206,000)</u>	<u>(7,702,000)</u>
Closing Net Asset at End of Year	<u>(63,343,000)</u>	<u>(68,264,000)</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

11. Retirement Benefit Asset (cont'd):

The principal actuarial assumptions used in valuing the plan were as follows:

	2020	2019
Discount Rate	9.00%	7.50%
Expected rate of return on plan assets	N/A	N/A
Future salary increases	<u>6.50%</u>	<u>5.00%</u>

The five year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Fair Value of plan assets	253,824	282,114	309,086	345,664	370,549
Defined benefit obligation	<u>179,960</u>	<u>211,820</u>	<u>265,340</u>	<u>277,400</u>	<u>307,205</u>
Surplus	<u>73,864</u>	<u>70,294</u>	<u>43,746</u>	<u>68,264</u>	<u>63,343</u>
Experience adjustments-					
Fair value of plan assets	(3,700)	5,077	3,719	9,188	9,188
Defined benefit obligation	<u>(12,416)</u>	<u>3,981</u>	<u>427</u>	<u>(1,999)</u>	<u>(1,999)</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

12. Members' Voluntary Share Capital:

	2020	2019
	\$	\$
Balance at Beginning of Year	2,346,093,083	2,125,376,493
Add Amount Subscribed	<u>1,572,660,564</u>	<u>1,774,694,324</u>
	3,918,753,647	3,900,070,817
Less Withdrawals & Transfers	<u>1,327,394,420</u>	<u>1,553,977,734</u>
Balance at End of Year	<u><u>2,591,359,227</u></u>	<u><u>2,346,093,083</u></u>

13. Savings Deposits:

	2020	2019
	\$	\$
i. Term Deposits	478,922,795	520,548,180
ii. Members' Regular Deposits	1,148,664,948	910,176,220
iii. Golden Harvest Deposits	48,072,395	57,171,794
iv. Insurance Savings Club	10,391,931	9,190,641
v. Youth Savings	104,333,386	89,318,424
vi. Partner Plan Plus Deposits	82,033,247	91,641,463
vii. Solid Saver Deposits	273,594,601	237,989,803
viii. Horizon 55	331,706	323,705
ix. Wealth Accelerator Savings	300,597,435	249,474,297
x. Standing Order Holding	<u>4,329,419</u>	<u>3,226,102</u>
	<u><u>2,451,271,863</u></u>	<u><u>2,169,060,629</u></u>

i. Term Deposits

Term Deposits are for varying periods up to 365 days on which interest was paid at rates of between .25% and 1.75% per annum. Interest is paid on maturity.

ii. Members' Regular Deposits

Regular Deposits are savings accounts on which interest was paid at rates of between 0.1% to 0.6% per annum.

iii. Golden Harvest Deposits

Golden Harvest Deposits are for varying periods up to and over five (5) years on which interest was paid at rates of 1.5% to 2.2% per annum.

iv. Insurance Savings Club

Insurance Club Deposits are savings accounts on which interest was paid at rates ranging from 0.2% to 0.7% per annum.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

13. Savings Deposits (cont'd):

v. Youth Savings

Youth Savings are accounts on which interest was paid at rates of between 0.1% to 0.6% per annum.

vi. Partner Plan Plus Deposits

This represents deposits made in equal monthly instalments for varying periods of between 12 weeks and 48 weeks on which bonuses between one-fifth to two and a half times the weekly throw were paid at the end of the contractual period.

vii. Solid Saver Deposits

Solid Saver Deposits are savings accounts on which interest was paid at rates of between 0.2% and 0.7% per annum.

viii. Horizon 55

This represents long-term savings accounts on which interest was paid at a rate 2.50% per annum.

ix. Wealth Accelerator Savings

This represents deposits for periods between 6 and 36 months on which interest was paid at .95% to 2.05% per annum.

14. Accruals:

	2020	2019
	\$	\$
Accrued Interest on Deposits	4,778,389	3,636,369
Other Accruals	8,686,353	15,095,943
	<u>13,464,742</u>	<u>18,732,312</u>

15. Payables:

	2020	2019
	\$	\$
Collector of Taxes	8,186,639	7,123,569
Salary Deductions Payable	24,506,545	24,387,659
Other Payables	3,013,052	3,686,729
	<u>35,706,236</u>	<u>35,197,957</u>

16. Non - Interest Bearing Liabilities - Others:

	2020	2019
	\$	\$
Estate Accounts	18,176,539	13,656,322
	<u>18,176,539</u>	<u>13,656,322</u>

This amount represents unsettled claims in respect of deceased members.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

17. Members' Permanent Share Capital:

	2020	2019
	\$	\$
Balance at Beginning of Year	141,458,975	128,830,494
Add Permanent Share Capital Subscribed	<u>6,029,479</u>	<u>12,628,481</u>
Balance at End of Year	<u>147,488,454</u>	<u>141,458,975</u>

Under the International Financial Reporting Standards (IFRS), Voluntary Shares in the Credit Union can no longer be regarded as Share Capital but should now be treated as a liability. The Credit Union established a new category of shares termed "Permanent Shares" in order to maintain its capital base. Special Bye-Laws were passed at the Annual General Meeting held on 7th May 2009, in accordance with the Co-operative Societies Act and approved by the Registrar. All new applicants for membership and existing members of the Credit Union are required to subscribe for a minimum of one Permanent Share. These shares are issued at a par value of \$2,000 each.

