

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

The Jamaica Police Co-operative Credit Union Limited is registered under the Co-operative Societies Act and has its registered office at 122 Harbour Street, Kingston. Membership is limited to present and past members of the Jamaica Constabulary Force; members of the Rural Police (District Constables); members of staff who are permanently employed to the Jamaica Police Co-operative Credit Union Limited and past members of staff; persons employed by the Ministry with responsibility for the Jamaica Constabulary Force and working at Police Formations; relatives of the Credit Union membership mentioned above.

Membership to the Credit Union is obtained by the holding of members' shares, which are deposits available for withdrawals on demand. Individual membership may not exceed 20% of the total of the members' shares of the Credit Union.

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

2. REPORTING CURRENCY:

These financial statements are expressed in Jamaican dollars.

3. REGULATION:

The Co-operative Societies Act requires, among other provisions, that at least 20% of the net surplus of the Credit Union be transferred annually to a reserve fund. The Credit Union is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

4. SIGNIFICANT ACCOUNTING POLICIES:**(a) Basis of preparation -**

Except as disclosed in Note 4 (m), the Credit Union's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and property. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's accounting policies.

Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement and or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(a) Basis of preparation - cont'd

The following relates to standards, interpretations and amendments to published standards effective in 2005 and those which are not yet effective.

Standards, interpretations and amendments to published standards effective in 2005.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year as follows. The 2004 comparative figures have been amended as required in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 24 (revised 2003)	Related Party Disclosure
IAS 32 (revised 2003)	Financial Instruments: Disclosures and Presentation
IAS 36 (revised 2004)	Impairment of Assets
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

The adoption of IAS 39 (revised 2003/2004), Financial Instruments: Recognition and Measurement resulted in changes in the classification of investments. Previously, certain investments were classified as originated debt. Subsequent to adoption, the Credit Union classifies all investments as available-for-sale.

The adoption of the other above-mentioned standards did not result in substantial changes to the Credit union's accounting policies. All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards.

IFRIC2, Members Shares in Co-operative Entities and Similar instruments, issued in 2004, has not been adopted by the Credit Union. The Credit Union classifies members' shares immediately available for withdrawal as equity and not as liability as required by the IFRIC. Dividends payable on these shares are also classified by the Credit Union as an appropriation of net surplus, rather than an expense (note 4 (m)).

There was no impact on opening Accumulated Surplus at 1 January 2004 from the adoption of any of the above-mentioned standards.

4. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of preparation - cont'd

Standards, interpretations and amendments to published standards that are not yet effective

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

IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006).

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Credit Union does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and already applies defined benefit accounting for the multi-employer plan to which it is a party, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Credit Union will apply this amendment from annual periods beginning 1 January 2006.

IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007).

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Credit Union assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Credit Union will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

IAS 39 (Amendment), The Fair Value Option (Effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through income or expenditure and restricts the ability to designate financial instruments as part of this category. The Credit Union believes that this amendment should not have a significant impact on the classification of financial instruments, as it currently does not classify any of its instruments at fair value through income and expenditure and, if it intends to do so in the future, should be able to comply with the amended criteria for such designations. The Credit Union will apply this amendment from annual periods beginning 1 January 2006.

(b) Investments -

The Credit Union classifies its investments as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

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

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

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income and expenditure as gains and losses from investments securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in the statement of revenue and expenditure. Dividends on available-for-sale investments are recognised in the statement of revenue and expenditure when the Credit Union's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Credit Union establishes fair value by using valuation techniques, such as reference to recent arm's length transactions, reference to other instruments that are substantially the same or amounts derived from discounted cash flow models, making maximum use of market inputs.

At each balance sheet date, the Credit Union assesses whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in the statement of revenue and expenditure is removed from equity and recognised in the statement of income and expenditure.

4. SIGNIFICANT ACCOUNTING POLICIES:

(c) Loans -

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.

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

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

When a loan is classified as impaired the accrual income based on the original terms of the loan is discontinued and interest is taken into account on the cash basis. IFRS requires that the increase in the present value of impaired loans due to the passage of time be reported as interest income.

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

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

(d) Reverse repurchase transactions -

Securities purchased under agreement to resell are recorded as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(e) Property, plant and equipment -

All property, plant and equipment are initially recorded at cost. Freehold land and buildings are subsequently shown at market value based on triennial valuations by external valuers, less subsequent depreciation of buildings and impairment losses.

(e) Property, plant and equipment - cont'd

Increase in carrying amounts arising on revaluation are credited to revaluation reserve in non-institutional capital. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of revenue and expenditure) and depreciation based on the asset's original cost is transferred from revaluation reserve to undistributed surplus.

Depreciation is charged so as to write-off the cost or valuation of assets, other than land, over the period of their estimated useful lives as follows:

	<u>Rate</u> %	<u>Method</u>
Buildings	2.5	Reducing balance
Leasehold improvement	10	Reducing balance
Office, furniture and equipment	10	Reducing balance
Computers	20	Straight line
Motor vehicle	20	Straight line

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.

(f) Employee benefit -

(i) Retirement benefit asset -

The Credit Union participates in a defined benefit pension scheme. The pension scheme is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries.

