



**PUBLIC SECTOR EMPLOYEES
CO-OPERATIVE CREDIT UNION LIMITED**

"Where your financial security matters most"

ANNUAL REPORT

2017

INTEREST RATE AT
7.99%
Per Annum

GET UP TO
10
YEARS TO REPAY

PURCHASE VEHICLES
UP TO **10**
YEARS OLD

DRIVE AWAY YOUR DREAM CAR...FASTER !!!

Get up to 100% financing | Fast Approval | Flexible payment terms



MOTOR VEHICLE LOAN

*Conditions Apply



HEAD OFFICE

7-9 Union Square
Cross Roads
Kingston 5
Tel: 929-8017, 929-1845
or 9291855
Fax: 920-2148

ST. MARY

Shop 10F
Pompano Shopping Complex
Tower Isle
Tel: (876) 975-5754
or 975-5649
Fax: (876) 975-5024

ST. JAMES BRANCH

66 Claude Clarke Avenue
Montego Bay
Tel: (876) 971-2306
Fax: (876) 940-4720

MANCHESTER BRANCH

9 Ward Avenue
Mandeville
Tel: (876) 625-8583
962-7555 or 625-4240
Fax: (876) 625-8583



Email: Info@psecrreditunion.Com
Website: www.Psecrreditunion.Com
Twitter: <https://Twitter.Com/Psecuaja>
Facebook: www.Facebook.Com/Psecuaja

TABLE OF CONTENTS

| | |
|-----|----------------------------------|
| 2 | Notice of Annual General Meeting |
| 5 | Agenda |
| 6 | Parliamentary rules |
| 8 | Minutes of 49 th AGM |
| 23 | Board of Directors |
| 24 | Board of Directors' Report |
| 30 | Treasurer's report |
| 35 | Financial Statements |
| 91 | Credit Committee's Report |
| 93 | Supervisory Committee's Report |
| 95 | Nomination Committee's Report |
| 99 | Resolution |
| 100 | Meet Our Team |
| 105 | Obituary |

Notice is hereby given that the

**50TH ANNUAL
GENERAL MEETING**

of the

**PUBLIC SECTOR EMPLOYEES
CO-OPERATIVE CREDIT UNION LIMITED**

will be held on

SATURDAY, JUNE 9, 2018

at

SPANISH COURT HOTEL
1 St Lucia Avenue, Kingston 5

Commencing at 6:00 p.m.
Registration begins at 5:00 p.m.

DRESS CODE: FORMAL



Errol G. Adams, Secretary

VISION STATEMENT

To become the financial institution of choice for our members.