18. Non-Institutional Capital:

	2020	2019
	\$	\$
Capital Reserves (Unrealised) (Note 24)	212,549,809	8,725,445
Other Reserves	119,112,242	123,096,691
Loan Loss Reserves	52,000,000	50,000,000
Capital Development Reserves	100,000,000	100,000,000
Retirement Benefit Reserves (Note 11)	63,343,000	68,264,000
Other Non-qualifying Reserves (Note 26)	23,437,178	20,767,460
Permanent Share Transfer Fund	5,032,031	5,027,439
Undistributed Net Income	<u>44,824,358</u>	<u>59,117,214</u>
	<u>620,298,619</u>	<u>434,998,249</u>

19. Institutional Capital:

	2020	2019
	\$	\$
Retained Earnings Reserves at Beginning of Year	576,947,256	496,947,255
Appropriation of Net Surplus	<u>40,000,000</u>	<u>80,000,001</u>
Retained Earnings Reserves at End of Year	616,947,256	576,947,256
Statutory & Legal Reserves (Note 25)	<u>330,437,395</u>	<u>321,128,239</u>
	<u>947,384,651</u>	<u>898,075,495</u>

20. Other Financial Costs:

	2020	2019
	\$	\$
Life Savings Insurance	6,370,080	6,047,754
Loan Protection Insurance	10,140,476	8,574,441
Bank Charges and Interest	<u>2,577,470</u>	<u>2,443,216</u>
	<u>19,088,026</u>	<u>17,065,411</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

21. Other Income:

	2020	2019
	\$	\$
Commitment Fees - Service Charge on Loans	27,184,740	33,736,748
Mortgage Charges (Net)	-	500
Miscellaneous	2,913,887	4,534,510
Gain on Foreign Exchange	12,916,382	7,932,322
Gain on sale of Investment	2,747,850	-
FIP Administration Fee	3,881,103	3,594,045
ABM Fees	1,266,908	1,421,885
Standing Order Fees	767,625	861,131
Account User Fee	19,041,165	18,900,750
	<u>70,719,660</u>	<u>70,981,891</u>

22. Operating Expenses:

	2020	2019
	\$	\$
Personnel Expenses:		
Employee Salaries & Allowances	222,929,303	229,562,214
Employee Benefits	26,209,327	22,419,580
Education & Training	855,002	3,136,845
Staff Travel & Related Expenses	2,099,595	4,533,874
Others	16,649	4,858,336
	<u>252,109,876</u>	<u>264,510,849</u>

	2020	2019
	\$	\$
Administrative Expenses:		
Rental	960,000	923,500
Utilities	6,788,538	7,124,447
Depreciation and Impairment	18,506,799	14,619,634
Audit and Supervision - Current Year	3,180,000	3,180,000
Repairs & Maintenance (Office)	17,359,042	16,355,168
Telecommunications	6,830,807	5,014,635
Printing, Stationery & Supplies	4,636,468	7,361,591
Insurance Premiums	4,077,160	3,549,779
Professional & Consulting Fees	1,966,969	403,444
Subscriptions & Other Administrative Expenses	30,913,111	28,295,679
	<u>95,218,894</u>	<u>86,827,877</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

22. Operating Expenses - (cont'd):

	2020	2019
	\$	\$
Marketing & Promotion:		
Publicity & Promotion	12,244,712	18,446,878
Public Relations	<u>1,520,000</u>	<u>515,835</u>
	<u>13,764,712</u>	<u>18,962,713</u>
	2020	2019
	\$	\$
Representation & Affiliation:		
League and Other Dues	18,512,543	16,802,204
Seminars & Meetings	2,753,472	5,853,790
Board of Directors & Committees	4,220,746	4,990,155
Annual General Meetings	3,144,478	5,861,428
Meeting/ Special Functions	<u>34,680</u>	<u>69,400</u>
	<u>28,665,919</u>	<u>33,576,977</u>
TOTAL OPERATING EXPENSES	<u><u>389,759,401</u></u>	<u><u>403,878,416</u></u>

23. Appropriations:

	2020	2019
	\$	\$
Dividend on Permanent Shares	6,029,479	6,571,331
Social Outreach Programme	1,000,000	2,000,000
Sydney Carter Scholarship	1,500,000	1,500,000
Disaster Relief Fund	1,000,000	1,000,000
Capital Development Reserves	-	15,000,000
Unsecured Loan Reserve	2,000,000	50,000,000
Institutional Capital	<u>40,000,000</u>	<u>80,000,001</u>
	<u>51,529,479</u>	<u>156,071,332</u>

24. Capital Reserves:

	2020	2019
	\$	\$
Balance at Beginning of Year	8,725,445	8,725,445
Additions	<u>203,824,364</u>	<u>-</u>
Balance at End of Year	<u><u>212,549,809</u></u>	<u><u>8,725,445</u></u>

This represents unrealised gain on the revaluation of the Co-operative's building.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

25. Statutory and Legal Reserves:

	2020	2019
	\$	\$
Balance at Beginning of Year	321,128,239	309,997,037
20% (2019- 20%) Transfer from Net Income	<u>9,309,156</u>	<u>11,131,202</u>
Balance at End of Year	<u>330,437,395</u>	<u>321,128,239</u>

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 Income 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%.