The asset or liabilities in respect of defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognized actuarial gains/losses and past service costs. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefit available in the form of refunds from the plan or future reduction in future contributions to the plan. The pension plan costs are assessed using the projected unit credit method. Under this method, the cost of providing pension is charged to the income and expenditure account so as to spread the regular cost of service over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

(ii) Leave accrual -

All outstanding leave is recognized in the revenue and expenditure account.

4. SIGNIFICANT ACCOUNTING POLICIES:

(g) Cash and cash equivalents -

Cash and cash equivalents are carried on the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank and deposits not held to satisfy statutory requirements net of bank overdraft.

(h) Financial instruments -

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

Financial instruments carried on the balance sheet include loans, cash resources, reverse repurchase agreements, financial investments, members' deposits, other assets, external credits and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(i) Other assets -

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

(j) Revenue recognition -

Interest income is recognized in the statement of revenue and expenditure for all interest-bearing instruments on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable.

Where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest is taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts, and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees are recognized on an accrual basis. Loan origination fees are deferred and are recognized over the life of the loan as an adjustment to the effective yield on the loan.

Dividend income from equity financial investments is recognized when the shareholder's right to receive payment has been established.

(k) Foreign currencies -

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in the exchange rates are included in the revenue and expenditure statement.

(l) Letters of commitment -

The credit union's potential liability under the letters of commitment is reported as liability in the balance sheet. The credit union has equal and offsetting claims against its members in the event of a call on those commitments, which are reported as an asset.

(m) Members' Shares -

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

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

(n) Institutional capital -

Under the Co-operative Societies Act and Regulations, as amended in 1977, at least 20% of net income must be transferred to a statutory reserve fund. Members' entrance fees are also credited to statutory reserve. Other institutional capital reserve is established and increased from time to time, which in the opinion of the directors are necessary to support the operations of the Credit Union and thereby, protect the interest of the members. Transfers to other reserve are made on the basis of decisions taken at Annual General Meeting. These reserves are not available for distribution.

(o) League fees and stabilization dues -

The Jamaica Co-operative Credit Union League has fixed its league fees to 0.25% of total assets, whilst stabilization dues are set at 0.35% of total savings.

(p) Comparative information -

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTIES:

In the process of applying the Credit Union's accounting policies, which are described in note 3, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements and could cause material adjustments to the carrying amounts of assets and liabilities.

(i) Employee benefit - pension obligation

As disclosed in note 14 the credit union participates in a multi-employer defined benefit pension plan. The amount shown in the balance sheet of an asset of \$3,009,000 in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate.

The estimated return on pension assets assumption is determined by considering long-term historical returns, assets allocation and future estimates of long-term investment returns. The Credit Union estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle any future pension obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities was considered.

Judgement is also exercised in determining the proportionate share of the defined benefit obligation, plan assets and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions for each individual employer in the plan.

(ii) Impairment losses on loans and advances -

The Credit Union reviews its loan portfolio to assess impairment on a monthly basis. A provision for impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. Past experience and judgement are used in estimating the timing of expected cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimize any differences between loss estimates and actual loss experience.

6.	OTHER INCOME:	<u>2005</u>	<u>2004</u>
		\$	\$
	Fees	2,977,993	6,081,493
	ATM fees	197,665	256,221
	Commission	3,787,301	170,885
	Surplus on the sale of investments	682,813	1,471,757
	Exchange gains from holding foreign currency deposits	297,984	100,602
	Dividend - current year	208,089	359,867
	prior year over provision	-	(414,524)
		<u>8,151,845</u>	<u>8,026,301</u>
7.	NET SURPLUS:		
	The following have been charged in arriving at net surplus:		
		<u>2005</u>	<u>2004</u>
		\$	\$
	Auditors' remuneration (including GCT) -		
	Current year	908,700	402,500
	Prior year	299,606	-
	Depreciation	3,473,708	3,090,423
	Staff costs (note 22)	<u>33,558,096</u>	<u>27,056,505</u>

8. LIQUID ASSETS:

Comprising the following categorized by maturity dates -

	Within 3 Months \$	3 to 12 Months \$	2005 \$	2004 \$
Earning:				
Deposits -				
Certificate of deposits	80,107,137	1,718,080	81,825,217	70,820,545
CU cash deposits	32,042,783	-	32,042,783	41,842,655
Savings account	12,961,474	-	12,961,474	12,363,380
Treasury bills	<u>8,540,785</u>	<u>2,815,263</u>	<u>11,356,048</u>	<u>13,500,000</u>
	<u>133,652,179</u>	<u>4,533,343</u>	<u>138,185,522</u>	<u>138,526,580</u>
Non-earning:				
Cash in hand and at bank -				
Cash in hand	4,366,649	-	4,366,649	1,321,221
ATM imprest	3,671,300	-	3,671,300	2,459,100
Bank balances	314,488	-	314,488	
Cash-in-transit	<u>3,572,300</u>	<u>-</u>	<u>3,572,300</u>	<u>4,535,300</u>
	<u>11,924,737</u>	<u>-</u>	<u>11,924,737</u>	<u>8,315,621</u>

The rules of the Jamaica Co-operative Credit Union League Limited stipulates that the Credit Union must invest a minimum of 2% of members' savings deposits in CU cash deposits.