MISSION STATEMENT

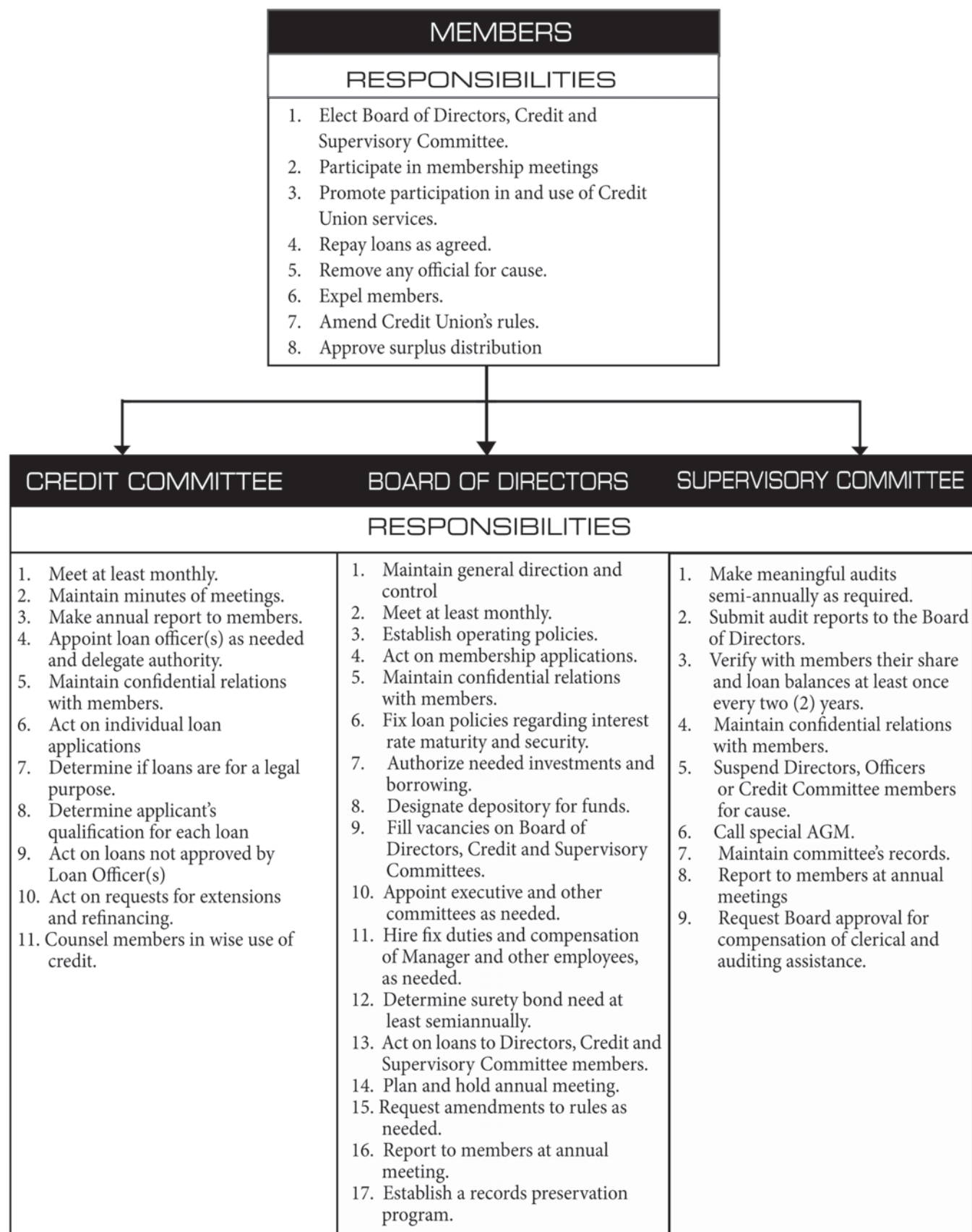
Our mission is to:

- Serve the financial needs of our members by providing high quality and competitive services while maintaining fiscal soundness
- Provide our members with products and services that are desirable and that provide value in an environment of trust and integrity.
- Provide financial counseling and responsible advice

VALUE STATEMENT

- Member Service Excellence – We strive for the highest quality service by providing all members with friendly, knowledgeable and helpful service. We use technological advancements to ensure that our members have access to a wide range of financial products and services that are tailored to meet their needs.
- Financial Excellence – We make sound decisions that will ensure financial success for our members.
- Employees – We provide a safe work environment that fosters team work, personal development, and career advancement. We respect our employees and their contribution to our success.

CREDIT UNION ORGANIZATIONAL CHART MEMBERS AND ELECTED COMMITTEES



AGENDA

5

1. Ascertaining that a quorum is present
2. Call to Order
3. Opening Prayer
4. Moment of Silence for Deceased Members
5. Welcome and Apologies
6. Dinner
7. Confirmation of Minutes of the **49th Annual General Meeting**
Held **July 8, 2017** and Discussing Matters Arising There From
8. Reports of the:
 - (a) Board of Directors
 - (b) Treasurer and Auditors
 - (c) Credit Committee
 - (d) Supervisory Committee
 - (e) Nomination Committee's Report

Election of:

Board of Directors
Delegates to JCCUL

9. Distribution of Surplus
10. Fixing of Maximum Liability
11. Appointment of Auditors
12. Awards Presentation
13. Any Other Business
14. Drawing of Prizes
15. Vote of Thanks
16. Termination

PARLIAMENTARY RULES

1. ORDER OF BUSINESS

An agenda shall be prepared by the Chairman and Secretary, and all items thereon shall take precedence over all other business. Any member desirous of introducing business for the consideration of the meeting may do so after the business on the agenda has been completed, or may give notice to be discussed at a further meeting.

2. SUSPENSION OF STANDING ORDER

In the event of any matter of urgency, however, the Chairman may accept a suspension of the Standing Order. The member moving such suspension must clearly state the nature and urgency of his business, the numbers of the standing orders affected, and the length of time he desires such suspension to last. At the option of the meeting, a further extension may be allowed, but no suspension shall take place except by majority vote of the members present.