26. Other Non-Qualifying Reserves:

	2020	2019
	\$	\$
Special Reserve	57,587	57,587
Sydney Carter Scholarship Fund	1,504,191	4,191
Social Outreach Programme	1,665,545	1,500,589
Disaster Relief Fund	3,859,684	2,859,684
Share Building Fund	2,640,057	2,635,295
Stabilization Fund Reserves	1,210,114	1,210,114
Business Development Fund	<u>12,500,000</u>	<u>12,500,000</u>
	<u>23,437,178</u>	<u>20,767,460</u>

27. Staff Costs:

Staff costs for the year amounted to \$252,072,616 (2019: \$264,510,849).

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Comparison of Ledger Balances:

	Permanent Shares	Voluntary Shares	Deposits	Loans
	\$	\$	\$	\$
General Ledger	147,488,454	2,591,359,227	2,451,271,863	3,487,097,634
Personal Ledger Listing	<u>147,488,454</u>	<u>2,591,359,227</u>	<u>2,451,271,861</u>	<u>3,487,097,815</u>
Differences as at 31st December 2020	<u>-</u>	<u>-</u>	<u>2</u>	<u>(181)</u>
Differences as at 31st December 2019	<u>-</u>	<u>-</u>	<u>(6,922)</u>	<u>(182)</u>

29. Related Party Transactions:

At 31st December 2020, the eleven (11) members of the Credit Union's Board of Directors had savings totalling \$11,423,949. Of these Directors, ten (10) had loans totalling \$9,379,959. Seventeen (17) Committee Members had savings totalling \$12,050,867. Of these Seventeen (17) Committee Members, nine (9) had loans totalling \$27,318,471.

Of the sixty seven (67) Credit Union Staff, all had savings of \$44,428,287 and fifty-seven (57) had loans including interest totalling \$251,887,381. During the year, one (1) staff member received a loan which necessitated a waiver of the loan policy. None of the Volunteers received loans which necessitated a waiver of the loan policy. At 31st December 2020, loans owing by all Committee Members and Staff were being repaid in accordance with their loan agreements.

30. Life Savings and Loan Protection Insurance:

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

31. Fidelity Insurance:

Fidelity Insurance Coverage was adequately maintained during the year.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management:

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

The Credit Union is exposed to credit risk, liquidity risk, market risk and operational risk from its use of financial instruments. Market risk includes interest rate risk and currency risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Credit Union's risk management framework. The Credit Union's risk management policies are established to identify and analyse the risks faced by the Credit Union, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board through its various committees is responsible for monitoring compliance with the Credit Union's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. All committees report monthly to the Board on their activities.

The Supervisory Committee is directly responsible for monitoring compliance with the Credit Union's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Supervisory Committee is assisted in these functions by the Internal Audit Department which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Supervisory Committee.

a) Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of "off-balance sheet" financial instruments such as loan commitments and guarantees. These expose the Credit Union to similar risks as loans and are managed in the same manner.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
 FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(a) Credit Risk (Cont'd)

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risks before collaterals held. At the date of the statement of financial position, these amounts were:

	2020	2019
	\$	\$
Loans to members (net)	3,370,632,457	3,443,976,033
Liquid assets - earning	1,989,714,118	1,586,607,609
Financial investments	903,608,201	746,485,077
Liquid assets - non-earning	171,094,867	91,128,149
Non earning assets - other	46,491,920	43,143,027
	<u>6,481,541,563</u>	<u>5,911,339,895</u>

(i) Loans to Members and Guarantees

The Board of Directors is responsible for formulating the Credit Union's credit policies, establishing the authorisation structure for the approval of credit facilities, limiting concentration of exposure to counterparties and developing and maintaining the Credit Union's risk ratings. The management of credit risk in respect of loans to members and guarantees is delegated to the Credit Committee. The Credit Committee has oversight responsibility for the Credit Union's credit risk management process, including reviewing and assessing credit risk. There is a documented credit policy in place which guides the Credit Union's credit review process.

Credit Review Process

The credit review process establishes loan policy and loan interest rates that manage risk and provide the best possible rate based on the member's credit worthiness at the time of the loan; protects saver interests by managing risk; provides competitive interest rates and prompt service to borrowers; complies with all applicable laws and regulations.

Risk Based Lending provides different rates for different borrowers based on their financial circumstances and credit history. Members applying for loans are evaluated against a pre-determined set of factors in determining and assigning their appropriate risk category.

Collateral

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

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
 FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

a) Credit Risk- (Cont'd)

i) Loans to members and guarantees - (cont'd)

Collateral cont'd.