9. REVERSE REPURCHASE AGREEMENTS:

The Credit Union enters into reverse repurchase agreements collateralised by Government of Jamaica Securities. These agreements may result in credit exposure in the event that the counterpart to the transaction is unable to fulfill its collateral obligations.

At 31 December 2005 the Credit Union held securities totaling \$43,112,756 (2004 - \$42,892,334) representing Government of Jamaica Debt Securities, as collateral for reverse repurchase agreements.

10. **FINANCIAL INVESTMENTS:**

Comprising the following categorized by maturity dates -

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	2005 \$	2004 \$
Available-for-sale -						
Quoted equities	-	-	-	1,590,025	1,590,025	1,809,424
Jamaica Money Market Brokers Limited	-	-	4,924,164	-	4,924,164	5,341,125
Victoria Mutual Building Societies deposits	-	-	2,272,170	-	2,272,170	2,121,045
Jamaica Co-operative Credit Union League						
Limited deposits	13,426,123	-	-	-	13,426,123	11,862,827
Mortgage funds	-	-	-	2,409,676	2,409,676	2,203,018
Government of Jamaica Securities		7,500,000	5,021,851	4,214,883	16,736,734	20,089,330
	13,426,123	7,500,000	12,218,185	8,214,584	41,358,892	43,426,769
Available-for-sale at historical cost -						
Unquoted equities	-	-	-	5,674,564	5,674,564	3,800,068
	13,426,123	7,500,000	12,218,185	13,889,148	47,033,456	47,226,837

11. LOANS, AFTER PROVISION FOR LOAN IMPAIRMENT:

(a) Movement in loans during the year as follows:

	2005 \$	2004 \$
Balance as at 1 January	752,023,528	615,939,731
Add: Loans disbursed during the year	<u>763,311,551</u>	<u>522,727,662</u>
	1,515,335,079	1,138,667,393
Less: Repayments and transfers	<u>(474,228,711)</u>	<u>(386,643,865)</u>
	1,041,106,368	752,023,528
Less: Provision for loan impairment	<u>(3,508,754)</u>	<u>(2,369,298)</u>
	<u>1,037,597,614</u>	<u>749,654,230</u>

11. **LOANS, AFTER PROVISION FOR LOAN IMPAIRMENT (CONT'D):**

(b) Loans are comprised of the following categorized by maturity dates -

	<u>Within 3</u> <u>Months</u> \$	<u>3 to 12</u> <u>Months</u> \$	<u>1 to 5</u> <u>Years</u> \$	<u>Over</u> <u>5 Years</u> \$	<u>2005</u> \$	<u>2004</u> \$
Personal	1,683,546	13,276,303	31,811,167	-	46,771,016	210,612,718
Construction and real estate	77,236	1,668,464	260,601,399	50,045,662	312,392,761	157,026,876
Education	414,873	2,931,592	19,549	-	3,366,014	47,095,009
Business	-	-	727,443	-	727,443	12,179,732
Motor vehicle	702,213	3,190,285	218,162,953	7,812,349	229,867,800	179,634,526
Loan consolidator	175,000	-	118,703,021	-	118,878,021	-
Other	4,230,136	37,039,323	279,663,963	8,169,892	329,103,313	145,474,667
	<u>7,283,004</u>	<u>58,105,967</u>	<u>909,689,495</u>	<u>66,027,903</u>	<u>1,041,106,368</u>	<u>752,023,528</u>

- (c) The movement in the allowance for impairment determined under the requirements of IFRS is as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance at beginning of year	2,369,298	2,308,340
Charged to revenue during year	<u>2,114,255</u>	<u>1,253,504</u>
Bad debts written off	4,483,553	3,561,844
	<u>(974,799)</u>	<u>(1,192,546)</u>
Provision for impairment at end of year	<u><u>3,508,754</u></u>	<u><u>2,369,298</u></u>

The allowance for impairment determined under JCCUL regulatory requirement is as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Provision for impairment at end of year	<u><u>2,525,044</u></u>	<u><u>2,086,764</u></u>

- (d) Delinquent loans:

- (i) Non-performing loans amounted to \$4,587,196 as at 31 December 2005 (2004 - \$3,515,804). The balance of non-performing loans on which interest was not being accrued amounted to \$3.23M as at 31 December 2005. Unrecognised interest on such loans amounted to \$0.78M.
- (ii) The total loan loss provision derived below is consistent with the loan loss provisioning rules of the league. The total provision for 2005 is below that required under the IFRS provisioning rules.