3. MINUTES

No motion or discussion shall be allowed on the Minutes except in regard to their accuracy. After the confirmation of the Minutes, they shall be signed by the Chairman, and the members shall then be at liberty to ask questions in regard to matters arising out of them. Such questions shall be allowed for purposes of information only, and no debate on the policy outlined in the Minutes shall take place. All persons desiring the floor shall rise and address themselves to the chair. They shall state their name and the department which they represent, if recognized by the chair, they shall have the privilege of the floor and all the rights thereof.

All speakers are to make use of the microphones when addressing the Meeting in order that it be recorded and made a permanent record in the Meeting proceedings.

Should two or more persons rise at the same time, the chair shall decide, without debate, who is entitled to the floor. An accredited member shall have the right to speak and vote on all issues coming before the meeting. Persons other than accredited members, so certified, may speak with the permission of the Chair but shall not vote on any issue.

4. SPEECHES

No member shall be allowed to speak more than once upon any motion before the meeting, unless on a point of order, or explanation, except the mover of the original Motion. But on an amendment being moved, any member even though he has spoken on an original Motion, may speak on the amendment. No member for more than five minutes at a time. Members wishing to raise points of order or explanation must first obtain the permission of the Chairman and must raise immediately the alleged breach which has occurred. Any member may formally second any motion or amendment and raise his speech until a later period in the debate.

No person shall interrupt another who is speaking except on a point of order, a Parliamentary inquiry, or a point of information. If it should come to pass that a speaker is called to order while speaking, the Speaker should take his seat until the question of order is determined.

5. CHAIRMAN'S RULING

The ruling of the Chairman on any question under the Standing Orders, or on points of order or explanation, shall be final, unless challenged by not less than four members, and unless two-thirds of the members present vote to the contrary.

6. INTERRUPTION

If any member interrupts another while addressing the meeting, or uses abusive or profane language or causes disturbance at any of the meetings, and refuses to obey the Chairman when called to order, he shall be named by the Chairman. He shall thereupon be expelled from the room and shall not be allowed to enter again until an apology satisfactory to the meeting be given. A question shall not be subject to debate until it has been duly moved and seconded and is stated from the chair.

7. MOTIONS AND AMENDMENTS

The first proposition on any particular subject shall be known as the Original Motion, and all succeeding propositions on the subject shall be called amendments. Every motion or amendment must be moved and seconded by members actually present at the meeting before they can be discussed, and,

PARLIAMENTARY RULES

7

wherever possible, should be set forth in writing. It is permissible for a member to make his speech first and conclude with a motion. When an amendment shall be discussed until the first amendment is disposed of notice of any further amendment must be given before the first amendment is out to the vote.

8. SUBSTANTIVE MOTIONS

If an amendment be carried, it displaces the Original Motion and itself becomes the substantive motion, whereupon any further amendment relating to any portion of the substantive motion may be moved, provided it is consistent with the business and has not been covered by an amendment or motion which has been previously rejected. After the vote on each succeeding amendment has been taken, the surviving proposition shall be put to the vote as the main question, and if carried shall then become a resolution of the meeting.

9. RIGHT OF REPLY

The mover of the Original Motion shall, if no amendment be moved, have the right of reply at the close of the debate upon such motion. When an amendment is moved he shall be entitled to speak thereon in accordance with Standing Order No. 8 and at the close of the debate on such amendment shall reply to the discussion, but shall introduce no new matter.

The question shall then be put to the vote immediately, and under no circumstances shall any further discussion be allowed once the question has been put from the Chair. The mover of an amendment shall not be entitled to reply.

10. WITHDRAWALS OR ADDITIONS

No motion or amendment which has been accepted by the Chair shall be withdrawn without the majority vote of the meeting. Neither shall any addendum or rider be added to a motion, which has been accepted by the Chair without majority vote. Should any member dissent, the addendum must be proposed and seconded, and treated as an ordinary amendment.

11. CLOSING DEBATE

The motions for the previous question, next business, or the closure, may be moved and seconded only by members who have not previously spoken at any time during the debate. No speeches shall be allowed on such motions. In the event of the closure being carried, the mover of the Original Motion shall have the right to reply in accordance with Standing Order NO.6 before the question is put. Should anyone of the motions mentioned in this Standing Order be defeated, thirty minutes shall elapse before it can be accepted again by the Chairman, unless he is of the opinion that the circumstances have materially altered in the meantime.

12. ADJOURNMENT

Any member who has not already spoken during the debate may move the adjournment of the question under discussion, or of the meeting, but must confine his remarks to the question and must not discuss any other matter. The mover of the motion upon which the adjournment has been moved, shall be allowed the right to reply on the question of the adjournment, but such reply shall not prejudice his right of reply on his own motion.