Collateral is not generally held against deposits and investment securities, except when securities are held as part of reverse repurchase agreements. At December 31, 2020, an estimate of the fair values of collateral held against loans to members are as follows:

	2020	2019
<u>Type of Collateral</u>	\$	\$
Motor Vehicles	560,250,995	537,422,436
Real Estate	991,099,041	1,061,783,548
	<u>1,551,350,036</u>	<u>1,599,205,984</u>

Impaired loans

Impaired loans are loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Credit Union believes that impairment is not appropriate on the basis of the level of security available or the stage of collection of amounts owed to the Credit Union.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Credit Union has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Prior to January 1, 2018, the Credit Union inline with IAS 39 established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a Credit Union basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment. Additional regulatory allowance is made based on the aging of the delinquency portfolio. This additional allowance is treated as an appropriation and taken to reserves.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
 NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
 FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

a) Credit Risk- (Cont'd)

i) Loans to members and guarantees - (cont'd)

Allowances for impairment (Cont'd)

Effective January 1, 2018, the Credit Union under IFRS 9 established an impairment framework that estimates expected credit losses in its loan portfolio. The Credit Union have a documented IFRS 9 policy in place to guide the recognition and derecognition process. Management is responsible for the reassessment of credit risk of all loans to members annually or earlier if the needs arises and determine whether there is a significant increase in the credit risk from the loan origination date to the date reporting date.

The League's loan loss provisioning rules in (Note 6) focus more on credit-quality mapping of the respective delinquency periods to corresponding pre-determined percentages. In contrast, impairment provisions described above are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements may differ from the amount determined from the League's loan loss provisioning rules that are used for internal operational management and the Credit Union's internal provisioning method.

The difference between the two amounts is dealt with as an additional provision through transfer from accumulated surplus to the loan loss reserve in non-institutional capital.

Credit Risk Exposure

Maximum Exposure under IFRS 9

Loans:

<u>As per Expected Credit Loss (ECL) Report</u>	Gross Carrying Amount		Expected Credit Loss	
	2020	2019	2020	2019
	\$	\$		
Stage 1 (12- month ECL)	3,189,543,019	3,302,296,502	52,475,023	33,022,964
Stage 2 (Lifetime ECL)	101,208,949	69,969,465	5,865,655	6,275,668
Stage 3 (Lifetime ECL)	196,345,666	159,559,938	58,124,499	48,551,240
Total	3,487,097,634	3,531,825,905	116,465,177	87,849,872
<u>As per General ledger</u>	3,487,097,634	3,531,825,905	116,465,177	87,849,872
<u>Difference</u>	-	-	-	-

The gross carrying amount of financial assets above represents the maximum exposure to credit risk on these assets.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

a) Credit Risk- (Cont'd)

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

For items not on the statement of financial position, see below representing a worst case scenario of credit risk exposure to the Credit Union at 31st December 2020, without accounting for any collateral held or other credit enhancements.

(i) Changes in Credit quality since initial recognition:

	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Lifetime ECL	<u>Stage 3</u> Lifetime ECL	<u>Total</u>
Gross carrying amount on Loans as at January 1, 2020	3,302,296,502	69,969,465	159,559,938	3,531,825,905
Financial Assets derecognized during the period other than write offs	(1,154,374,449)	(81,945,426)	(64,166,989)	(1,300,486,864)
<u>Transfers between Stages</u>				
Transfer from Stage 1 to 2	(164,254,917)	164,254,917	-	-
Transfer from Stage 1 to 3	(142,800,979)	-	142,800,979	-
Transfer from Stage 2 to 1	24,251,802	(24,251,802)	-	-
Transfer from Stage 2 to 3	-	(28,343,173)	28,343,173	-
Transfer from Stage 3 to 1	11,426,155	-	(11,426,155)	-
Transfer from Stage 3 to 2	-	1,524,968	(1,524,968)	-
New Financial Assets originated	1,312,998,905	-	-	1,312,998,905
Loan Write offs	-	-	(57,240,312)	(57,240,312)
Gross Carrying Amount on Loans as at December 31, 2020	3,189,543,019	101,208,949	196,345,666	3,487,097,634
	<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Lifetime ECL	<u>Stage 3</u> Lifetime ECL	<u>Total</u>
Expected Credit Loss as at January 1, 2020	33,022,964	6,275,668	48,551,240	87,849,872
<u>Transfers between Stages</u>				
Transfer from Stage 1 to 2	(1,727,028)	1,727,028	-	-
Transfer from Stage 1 to 3	(2,730,801)	-	2,730,801.00	-
Transfer from Stage 2 to 1	2,392,202	(2,392,202)	-	-
Transfer from Stage 2 to 3	-	(1,834,743)	1,834,743.00	-
Transfer from Stage 3 to 1	783,056	-	(783,056.00)	-
Transfer from Stage 3 to 2	-	397,019	(397,019.00)	-
ECL on New Financial Asset originated	22,378,312			22,378,312
Net movement due to Asset derecognition and changes PD/LGDs/EADs factors	(1,643,682)	1,692,885	6,187,790	6,236,993
Expected Credit Loss as at December 31, 2020	52,475,023	5,865,655	58,124,499	116,465,177

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

a) Credit Risk- (Cont'd)

Write-off policy

The Credit Union writes off loans and any related allowances for impairment losses when it is determined that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

ii) Deposits and investment securities

The Credit Union limits its exposure to credit risk by investing mainly in liquid assets. These investments are held only with counterparties that have high credit quality and Government of Jamaica securities. The management therefore does not expect any counterparty to fail to meet its obligations.

iii) Non-Earning Asset

Liquid Assets

Liquid assets on which the Credit Union faces credit risks comprise its current accounts held with financial institutions. The Credit Union limits its exposure to credit risk by placing its liquid assets with counter-parties that have high credit quality.