The following is a summary of non-performing loans at 31 December 2005 -

	Number of Accounts <u>in Arrears</u>	Delinquent Loans \$	Savings Held Against Loans \$	Portion of Loans not covered by Savings \$	Statutory Loan Loss \$	Provision Rate %
2-3 mths	20	1,352,316	879,515	472,801	135,232	10%
4-6 mths	8	587,082	323,568	263,514	176,125	30%
7-12 mths	20	1,085,277	71,614	1,013,663	651,166	60%
12 mths & over	<u>33</u>	<u>1,562,521</u>	<u>65,207</u>	<u>1,497,314</u>	<u>1,562,521</u>	<u>100%</u>
	<u>81</u>	<u><u>4,587,196</u></u>	<u><u>1,339,904</u></u>	<u><u>3,247,292</u></u>	<u><u>2,525,044</u></u>	

12. OTHER ASSETS:		
	<u>2005</u>	<u>2004</u>
	\$	\$
Receivables -		
Security deposit - Mandeville	19,067	19,067
- St. Ann	65,000	-
CUNA receivables - deceased members	1,174,998	2,252,391
Accrued investment income	2,613,912	2,424,477
Interest on members' loans outstanding	4,464,784	1,348,543
Miscellaneous	2,074,580	1,343,934
Prepayments	<u>707,105</u>	<u>741,585</u>
	<u>11,119,446</u>	<u>8,129,997</u>

13. **PROPERTY, PLANT AND EQUIPMENT:**

	<u>Freehold Land</u>	<u>Leasehold Buildings</u>	<u>Furniture and Improvements</u>	<u>Office Motor Equipment</u>	<u>Vehicle</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
At cost -						
1 January 2005	5,400,000	11,099,815	886,641	18,483,670	2,307,066	38,177,192
Additions	-	11,959,739	4,001,996	4,710,082	-	20,671,817
Valuation	3,406,805	3,078,658	-	-	-	6,485,463
Disposal	-	-	(338,892)	(462,002)	-	(800,894)
	<u>8,806,805</u>	<u>26,138,212</u>	<u>4,549,745</u>	<u>22,731,750</u>	<u>2,307,066</u>	<u>64,533,578</u>
At cost	4,816,000	23,059,554	4,549,745	22,731,750	2,307,066	57,464,115
At valuation	3,990,805	3,078,658	-	-	-	7,069,463
	<u>8,806,805</u>	<u>26,138,212</u>	<u>4,549,745</u>	<u>22,731,750</u>	<u>2,307,066</u>	<u>64,533,578</u>
Depreciation						
1 January 2005	-	1,315,570	234,814	7,315,467	461,413	9,327,264
Charge for the year	-	328,775	42,014	2,641,506	461,413	3,473,708
Revaluation	-	(1,221,564)	-	-	-	(1,221,564)
Eliminated on disposal	-	-	(107,203)	(462,002)	-	(569,205)
	<u>-</u>	<u>422,781</u>	<u>169,625</u>	<u>9,494,971</u>	<u>922,826</u>	<u>11,010,203</u>
Net Book Value -						
31 December 2005	<u>8,806,805</u>	<u>25,715,431</u>	<u>4,380,120</u>	<u>13,236,779</u>	<u>1,384,240</u>	<u>53,523,375</u>
31 December 2004	<u>5,400,000</u>	<u>9,785,245</u>	<u>651,827</u>	<u>11,168,203</u>	<u>1,845,653</u>	<u>28,849,928</u>

Land and buildings were revalued at market value by independent valutors in 2005.

14 RETIREMENT BENEFIT ASSET:

The Credit Union provides for post retirement benefit through a defined benefit pension scheme, managed by the Jamaica Co-operative Credit Union League Limited. The scheme is funded by contributions from the Credit Union and permanent employees in accordance with the rules of the scheme. Under the plan, employees are entitled to retirement benefits based on 1.66% of their final 3-year average salary per year of contributory service. No other post-retirement benefits are provided. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2005.

The amounts recognized in the statement of revenue and income in respect of the defined benefit plan is as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Current service cost	(145,000)	(220,000)
Interest cost	95,000	(101,000)
Expected return on plan assets	(204,000)	(8,000)
Net actuarial loss recognized in year	<u>14,000</u>	<u>28,000</u>
	<u>(240,000)</u>	<u>(301,000)</u>

The amounts included in the balance sheet in respect of the Credit Union's defined benefit plan is as follows:

	2005	2004
	\$	\$
Present value of funded obligation	(1,428,000)	(672,000)
Unrecognized actuarial losses	1,034,000	705,000
Fair value of plan assets	<u>3,403,000</u>	<u>2,258,000</u>
Net asset in balance sheet	<u>3,009,000</u>	<u>2,291,000</u>

Movements in the net retirement benefit asset in the year were as follows:

	2005	2004
	\$	\$
Asset at beginning of year	2,291,000	1,542,000
Amounts charged to income	240,000	301,000
Contributions paid	<u>478,000</u>	<u>448,000</u>
Asset at end of year	<u>3,009,000</u>	<u>2,291,000</u>
The principal actuarial assumptions are as follows:		
Discount rate	12.5%	12.5%
Expected return on plan assets	8%	9.5%
Expected rate of salary increases	8%	8%
Average remaining working lives of employees	<u>34.25 yrs</u>	<u>34.27 yrs</u>

15. MEMBERS' DEPOSITS:

	2005 \$	2004 \$
Balance at 1 January	97,448,656	79,327,469
Add: Savings	<u>1,018,080,733</u>	<u>774,447,405</u>
	1,117,529,389	853,774,874
Less: Withdrawals and transfers	<u>(984,503,576)</u>	<u>(756,326,218)</u>
	131,025,813	97,448,656
Term deposits	132,364,322	139,021,820
Golden Harvest Plan	<u>311,362,082</u>	<u>103,277,487</u>
	<u>574,752,217</u>	<u>339,747,963</u>