In the event of such motion being lost, it shall not be moved again. Any member may demand a division of the question before the House, when the sense of it would permit. Any member may call for a division of the House (that is, for a roll call vote) when there appears to be a reasonable doubt as to the accuracy of the vote as announced by the Chair.

A motion to lay on the table shall be put without debate. A motion for reconsideration shall not be entertained unless at the same or following session by a member who voted on the prevailing side, and shall require a majority vote.

Any two members shall have the right to demand (by majority vote) that the room shall be cleared of all but accredited delegates to transact business of a nature that precludes premature publicity. Whispering, loud talking, or other disturbances calculated to disturb anyone while speaking will not be tolerated.

MINUTES OF THE 49TH ANNUAL GENERAL MEETING

THE 49TH ANNUAL GENERAL MEETING OF THE NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED

HELD ON SATURDAY JULY 8, 2017

AT THE

JAMAICA CONFERENCE CENTRE,
12-20 PORT ROYAL STREET, KINGSTON

Present at the Head Table were:

| | | |
|-------------------------|---|-------------------------|
| Mr. Calvin Allen | - | President |
| Miss Jeanette Davis | - | Vice President |
| Mr. George Hunter | - | Treasurer |
| Mr. Christopher Murdock | - | Asst. Treasurer |
| Mr. Errol Adams | - | Secretary |
| Miss Dacy-Ann Graham | - | Assistant Secretary |
| Mr. Eric Wint | - | Director |
| Mr. Andrew Johnson | - | Director |
| Rev. Courtney Faulknor | - | Director |
| Mr. Osmond Bromfield | - | Chief Executive Officer |

Seated on the platform and duly recognized were:-

Credit Committee

Mr. Steven Watson - Chairman, Mrs., Patsy Wallen-Lindsay - Secretary, Mr. Michael Farquharson – Member,
Mrs. Carlene Allen– Member Mr. Anthony Lewis – Member

Supervisory Committee

Mr. Nigel Davis – Chairman, Mr. Omar Drysdale- Secretary, Mrs. Sancha Miller McPherson – Member,
Mrs. Juniffer Dixon – Member, Miss. Julian Oscar – Member.

MINUTES

9

CALLED TO ORDER/ DEVOTIONS

Having ascertained that a quorum was in place the Chairman Mr. Calvin Allen, invited both the Secretary to read the notice convening the meeting and the Rev. Courtney Faulknor to do prayers and devotion. The latter was completed with the repeating of the Prayer of St. Francis.

APOLOGIES FOR ABSENCE

Apologies for absence were tendered for Directors Mr. Eric Wint who was off the island and Miss Dacy-Ann Graham who unavoidably absent and for Miss Carlene Allen a member of the Credit Committee.

OBITUARY

The Reverend gentleman continued by remembering those members who would have passed on during the rear under review. He invited the meeting to stand and share in a moment of silence in honour of the following persons:

| | |
|------------------|------------------|
| Noel Drummond | Alfanzo Cato |
| Mark Gibbs | Michael Robinson |
| Aisley Evans | Phillip Edwards |
| Judith Williams | Karen Brown |
| Mark Rose | Howard Chambers |
| Carlton Morrison | Carl McFarlane |

WELCOME AND OPENING REMARKS

The Chairman extended warm welcome to everyone present and in the process acknowledged some key persons who were visiting from other credit unions and other affiliate entities. These were: Mr. Owen Lawrence and Mr. Robert Kerr from the Jamaica Co-operative Credit Union League, Miss Lecia Millerand, Miss Taneisha Facey and Mr. Michael-David Webb from the Department of Co-operatives and Friendly Societies, Miss Sonia Taylor and Mr. Weeman Clarke from the Correctional Services Co-op. From CUNA

Caribbean Insurance there was Mr. Oswald Parkes, from the JDF Credit Union there were Mr. Howard Powell and Major Michael Anglin, from the Jamaica Police C-operative was its President Mr. Anthony McLaughlin, from UHY Dawgen there was Miss Lisa Cousins and the loyal and dedicated stenographer Mr. Carl Bryan.

The Chairman also recognized and acknowledged some stalwarts of the former Island Special Constabulary Force whom he said played integral roles during his formative years. He made mention of Former Commandant and Justice of the Peace Mr. C.N. Powell, Former Commandant Mr. James Golding, Justice of the Peace Mr. James Brown. He mentioned also Miss Brenda McFarlane, Mr. Kenneth Wright, Roy Earle, Maurice Channer, Canute Bryan, Newton Peart, Ian Bell, Ewart James, Derrick Brown and finally to rousing applause the CEO and former Commandant of the ISCF, Mr. Osmond Bromfield.