Others

Credit risks on other non-earning assets are managed by performing reconciliation of significant balances on a daily basis and submission of settlement reports or returns at least monthly. Balances are normally settled within a month, however, there is no specific settlement schedule for withholding taxes receivable.

Accordingly, management does not expect any counter-party to fail to meet its obligation.

There has been no change to the Credit Union's exposure to credit risk or the manner in which it manages and measures the risk.

b) Liquidity Risk

Liquidity risk is the risk that the credit union will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Credit Union is exposed to daily calls on its available cash resources from loan draw-downs, withdrawal of savings, overnight and maturing deposits. The approach to managing liquidity is to ensure, as far as possible, that there is always sufficient cash and marketable securities to meet obligations when due, under normal as well as stressed conditions. The Board of Directors has delegated responsibility for the management of liquidity risk to the General Manager. On a monthly basis, the Manager reviews the ratios and gap reports in order to assess and manage liquidity risk and to ensure compliance with internal policies and regulatory guidelines. There is also the monitoring of future cash flows and maintenance of an adequate amount of committed facilities. Liquidity is monitored on a daily basis.

The Credit Union is subject to a liquidity limit imposed by the Jamaica Co-operative Credit Union League (JCCUL) and compliance is regularly monitored. This limit requires that the Credit Union maintain liquid assets amounting to at least 10% of savings and deposits and member's voluntary share capital. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily convertible into cash within nine months. The liquid asset ratio at the end of the year was 43% (2019: 37%) which is in compliance with the liquidity limit.

There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures this risk.

Members' Voluntary Shares have no contractual maturity. The amounts included in the analysis are based on management's estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management - (cont'd):

(b) Liquidity Risk (Cont'd) :

The Credit Union maintains sufficient maturing instruments to meet its 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.

The following tables summarises the net liquidity gap and the cumulative liquidity gap of the Credit Union by analysing its assets and liabilities into periodic maturity categories:

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$	\$	\$	\$	\$	\$
<u>ASSETS:</u>						
EARNING ASSETS:						
Liquid Assets	973,777,660	537,791,100	-	-	478,145,358	1,989,714,118
Loans	10,874,095	11,573,096	1,822,135,320	1,499,119,357	26,930,589	3,370,632,457
Financial Investments	<u>52,381,741</u>	<u>243,348,522</u>	<u>270,000,000</u>	<u>154,855,991</u>	<u>183,021,947</u>	<u>903,608,201</u>
NON-EARNING ASSETS:						
Liquid Assets	-	-	-	-	171,094,867	171,094,867
Other Assets	-	46,491,920	-	-	-	46,491,920
Property, Plant & Equipment	-	-	-	-	280,265,768	280,265,768
Retirement Benefit Asset	-	-	-	-	63,343,000	63,343,000
Total Assets	<u>1,037,033,496</u>	<u>839,204,638</u>	<u>2,092,135,320</u>	<u>1,653,975,348</u>	<u>1,202,801,529</u>	<u>6,825,150,331</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER 2020

(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management - (cont'd):

(b) Liquidity Risk (Cont'd) :

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$	\$	\$	\$	\$	\$
LIABILITIES :						
INTEREST BEARING						
LIABILITIES:						
Members' Voluntary Share Capital	2,591,359,227	-	-	-	-	2,591,359,227.00
Savings Deposits	674,581,964	1,442,791,861	312,082,792	21,815,246	-	2,451,271,863.00
NON-INTEREST BEARING						
LIABILITIES & CAPITAL:						
Accruals	13,464,742	-	-	-	-	13,464,742.00
Payables	35,706,236	-	-	-	-	35,706,235.72
Others	18,176,539	-	-	-	-	18,176,539.00
Capital and Reserves	-	-	-	-	1,715,171,724	1,715,171,723.82
Total Liabilities & Capital	3,333,288,708	1,442,791,861	312,082,792	21,815,246	1,715,171,724	6,825,150,331
Net Liquidity Gap	<u>(2,296,255,212)</u>	<u>(603,587,223)</u>	<u>1,780,052,528</u>	<u>1,632,160,102</u>	<u>(512,370,195)</u>	<u>-</u>
Cumulative Liquidity Gap	<u>(2,296,255,212)</u>	<u>(2,899,842,435)</u>	<u>(1,119,789,907)</u>	<u>512,370,195</u>	<u>-</u>	<u>-</u>
<-----2019----->						
Net Liquidity Gap	<u>(2,034,110,627)</u>	<u>(301,903,200)</u>	<u>1,261,786,837</u>	<u>1,453,145,714</u>	<u>(378,918,724)</u>	<u>-</u>
Cumulative Liquidity Gap	<u>(2,034,110,627)</u>	<u>(2,336,013,827)</u>	<u>(1,074,226,990)</u>	<u>378,918,724</u>	<u>-</u>	<u>-</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments 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 rates, foreign currency rates 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 monitor and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analyses.