16. EXTERNAL CREDITS:

	2005 \$	2004 \$
Jamaica Co-operative Credit Union League Limited -		
Line of Credit	5,118,252	30,000,000
Long term loan	5,005,533	-
USAID Loan		362,404
Ivan Recovery Loan	647,297	-
Police Federation Loan (unsecured)	1,162,999	1,214,550
Bank overdrafts (unsecured)	<u>6,277,721</u>	<u>4,391,700</u>
	<u>18,211,802</u>	<u>35,968,654</u>

The Jamaica Co-operative Credit Union League Limited (JCCUL):

(i) Line of credit is secured by promissory notes at an interest rate of 16.35% and is repayable on demand.

(ii) The long term loan is secured by hypothecation of a term deposit held at the JCCUL at an interest rate of 17.8% and is repayable in full by June 2009.

(iii) Ivan Recovery loan is at an interest rate of 6% and is scheduled to be repaid in full in 2010 and is secured by a term deposit held at JCCUL.

(iv) The Police Federation loan is unsecured and is repayable on demand. Interest received on the distribution of this loan is apportioned 80/20 in favour of the federation.

17.	OTHER LIABILITIES:	2005	2004
		\$	\$
	JPBIS Trust Fund Payables	782	782
	Unallocated Collections	144,882	(74,418)
	Bill express	155,539	-
	Withholding Tax	3,770,687	5,986,233
	Payroll taxes	748,643	711,789
	Estate Deceased Members	1,997,530	2,872,566
	Welfare fund	575,429	493,244
	Interest on deposits	5,026,518	1,879,359
	Accounts payable	5,763,345	5,343,337
	Audit fees	908,700	452,500
	Deferred service fee	7,796,954	-
	Professional fees	125,000	-
	Vacation leave	190,298	341,232
		<u>27,204,307</u>	<u>18,006,624</u>
18	MEMBERS' SHARE CAPITAL:	2005	2004
		\$	\$
	Balance at January 1	482,090,459	420,646,517
	Add: Savings and dividends	<u>370,990,041</u>	<u>330,927,312</u>
		853,080,500	751,573,829
	Less: Withdrawals and transfers	<u>(305,473,760)</u>	<u>(269,483,370)</u>
		<u>547,606,740</u>	<u>482,090,459</u>
19.	INSTITUTIONAL CAPITAL:	2005	2004
		\$	\$
	Statutory reserves	102,588,652	83,596,316
	Transferred from net surplus -		
	20% of net surplus	11,761,929	11,646,436
	Additional	<u>20,200,009</u>	<u>7,345,900</u>
		<u>134,550,590</u>	<u>102,588,652</u>

As required by the Co-operative Societies Act and the rules of the Jamaica Police Co-operative Credit Union Limited, a minimum of twenty (20%) of the annual surplus and amounts collected for entrance fees are transferred to the statutory reserve. An additional amount was transferred to statutory reserve to meet the capital requirement of 10%.

20. NON- INSTITUTIONAL CAPITAL:

	2005	2004
	\$	\$
Undistributed surplus	26,302,573	38,490,846
Retained earnings reserve	4,897,234	3,066,011
Retirement benefit asset reserve	3,009,000	2,291,000
Fair value reserve	293,079	1,050,709
Revaluation reserve	8,291,027	584,000
Other reserves -		
Basic School Fund	100,851	168,900
Leslie McDonald Scholarship	-	200,000
Building reserve	-	950,000
Northern Caribbean University Scholarship	100,000	100,000
Special reserve	186,486	320,000
Donation reserve	-	262,709
	<u>43,180,250</u>	<u>47,484,175</u>

(a) Retirement Benefit Asset Reserve:

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

(b) Fair Value Reserve:

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investments.

(c) Revaluation reserve:

This represents unrealised gain on revaluation of land and building.

(d) Other reserves:

These represent appropriations for scholarships, donations and other miscellaneous purposes.

21. APPROPRIATIONS AND DECREASE IN OTHER RESERVES:

(a) The following amounts were appropriated from net surplus:

	2005 \$	2004 \$
Dividends - 7.6 (2004 - 9%)	<u>32,641,758</u>	<u>33,451,480</u>
Other appropriations -		
Leslie McDonald Scholarship	-	100,000
Bursaries	545,000	300,000
Donations	-	850,000
Special restoration reserve	-	1,200,000
Special reserve	550,000	1,000,000
Basic School	-	100,000
50th Anniversary Celebrations	1,500,000	-
Scholarship to Northern Caribbean University	-	50,000
Retained Earnings Reserves	<u>1,831,223</u>	<u>1,475,441</u>
	4,426,223	5,075,441
Honoraria	<u>1,250,000</u>	<u>1,250,000</u>
	<u>5,676,223</u>	<u>6,325,441</u>
	<u>38,317,981</u>	<u>39,776,921</u>

(b) The following payments were made from reserves during the year:

	\$
Honoraria	1,250,000
Contribution to Hanover Street Basic School during the year	63,050
Leslie McDonald Scholarship	200,000
Scholarships and Bursaries	580,000
JPA refurbishing classrooms	1,000,000
JCF Choir	338,400
Other donations:	
Annual torch run for Special Olympics	50,000
Police Chaplaincy Area 2	53,700
CP's office – registry	52,400
CP's office – staff together	25,000
Cancer patient	25,000
Area 3 Headquarters	60,000
Constable Donald Dixon	35,000
Lucille Fraser re Arthur Fraser	50,000
St. Elizabeth homecoming	35,000
HQ gospel concert	30,000
Area 2 football & netball competition	55,167
Daniel Williams	30,000
IBB Seminar	100,000
Church of God 7 th day – Windward Road	25,000
Police Federation Conference	50,000
Maxine Livingston	20,000
Police National football team	71,365
Criminal Investigation Branch	20,000
Association of past members	30,000
Wellness Centre – Twickenham Park	50,000
Training Branch	30,000
Miscellaneous donations	<u>1,130,190</u>
	<u><u>5,459,272</u></u>

22. STAFF COSTS:

	2005	2004
	\$	\$
Wages and salaries	18,522,618	14,874,238
Statutory contributions	6,401,356	5,645,190
Pension - Defined benefit plan	(240,000)	(301,000)
Allowance and benefits	<u>8,874,122</u>	<u>6,866,077</u>
	<u>33,558,096</u>	<u>27,084,505</u>
The number of persons employed at December 31:		
Full-time	31	25
Part-time	5	2
Contract	5	3
Trainees	<u>-</u>	<u>1</u>
	<u>41</u>	<u>31</u>

23. FINANCIAL RISK MANAGEMENT:

The Credit Union accepts deposits from members at fixed rates of interest and seeks to earn above average interest margins by investing these funds in high-quality assets, as well as lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

(a) Liquidity risk -

The Credit Union is exposed to daily calls on its cash resources from various accounts. The Credit Union does not maintain cash resources to meet all of these needs as experience shows that a minimum level of maturing investments can be predicted with a significant level of certainty. The Credit Union's policy is to hold a high proportion of liquid assets to cover withdrawals at unexpected levels of demand. Liquid assets are held with a number of reputable financial institutions; these are monitored by the Credit Union's management on a regular basis, and are protected by way of Fidelity Insurance Coverage.

23 **FINANCIAL RISK MANAGEMENT** *cont'd*(a) Liquidity risk (cont'd)
As at 31 December 2005

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No specific maturity	Total
	\$	\$	\$	\$	\$	\$
ASSETS:						
Liquid Assets	126,669,372	4,533,343	-	-	18,907,544	150,110,259
Reverse purchase agreements	34,412,328	8,700,428	-	-	-	43,112,756
Loans after allowance for impairment losses	7,283,004	54,597,212	909,689,495	66,027,903	-	1,037,597,614
Financial investments	13,426,123	7,500,000	12,218,185	6,624,559	7,264,589	47,033,456
Property, plant and equipment	-	-	-	-	53,523,375	53,523,375
Retirement benefit plan	-	-	-	3,009,000	-	3,009,000
Other assets	-	-	-	-	11,119,446	11,119,446
Total Assets	181,790,827	75,330,983	921,907,680	75,661,462	90,814,954	1,345,505,906
LIABILITIES AND MEMBERS' EQUITY:						
Members' deposit	290,345,565	177,898,069	56,477,705	50,030,878	-	574,752,217
Other borrowed funds	297,940	12,367,006	5,546,856	-	-	18,211,802
Other liabilities	-	-	6,351,185	-	20,853,122	27,204,307
Members' equity	-	-	-	-	725,337,580	725,337,580
Total Liability and Members' Equity	290,643,505	190,265,075	68,375,746	50,030,878	746,190,702	1,345,505,906
Net liquidity gap	(108,852,678)	(114,934,092)	853,531,934	25,630,584	(655,375,748)	-
Cumulative liquidity gap	(108,852,687)	(223,786,770)	629,745,164	655,375,748	-	-
AS AT 31 DECEMBER 2004:						
Total assets	193,508,100	88,240,862	664,057,632	39,157,767	40,922,166	1,025,886,527
Total liabilities and members' equity	254,209,643	53,224,004	43,270,335	41,368,018	633,814,527	1,025,886,527
Net interest rate sensitivity gap	(60,701,543)	35,016,858	620,787,297	(2,210,251)	(592,892,361)	-
Cumulative liquidity gap	(60,701,543)	(25,684,685)	595,102,612	592,892,361	-	-

23 FINANCIAL RISK MANAGEMENT *cont'd*

(b) Interest rate risk -

The Credit Union is exposed to the effects of fluctuations in the prevailing levels of market interest rate on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken.