MINUTES OF THE 48TH ANNUAL GENERAL MEETING HELD JULY 23, 2016

The Minutes of the 48th Annual General Meeting held July 23, 2016 was taken as read on a motion by Miss Sophia Parkinson seconded by Mr. Maurice Channer.

CORRECTIONS AND CONFIRMATION

There were no amendments to the Minutes. They were subsequently confirmed on a motion by Mr. Derrick Brown seconded by Mrs. Nicola Thomas-Burke and was subsequently carried.

MATTERS ARISING FROM MINUTES

No matter for discussion arose from the Minutes.

MINUTES

REPORT OF THE BOARD OF DIRECTORS FOR YEAR ENDED DECEMBER 31, 2016

Background

The Chairman presented the Boards' report and highlighted the following:

The National Security Employees Co-operative Credit Union continued with its mission of improving the economic empowerment of members despite the many challenges in the financial environment. The high quality and attractive financial services and counsel were provided within the context of integrity, financial prudence, transparency and conformity with statutory regulations. The vision of becoming the financial institution of choice for members was guided by their continued support and participation which enabled the tailoring of products to meet their varied needs.

The Economy

The performance of the credit union was set against a Jamaican economy which saw some improvement in some key areas when compared to the previous year; the economy itself grew by 1.4%, inflation rate fell to 1.7%. The country recorded its 5th consecutive year of improvement in its trade account deficit and Net International Reserves. The latter closed at US\$2.8B which represented 24.7 weeks of imports. Additionally, the country would have successfully recorded 13 consecutive reviews under the Economic Reform Programme of the International Monetary Fund's Extended Fund Facility Agreement and successfully negotiated a new three year Precautionary Standby Arrangement aimed at preserving macroeconomic stability and sustained growth and job creation.

The Credit Union Movement

Despite the year being a competitive one there was improvement in the Movement's savings,

loans and assets portfolios. Additionally, there was combined (unaudited) surplus of \$1.266B representing a 43.8% increase when compared to the \$882.097M realized in 2015. The Movement started 2016 with 34 credit unions. This number declined to 32 at the end of the year as a result of mergers. Significantly, the Movement experienced growth in the following areas: Savings by 8.44% from \$68.08B in 2015 to \$73.8B in 2016, the value of outstanding loans from \$59.48B to \$63.73B a 7.15% increase over 2015, Total Assets by 7.85% to \$95.6B up from \$88.71B. The 1,000,000 mark in membership was surpassed when growth of 2.88% was realized. At the end of 2016 membership was 1,028,182.

The National Security Employees Co-operative Credit Union

The Chairman went on to highlight the success of the National Security Employees Co-operative Credit Union, which was manifested in the following areas:

- * Comprehensive Income of \$24.5M, achieved through vigilant financial navigation and hands on actions in response to the shifting operating environment.
- * Institutional Capital of 12.84% of Total Assets. He pointed out that this was above the minimum requirement of 8% set by the League and 6% as stipulated by the Bank of Jamaica.
- * Fixed Asset to Capital ratio of 37.06%.

Other key performance indicators were:

- * Total Assets moving from \$1.6B to \$1.8B, which was \$263M or 16.11% more than the previous year.
- * The Loan Portfolio increased by \$234M or 18.58% moving from \$1,260B in 2015 to \$1,495B in 2016.
- * Savings moved from \$1B in 2015 to

MINUTES

11

\$1.50B in 2016 a growth of \$149M or 14.95%

Delinquency

The Chairman reported that as at December 31, 2016 Delinquency stood at 2.15% of the Loan Portfolio. Delinquency he said was impacted by the sharp increase in the rate of resignation from the Jamaica Constabulary Force. However, effective control measures were employed to keep delinquency at a manageable level. These included the engagement of Credit Bureaus and Debt Collection Agencies and the initiating of court actions.

Risk and Compliance

In keeping with the requirement to establish and implement policies, procedures and programmes to prevent and detect money laundering and the finance of terrorist activities in compliance with the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) laws, the Board of Directors appointed a Nominating Officer. The Nominating Officer had the dual role of managing legal matters as well as Enterprise Risk Management. Throughout 2016 the credit union continued its work on the Enterprise Risk Management framework by undertaking the following measures:

- * Threshold and suspicious transaction reporting to the designated authority.
- * Know your customer, due diligence
- * Evaluation of credit union's compliance with regulations and guidance notes
- * AML/CFT and POCA training and retraining of staff.