There has been no change to the Credit Union's exposure to market risks or the manner in which it manages and measures these risks.

The foreign currency exchange rates have steadily stabilised over the preceding eight months. The co-operative's exposure to market risks has therefore fluctuated as a consequence.

(i) Foreign Currency Risk

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 Credit Union is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaican dollar. The credit union manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring foreign currency positions and by buying or selling currencies at spot rates when necessary to address short-term imbalances.

The Credit Union's foreign currency exposure consists mainly of deposit accounts which at the date of the statement of financial position were as follows:

	2020	2019
<u>Liquid Assets - Earning</u>		
United States dollar	\$ 28,701	\$ 121,321
Canadian dollar	\$ 219,457	\$ 113,496
Pound Sterling	<u>£ 41,915</u>	<u>£ 38,664</u>
<u>Financial Investments</u>		
United States dollar	<u>\$ 653,226</u>	<u>\$ 636,000</u>

Sensitivity analysis

Exchange rates in terms of Jamaican Dollars which is the Credit Union's principal intervening currency, were as follows:

	<u>US \$</u>	<u>CAD \$</u>	<u>UK £</u>
28th February 2021	151.94	120.39	210.67
31st December 2020	142.65	111.41	193.67
31st December 2019	132.57	100.15	171.62

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(c) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

There was a significant foreign exchange rate movement in the United States Dollar, Canadian Dollar and Pound Sterling rates during the period December 2019 to December 2020. Over the twelve months ended 31st December 2020, the exchange rate movement for the United States dollar, Canadian dollar and the Pound Sterling has shown an increase of 7.6%, 11.24% and 12.85% respectively. The Credit Union's assets held in these currencies are minimal in comparison to total assets and therefore consequential adjustments would not be considered significant.

The strengthening/weakening of the Jamaican dollar to the extent shown against each currency would have reduced/increased income and equity by the amounts shown.

	<u>Movement</u>			
	2020	2019	2020	2019
	<u>%</u>	<u>%</u>	<u>J\$</u>	<u>J\$</u>
<u>Liquid Assets - earning</u>				
United States dollar	4	4	163,768	643,341
Canadian dollar	5	5	1,222,485	568,331
Pound Sterling	5	5	<u>405,884</u>	<u>331,776</u>
<u>Financial Investments</u>				
United States dollar	4	4	<u>3,727,308</u>	<u>3,372,581</u>

The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2019.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(c) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to 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 principally through monitoring interest rate gaps and by setting pre-approved gap ratios. The General Manager has oversight responsibility for the daily management and monitoring of interest rate risk and reports monthly to the Board of Directors on its strategies and position.

At the date of the statement of financial position, the Interest Profile of the Credit Union's interest bearing financial instruments was:

	<u>2020</u>		<u>2019</u>	
	Interest Rate		Interest Rate	
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>J\$</u>
<u>Financial Assets</u>				
Liquid Assets				
Local Savings Accounts	0.10	151,301	0.10	154,123
Foreign Savings Accounts	0.01 - 0.05	36,440,093	0.01 - 0.05	33,822,548
Foreign Currency Investments	1.85 - 5.5	93,052,145	1.85 - 5.5	84,223,504
Amortised Cost Investments	2.35 - 6.70	1,383,219,293	2.35 - 6.70	1,040,833,276
Loans to Members	5.99 - 27.2	3,370,632,457	5.99 - 27.2	3,443,976,033
Financial Investments	4.5 - 7.25	720,586,254	4.5 - 7.25	562,173,171
		<u>5,604,081,543</u>		<u>5,165,182,655</u>
<u>Financial Liabilities</u>				
Members' Voluntary Share Capital	1.80	2,591,359,227	1.80	2,346,093,083
Savings Deposits	0.1 - 3.25	2,451,271,863	0.1 - 3.25	2,169,060,629
		<u>5,042,631,090</u>		<u>4,515,153,712</u>
		<u>561,450,453</u>		<u>650,028,943</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(c) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Sensitivity Analysis

During the period January 2020 to December 2020, interest rates have moved downwards, with the BOJ 3-6 months deposit rates moving by approximately 100 basis points. This trend is expected to continue as the Government of Jamaica (GOJ) continues its policy of lowering of interest rates.