23 **FINANCIAL RISK MANAGEMENT** *cont'd*(b) Interest rate risk (cont'd)
As at 31 December 2005

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non Interest Rate Bearing \$	Total \$
ASSETS:						
Liquid Assets	133,652,179	4,533,343	-	-	11,924,737	150,110,259
Reverse purchase agreements	34,412,328	8,700,428	-	-	-	43,112,756
Loans after allowance for impairment losses	7,283,004	54,597,212	909,689,495	66,027,903	-	1,037,597,614
Financial investments	15,698,293	7,500,000	9,946,015	8,499,055	5,390,094	47,033,456
Property, plant and equipment	-	-	-	-	53,523,375	53,523,375
Retirement benefit plan	-	-	-	3,009,000	-	3,009,000
Other assets	-	-	-	-	11,119,446	11,119,446
Total Assets	191,045,804	75,330,983	919,635,510	77,535,958	81,957,652	1,345,505,906
LIABILITIES AND MEMBERS' EQUITY:						
Members' deposit	290,345,565	177,898,069	56,477,705	50,030,878	-	574,752,217
Other borrowed funds	297,940	12,367,006	5,546,856	-	-	18,211,802
Other liabilities	-	-	6,351,185	-	20,853,122	27,204,307
Members' equity	-	-	-	-	725,337,580	725,337,580
Total Liability and Members' Equity	290,643,505	190,265,075	68,375,746	50,030,878	746,190,702	1,345,505,906
Total interest rate sensitivity sensitivity gap	(99,597,701)	(114,934,092)	851,259,764	27,505,080	(664,233,051)	-
Cumulative gap	(99,587,701)	(214,531,793)	636,727,971	664,233,051	-	-
AS AT 31 DECEMBER 2004:						
Total assets	186,843,720	88,240,862	664,057,632	41,448,767	45,295,546	1,025,886,527
Total liabilities and members' equity	236,639,711	53,224,004	43,270,335	41,368,018	651,384,459	1,025,886,527
Total interest rate sensitivity gap	(49,795,991)	35,016,858	620,787,297	80,749	(606,088,913)	-
Cumulative gap	(49,795,991)	(14,779,464)	606,008,164	606,088,913	-	-

The Credit Union is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The table below summarises the Credit Union's exposure to interest rate risk. Included in the table are the Credit Union's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing or maturity dates.

The following table summaries the effective interest rate by major currencies for financial instruments of the Credit Union.

	<u>Within 3 Months</u>	<u>3 to 12 Months</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Weighted Average</u>
EARNING ASSETS -					
Liquid assets	12.40%	13.07%	-	-	12.42%
Reverse repurchase agreement	11.98%	14.22%	-	-	12.43%
Financial investments	12.15%	17.00%	13.66%	10.78%	13.30%
Loans after allowances for impairment losses	23.64%	24.06%	21.26%	19.25%	21.52%
LIABILITIES					
Members' deposits	11.74%	18.54%	12.60%	12.09%	12.73%
External credit	<u>16.54%</u>	<u>32.29%</u>	<u>15.53%</u>	<u>-</u>	<u>26.66%</u>

(c) Currency risk -

The Credit Union incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currency giving rise to this risk is the United States Dollar.

The Credit Union's foreign currency assets as at 31 December 2005 was US\$109,902 (2004 – US\$102,293).

(d) Credit exposure -

The Credit Union takes on exposure to credit risk, which is the risk that a counterpart will be unable to pay in full when due. Credit risk is inherent in loans and commitments to lend. Positions in tradable assets such as equities also carry credit risk.

The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one member and also by ensuring that cash is placed with substantial financial institution. The exposure to any one member is restricted by limits in accordance with share capital balances and is managed in part by obtaining appropriate collateral.

The following table summarises the exposure of the Credit Union by sector.

	2005 \$	2004 \$
Personal	46,771,016	210,612,718
Construction and real estate	312,392,761	157,026,876
Education	3,366,014	47,095,009
Business	727,443	12,179,732
Motor vehicle	229,867,800	179,634,526
Loan consolidator	118,878,021	-
Other	<u>329,103,313</u>	<u>145,474,667</u>
	<u>1,041,106,368</u>	<u>752,023,528</u>

24. FAIR VALUES OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Market price is the best evidence to determine fair value where an active market exists. However, since many of the Credit Union's financial instruments lack an available trading market, these instruments have been valued using present values or other valuation techniques.

Fair values are determined as follows:

- (a) The fair values of liquid assets and other receivables, payables and other liabilities maturing within twelve months are assumed to approximate to their carrying values, due to their short term to maturity.
- (b) The fair values of quoted equity investment securities are determined by reference to their market prices.
- (c) The fair values of debt and unquoted equity investment securities are estimated on the basis of pricing models or other recognized valuation techniques. These are assumed to approximate to their carrying amounts.
- (e) The fair values of loans to members, members' deposits having a fixed maturity, and other borrowed funds are estimated by comparing market interest rates when the loans were granted with current rates offered on similar loans. These are also assumed to approximate its carrying amount.
- (f) The fair value of members' deposits with no specific maturity is assumed to be the amount payable on demand at the balance sheet date.

25. INSURANCE:

(a) Fidelity Insurance -

During the year, the Credit Union had fidelity insurance coverage with BCIC Limited. The total premium for the year was \$nil (2004 - \$55,660).

(b) Life Savings and Loan Protection Insurance -

During the year, the Credit Union had life savings and loan protection insurance coverage with CUNA Mutual Insurance Company Limited. The total premium for the year was \$11,030,909 (2004 - \$9,285,653).

(c) Golden Harvest Premium Insurance Coverage -

During the year, the Credit Union had insurance coverage with Cuna Mutual Insurance Company Limited. The total premium for the year was \$3,092,817.