Products and Services

The Board's commitment to provide the correct blend of products and services to the satisfaction of all members was reiterated by the Chairman. He made mention of:

- * Online Banking

- * Bill Express
- * Family Indemnity Plan Insurance

He also mentioned the three new loan products that were introduced during the period. They were; the Super Consolidation Loan, Quick 'N' Eezee Loan and the Back to School Loan. Additionally, interest rates on Real Estate and New Motor Vehicle Loans were reduced by 3% and 5% respectively.

Human Resource Development

The Boards of Directors recognizing that the human resource must be able to support and enable the execution of strategy, continued to invest in the development and training of staff and volunteers to add significant value to the credit union. To this end personnel were exposed to a number of training programmes designed to achieve the highest level of efficiency relevant to job function and to enhance the ability to give quality service and professional advice.

Staff Complement

The credit union at the end of 2016 had staff complement of 41 serving the head office and three rural branches. Throughout the year two persons were employed while three resigned and went off on retirement.

Marketing and Customer Service

The credit union throughout 2016 continued several Customer Relation Management Strategies aimed at communicating with members and soliciting their opinions and feedbacks on products, services and customer service delivery. Newsletters and brochures were used to keep members abreast of products and services, market surveys through the use of questionnaires were utilized to garner feedback on products services and customer service delivery. Members were also engaged through

MINUTES

the use of text messages, birthday greetings, emails, welcome letters to new members and on various social media platforms.

The member referral program continued throughout the period where on a monthly basis members could win prizes of \$25,000.00, \$15,000.00 or \$10,000.00 by referring a minimum of 10 persons to become members.

Corporate Social Responsibility

The Board's efforts to enhance the social and economic wellbeing of members continued with the granting of scholarships, bursaries, sponsorships and donations. A number of members, their families, charitable organizations and JCF sporting activities benefitted from outreach assistance totaling \$4.1M. Some of those activities were:

- * Members' Appreciation Day
- * Police Area Sports day and Chaplaincy Domino Tournament
- * JCF Area Netball Competition
- * Police Law Enforcement Torch Run
- * Police Federation Conference
- * Sponsorship KSAC Queen Competition
- * Grants to 73 GSAT Students
- * Four Memorial Scholarships of \$200,000.00 each.

Attendance Report

The attendance report the Chairman said showed by the number of meetings attended, the level of commitment of the members notwithstanding the fact that they were members of the JCF and the demand of work was very high.

Appreciation

In addition to the Chief Executive Officer, his management team, staff and committees, The Chairman on behalf of the Board of Directors expressed gratitude to the following groups and organizations who gave tremendous support

throughout 2016:

- * The League and its affiliate entities
- * The Department of Co-operatives and Friendly Societies
- * The Bank of Jamaica
- * CUNA Caribbean Insurance Jamaica Ltd.
- * National Union of Co-operatives
- * The Ministry of National Security Payroll Staff

Queries/Comments From The Board's Report

Mr. Derrick Brown commented that the Chairman gave such a high quality report that no room was left for queries. So on behalf of the other members he congratulated the Board on a job well done.

Mrs. Y. Wright-Heywood suggested that as it related to delinquency, the Ministry could be written to and where members had severance money to receive monies owing to the credit union could be retrieved.

Mrs. Nicola Thomas-Burke attested to the convenience of On-Line Banking saying that whilst on course in Beijing China she was able to pay her bills and conduct member to member transactions.

TREASURER'S REPORT

The Treasurer, Mr. George Hunter invited the Miss Lisa from the auditing firm UHY Dawgen to read the Auditor's report. He then presented the highlights from the report.

The Treasurer gave a brief background on the Jamaican economy making references to the growth in gross domestic products, the drop in the inflation rate, the ability of the Government to successfully negotiate a new three year Precautionary Stand-By Agreement with the IMF and pass 13 consecutive IMF tests.

MINUTES

13

The Treasurer mentioned that notwithstanding strong competition from the commercial banks and the micro financial institutions, the credit union performed well.