Assuming interest rate movements as set out below these would affect surplus and equity as follows:

	<u>2020</u>		<u>2019</u>	
	Interest Rate		Interest Rate	
	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>
<u>Financial Assets</u>				
Liquid Assets				
Foreign Savings Accounts	-0.07	(25,508)	-0.07	(23,676)
Foreign Currency Investments	0.00	-	0	-
Amortised Cost	-0.3	(3,803,853)	-0.3	(2,862,292)
Loans to Members	-1.955	(65,895,865)	-1.955	(67,329,731)
Financial Investments	-1	(7,205,863)	-1	(5,621,732)
		<u>(76,931,088)</u>		<u>(75,837,430)</u>
<u>Financial Liabilities</u>				
Members' Voluntary Share Capital	0	-	0	-
Savings Deposits	-0.5	(12,256,359)	-0.5	(10,845,303)
		<u>(12,256,359)</u>		<u>(10,845,303)</u>
		<u>(64,674,729)</u>		<u>(64,992,127)</u>

This analysis assumes that all other variables, in particular exchange rates, remain constant.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management cont'd:

(c) Market Risk (Cont'd)

(ii) Interest Rate Risk - (Cont'd)

The following table summarises the interest rate gap and the cumulative interest rate gap of the Credit Union analysing its assets and liabilities into periodical interest rate movements.

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	\$	\$	\$	\$	\$	\$
ASSETS						
<i>Earning Assets</i>						
Liquid Assets	973,777,660	537,791,100	-	-	478,145,358	1,989,714,118
Loans to Members	10,874,095	11,573,096	1,822,135,320	1,499,119,357	26,930,589	3,370,632,457
Financial Investments	52,381,741	243,348,522	270,000,000	154,855,991	183,021,947	903,608,201
	<u>1,037,033,496</u>	<u>792,712,718</u>	<u>2,092,135,320</u>	<u>1,653,975,348</u>	<u>688,097,894</u>	<u>6,263,954,776</u>
<i>Non-Earning Assets</i>						
Liquid Assets	-	-	-	-	171,094,867	171,094,867
Other Assets	-	46,491,920	-	-	-	46,491,920
Property, Plant & Equipment	-	-	-	-	280,265,768	280,265,768
Retirement Benefit Asset	-	-	-	-	63,343,000	63,343,000
	<u>-</u>	<u>46,491,920</u>	<u>-</u>	<u>-</u>	<u>514,703,635</u>	<u>561,195,555</u>
	<u>1,037,033,496</u>	<u>839,204,638</u>	<u>2,092,135,320</u>	<u>1,653,975,348</u>	<u>1,202,801,529</u>	<u>6,825,150,331</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management cont'd:

(c) Market Risk (Cont'd)

(ii) Interest Rate Risk - (Cont'd)

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	\$	\$	\$	\$	\$	\$
LIABILITIES & EQUITY						
<i>Interest-Bearing Liabilities</i>						
Members' Voluntary Share Capital	2,591,359,227	-	-	-	-	2,591,359,227
Savings Deposits	674,581,964	1,442,791,861	312,082,792	21,815,246	-	2,451,271,863
	<u>3,265,941,191</u>	<u>1,442,791,861</u>	<u>312,082,792</u>	<u>21,815,246</u>	<u>-</u>	<u>5,042,631,090</u>
<i>Non Interest-Bearing Liabilities</i>						
Accruals	-	-	-	-	13,464,742	13,464,742
Payables	-	-	-	-	35,706,236	35,706,236
Others	-	-	-	-	18,176,539	18,176,539
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,347,517</u>	<u>67,347,517</u>
<i>Equity</i>						
Members' Permanent Share Capital	-	-	-	-	147,488,454	147,488,454
Non-Institutional Capital	-	-	-	-	620,298,619	620,298,619
Institutional Capital	-	-	-	-	947,384,651	947,384,651
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,715,171,724</u>	<u>1,715,171,724</u>
	<u>3,265,941,191</u>	<u>1,442,791,861</u>	<u>312,082,792</u>	<u>21,815,246</u>	<u>1,782,519,241</u>	<u>6,825,150,331</u>
Net Interest Rate Gap	<u>(2,228,907,695)</u>	<u>(603,587,223)</u>	<u>1,780,052,528</u>	<u>1,632,160,102</u>	<u>(579,717,712)</u>	<u>-</u>
Cumulative Interest Rate Gap	<u>(2,228,907,695)</u>	<u>(2,832,494,918)</u>	<u>(1,052,442,390)</u>	<u>579,717,712</u>	<u>-</u>	<u>-</u>
<-----2019----->						
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	\$	\$	\$	\$	\$	\$
Net Interest Rate Gap	<u>(1,966,524,036)</u>	<u>(301,903,200)</u>	<u>1,261,786,837</u>	<u>1,453,145,714</u>	<u>(446,505,315)</u>	<u>-</u>
Cumulative Interest Rate Gap	<u>(1,966,524,036)</u>	<u>(2,268,427,236)</u>	<u>(1,006,640,399)</u>	<u>446,505,315</u>	<u>-</u>	<u>-</u>

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(d) 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 those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage 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 controls to identify operational risk is assigned to Senior Management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentations of controls and procedures.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by an Internal Audit Unit and the Credit Union's regulatory body. The results of Internal Audit and other reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(e) Fair Value

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The following table provides an analysis of financial instruments held as at 31st December 2020 that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

	2020			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Available-for-sale Investments -				
Unquoted Investments at Fair Value	-	-	136,421,531	136,421,531
Quoted Investments at Fair Value	50,600,416	-	-	50,600,416
	<u>50,600,416</u>	<u>-</u>	<u>136,421,531</u>	<u>187,021,947</u>
	2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Available-for-sale Investments -				
Unquoted Investments at Fair Value	-	-	136,421,531	136,421,531
Unquoted Investments at Fair Value	101,343,341	-	-	101,343,341
	<u>101,343,341</u>	<u>-</u>	<u>136,421,531</u>	<u>237,764,872</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
 (Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(e) Fair Value (Cont'd)

Many of the Credit Union'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 date of the statement of financial position. 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 date of the statement of financial position 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.