The policies remained in force throughout the year with all premiums being paid promptly.

26. COMMITMENT AND CONTINGENT LIABILITIES:

(a) Commitments -

(i) Loans to Members

At 31 December 31 2005, the Credit Union had commitments in respect of members, approved but not yet disbursed, amounting to \$1,723,000. There was no security in place at that date in respect of these loans.

(ii) Credit Union Fund Management Limited

At December 31, 2005, the Credit Union had an outstanding commitment towards the purchase of shares totalling \$1,874,496 in the above company.

(b) Contingent liabilities -

At December 31, 2005, the credit union issued guarantees to members in the form of letters of undertaking to vendors in respect of motor vehicle loans to members totalling \$3,502,000.

27. RELATED PARTY TRANSACTIONS:

(a) At 31 December 2005 balances relating to Board, Staff and Committee members of the Credit Union were as follows:

	<u>Number</u>	<u>Loans</u> \$	<u>Shares</u> \$
Staff	32	18,192,298	5,497,770
Directors	8	10,122,382	11,292,984
Supervisory committee	6	5,554,573	3,391,061
Credit committee	<u>4</u>	<u>5,047,578</u>	<u>2,828,968</u>
	<u>50</u>	<u>38,916,831</u>	<u>23,010,783</u>

(b) One waiver was granted during the year to one staff member. At 31 December 2005, all loans owing by Directors, Committee Members and staff were being repaid in accordance with their loan agreements.

(c) Compensation of Key Management Personnel -

The remuneration of directors and other key members of management during the year were as follows:

	<u>2005</u> \$	<u>2004</u> \$
Salaries and other short-term benefits	11,328,540	8,509,807
Post employment benefits (*)	<u>187,744</u>	<u>769,701</u>
	<u>11,516,284</u>	<u>9,279,508</u>

The remuneration of committee and other members of key management are determined by the Board of Directors, having regard to the performance of individuals and prevailing macro economic factors.

* This represents employer's contribution to the multi-employer defined benefit plans.

28. COMPARISON OF LEDGER BALANCES:

	<u>Share Capital</u> \$	<u>Members' Deposits</u> \$	<u>Loan to Members</u> \$
General ledgers	547,606,740	574,752,217	1,041,106,369
Personal ledgers	<u>547,606,740</u>	<u>574,752,217</u>	<u>1,041,106,369</u>
Difference 2005	<u>-</u>	<u>-</u>	<u>-</u>
Difference 2004	<u>-</u>	<u>21,872</u>	<u>-</u>

OPERATING EXPENSES

31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
ADMINISTRATIVE EXPENSES		
Rental	1,128,831	716,698
Motor vehicle expenses	256,378	172,047
Data processing	511,277	643,817
Audit fees (including GCT) - Current year	908,700	402,500
- Prior year	299,606	-
ATM expenses	2,274,423	854,841
Stationery and printing	722,568	969,069
Insurance	1,401,128	1,624,556
Branch office expenses	890,444	537,964
Courier fees	323,395	245,412
Cleaning and sanitation	550,718	384,656
Security registration	839,650	882,387
Repairs and maintenance	1,302,001	1,575,696
General office	1,320,834	625,313
Subscription	274,838	794,986
Security	246,386	295,466
Utilities	1,664,964	1,185,853
Telecommunications	1,757,266	1,706,287
Postage and telegrams	84,133	282,416
Taxes	7,550	12,571
Consultancy fees	1,180,051	796,050
Loss on disposal	231,689	-
Impairment - equity investments	144,262	-
Removal expenses	25,000	-
Parking fees - members	434,027	188,840
Depreciation	<u>3,473,708</u>	<u>3,090,423</u>
	<u>22,253,827</u>	<u>17,987,848</u>

OPERATING EXPENSES

31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	\$	\$
PERSONNEL EXPENSES:		
Employees' salaries and wages	24,684,067	20,218,931
Employee benefits	5,525,672	4,719,604
Education and training	1,188,384	279,037
Staff travel and related expenses	<u>2,159,973</u>	<u>1,866,933</u>
	<u>33,558,096</u>	<u>27,084,505</u>
MEMBERS' SECURITY:		
Loans and savings insurance	11,030,909	9,285,653
Golden harvest savings insurance	<u>2,920,117</u>	<u>3,092,817</u>
	<u>13,951,026</u>	<u>12,378,470</u>
MARKETING AND PROMOTION:		
Publicity and promotion	5,473,518	3,439,491
Public relations	<u>7,059,400</u>	<u>1,768,446</u>
	<u>12,532,918</u>	<u>5,207,937</u>
REPRESENTATION AND AFFILIATION:		
League and other dues	5,429,444	4,503,921
Seminars and meetings	1,193,453	2,181,755
Board of directors	953,106	708,447
Committees	1,156,307	475,544
Annual general meetings	<u>1,530,680</u>	<u>1,973,512</u>
REPRESENTATION AND AFFILIATION	<u>10,262,990</u>	<u>9,843,179</u>
TOTAL OPERATING EXPENSES	<u><u>92,558,857</u></u>	<u><u>72,501,939</u></u>