Portfolio Growth

Growth was recorded in all areas of operations. He highlighted Loans increased from \$1,260,890,852 to \$1,495,138,808, a monetary change of \$234,248,226 or 18.58%; Liquid Assets in 2015 was 265,299,552, it increased to \$296,279,162 in 2016, a change of \$31.049M or 11.71%; Total Savings saw increase of \$149.6 M or 15%, moving from \$1,000,443,740 to \$1,150,010,408 while Total Assets increased from \$1,635,534,188 to \$1,899,020,149, a percentage increase of 16.11%.

Income and Expenditure

The Treasurer further highlighted that in 2015 the society realized Gross Income of \$204,480,126, this increased to \$239,677,417 in 2016, a change of \$35.1M or 17.2%. Operating Expenses were \$186M in 2015 compared to \$217M in 2016, a monetary change of \$31.5M or 17%. Consequently, Net Income in 2015 was \$18.3M and \$21.99M in 2016. The change was \$3.6M or 20.07%

Delinquency

Mr. Hunter further highlighted that total delinquent loans amounted to \$32.2M. This represented 2.15% of the total loans portfolio. Notwithstanding that, the delinquency rate was within the Movement's standard of 5%. Mr. Hunter pointed out that delinquency was still a cause for concern. Consequently all possible efforts would be engaged to manage delinquency including court actions and debt collection agencies.

QUERIES COMMENTS FROM THE TREASURER'S REPORT

Mr. D. Brown commended the Treasurer for his effort. He stated that the figures showed in a significant way how much the credit union was growing. He implored members to support the credit union as much as possible especially at a time when some credit unions had to be merging to remain viable. He was thankful the credit union didn't have to contemplate merger.

The Treasurer expressed gratitude to the Board of Directors who would have showed confidence in him when he was given the responsibility of Treasurer. Thanks went out also to the CEO and staff of the credit union as also the League and other affiliated entities for the tremendous support given throughout the year.

CREDIT COMMITTEE

The report of the Credit Committee was presented by its Chairman Mr. Steven Watson. The committee held a total of 26 meetings for the year with an average 2 meetings per month. Sitting in quarterly Joint Meetings with the Board of Directors was also part of their remit. He reminded the meeting of the role of the Credit Committee that of examining and approving applications for loans above shares and to ratify those loans approved by the Credit Administration Manager. He was pleased to report that in that regard there was strict adherence to laid down rules, regulations and policies. Mr. Watson lauded the Board for being prudent in its management and for being creative and innovative as it tailored products to meet the needs of the members. Finally he extended gratitude to all those who gave tremendous support to their efforts and contributed significantly to the committee's success.

SUPERVISORY COMMITTEE

The Chairman of the Supervisory Committee Mr. Nigel Davis reminded the meeting that the

MINUTES

role of the committee was to maintain oversight of the safety and soundness of the credit union and operated independently of all groupings at the entity. Mr. Davis reported that with the contracted auditing services of the Centralized Strategic Services they were able to work tirelessly to identify potential weaknesses in the systems and controls before they became a problem. Reviews were done of the main areas of operations and subsequent reports submitted to the Board.

Generally there was adherence to established policies and procedures. Compliance with the related laws and regulations governing the credit unions operations were adequate. Where weaknesses were identified recommendations were made which resulted in improvement in the control environment thus reducing the risk of loss to the organization.

The committee was able to state with confidence that the credit union continued to maintain a high level of financial safety and soundness. The chairman pledged to remain vigilant representative of the members' interests.

ADOPTION OF REPORTS

Having taken all the reports the Chairman invited a motion for them to be adopted en bloc. The motion was moved by Mr. Roy Earle seconded by Mrs. Yvonne Wright-Heywood.

AMENDMENT TO STANDING ORDER

Subsequent to providing the justification the Chairman sought an amendment to the standings orders to treat with items 11 and 12 before item 8. This was done on a motion by Mrs. Alecia Graham-Carter seconded by Mrs. Heather Chambers-Nunes.

RESOLUTION

The Chairman invited the CEO, Mr. Osmond Bromfield to lead that aspect of the proceedings. The CEO indicated that what he would be

presenting was a notice of motion rather than a motion and explained the difference. He proceeded to explain the justification of the need for the Resolution. He mentioned:

- * The stipulation of Regulation 25 subsection (e) of the Draft BOJ Regulations.
- * Deferred Shares as a component of Capital and its discounting effect.
- * That the stable portion of our Capital Base was \$160M which meant that members should not be granted more than \$1.6M in unsecured credit based on the above Regulation.
- * The current situation where members were being granted in excess of \$2.5M in unsecured credit, a problem for the credit union if the regulation was to be enforced.
- * The provision of Rule 16 and 79 that empowered the Board to make By-Laws to treat with Permanent Shares and Deferred Shares subject to the approval of the Registrar.