Fair values were estimated as follows:

The fair values of Liquid Assets, cash and bank balances, interest and other receivables; interest-bearing and non interest-bearing liabilities are assumed to approximate their carrying values due to their short-term nature;

Financial Investments and Liquid Assets classified as available for sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing or other recognised valuation techniques;

Loans and long term liabilities are carried at amortised cost, which is deemed to approximate their fair values as these balances attract rates and terms comparable to market rates and terms for similar transactions;

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

32. Financial Instruments and Financial Instruments Risk Management (cont'd):

(e) Fair Value (Cont'd)

The fair values of deposits which are payable on demand or notice are assumed to be equal to their carrying values due to their short term nature.

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2020	2020	2019	2019
	\$	\$	\$	\$
<u>Assets</u>				
Earning Assets				
Liquid Assets	1,989,714,118	1,989,714,118	1,586,607,609	1,586,607,609
Loans to Members (net)	3,370,632,457	3,370,632,457	3,443,976,033	3,443,976,033
Financial	903,608,201	903,608,201	746,485,077	746,485,077
Non Earning Assets				
Liquid Assets	171,094,867	171,094,867	91,128,149	91,128,149
Other Assets	46,491,920	46,491,920	43,143,027	43,143,027
<u>Liabilities</u>				
Interest Bearing Liabilities				
Members' Vol. Share Capital	2,591,359,227	2,591,359,227	2,346,093,083	2,346,093,083
Savings Deposits	2,451,271,863	2,451,271,863	2,169,060,629	2,169,060,629
Non-Interest Bearing Liabilities				
Accruals	13,464,742	13,464,742	18,732,312	18,732,312
Payables	35,706,236	35,706,236	35,197,957	35,197,957
Others	<u>18,176,539</u>	<u>18,176,539</u>	<u>13,656,322</u>	<u>13,656,322</u>

33. COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020, and the Government of Jamaica declared the island a disaster area on March 13, 2020.

The Credit Union's team of management instituted measures at both branches (Mandeville and Christiana) to safeguard and protect it's stakeholders. These measures included;

- 1) The provision of COVID related information to employees and members;
- 2) The provision of supplies to all personnel to prevent the contagion;
- 3) The establishment of COVID protocols to access both branches (protocols were supported by government guidelines).
- 4) The establishment and implementation of Remote Work Policy. This enabled staff to work remotely using a flexible work plan;
- 5) The establishment and implementation of the Disaster Risk Management Policy (DRMP) and Covid Response Plan (CRP), which provides a detailed approach adopted by the Credit Union in mitigating the impact of the pandemic.

The Crisis Management team established under DRMP and CRP was responsible for;

- i) Planning and responding to the challenges arising;
- ii) Implementation of safety and sanitization protocols with respect to the protection of staff and members;
- iii) Preparation of a work from home mandate;
- iv) Enhancement of technical capacity of the virtual network and;
- v) The expansion and continued use of member email services.

MANCHESTER CO-OPERATIVE CREDIT UNION (1977) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - (CONT'D)
FOR THE YEAR ENDED 31ST DECEMBER 2020
(Expressed in Jamaican Dollars unless otherwise indicated)

33. COVID-19 (Cont'd)

The pandemic and the measures to control its human impact have resulted in disruptions to economic activities and business operations. The Credit Union saw a reduction in business activities during the financial year, most notably in the following areas;

1) Loans to Members Portfolio

There was a reduction in the volume of new loans and closed cash secured loans. Total loans granted for the financial year 2020 amounted to \$1.6billion when compared to \$2.1 billion in 2019. Although delinquency was not significantly impacted at the financial year end, the loan portfolio would have experienced significant increase in credit risk and reduced cash flows from member repayments.

Recognizing the economic impact on members, the Credit Union granted moratoria of principal balances and interest.

2) Investment Portfolio

The performance of the investment portfolio was negatively impacted by the fallout in the financial markets. This resulted in primarily equity-based investments experiencing losses. However, the Credit Union's liquidity position was not negatively affected during the year.

The Credit Union could experience further negative impact, depending on factors such as;

- 1) The duration and spread of the virus;
- 2) The restrictions and advisories from the Government of Jamaica;
- 3) The effects of the financial market and;
- 4) The effects of the global and local economy.

As at the authorised issue date of the Financial Statements, these impacts were highly uncertain and could not be reliably measured.