The contemplated resolution read:

"Whereas the Government of Jamaica releases the latest draft of the Bank of Jamaica (Credit Union) Regulation, and;

Whereas Regulations 25 paragraph (e) of the said regulation states:-

"That the Credit Union shall not except where the credit facilities does not exceed one percent of the Credit Union's capital base, grant unsecured credit to a single member", and;

Whereas the capital base of the National Security Employees Co-operative Credit Union as at December 31, 2016 was Permanent Shares - \$66,607,416.00, Institutional Capital - \$93,697,087.00 and Deferred Shares \$83,562,365.00, a total of \$243,866,868.00, and;

MINUTES

15

Whereas the portion that is Deferred Shares is discounted by 20% each year, and;

Whereas this restriction on the credit facility of not more than 1% of our capital base to a single member will put us in problem with the supervisor of the Bank of Jamaica, and;

Whereas the Credit Union will have to cease and desist from granting any further unsecured credit to its members until it conforms with the regulations:

Be it resolved that this Annual General Meeting approved to transfer the amount that was stated as Deferred Shares to Permanent Shares as at December 31, 2016, and;

Be it further resolved that the Credit Union will continue to raise additional Permanent Shares and Deferred Shares consistent with the expected growth in its operations”.

He invited the meeting to debate the matter. Arising out of the discussions the members indicated that such an action was necessary to not satisfy the regulations but to enhance the growth of the credit union and to guarantee continued benefits for the members. Mr. Rohan James in closing his comments to that effect suggested that the time for action was now and instead of tabling the matter as a notice of motion that it be tabled as a motion for resolution. Mr. Rohan James then proceeded to move a motion to the effect seconded by Mr. Derrick Brown. The Resolution was put to the vote and was carried.

DISTRIBUTION OF SURPLUS

The Treasurer informed the meeting that the Board had recommended that the \$17,423,147 in surplus be distributed as follows:

| | | |
|-------------------------|---|-----------------|
| * Dividend on Permanent | | |
| Shares at 18% | - | \$12,000,000.00 |
| * Honoraria | - | \$2,000,000.00 |

| | | |
|-------------------|---|----------------|
| * Disability Fund | - | \$1,000,000.00 |
| * GSAT Grant | - | \$1,000,000.00 |
| * Scholarships | - | \$800,000.00 |
| * Permanent Share | | |
| Reserve funds | - | \$300,000.00 |
| * Sponsorships | | |
| and Donations | - | \$323,147.00 |

The CEO interjected and informed the meeting that he was advised that the amount allocated for the Permanent Shares Transfer Fund could be increased somewhat to accommodate any unexpected changes that might result from the decision taken earlier. The Board subsequently took the decision for the proposed distribution to be amended to reflect the increase. The amended proposal, as listed below, was accepted on a motion by Mr. D. Brown seconded by O. Bromfield. It was put to the vote and subsequently carried.

| | | |
|-------------------------|---|-----------------|
| * Dividend on Permanent | | |
| Shares at 18% | - | \$12,000,000.00 |
| * Honoraria | - | \$2,000,000.00 |
| * Disability Fund | - | \$1,000,000.00 |
| * GSAT Grant | - | \$1,000,000.00 |
| * Scholarships | - | \$800,000.00 |
| * Permanent Share | | |
| Reserve Funds | - | \$500,000.00 |
| * Sponsorships | | |
| and Donations | - | \$123,147.00 |

It must be noted that Mr. Webb from the Registrar of Co-operatives and Friendly Societies expressed concern about the procedure used to effect the amendment. After a robust discussion he acquiesced and the activity went through.

FIXING OF MAXIMUM LIABILITY

After explaining what was meant by Maximum Liability i.e. the authority to borrow if there was a need, the Treasurer reminded the meeting that Maximum Liability was set at sixteen times our capital on reserve and asked for a motion for it

MINUTES

to remain. The motion was moved by Christopher Bowen seconded by Roy Earle.

NOMINATIONS

Mr. Webb from the Registrar of Co-operatives and Friendly Societies was invited to carry out the roles of 'Director of Elections'. He explained the process relative to how the elections would be conducted. He stated that along with the persons recommended by the Nominating Committee he would be taking nominations from the floor, ballots would be distributed, votes would be taken and the elected determined by majority votes. He drew the meeting's attention to the report of the Nominating Committee which was duly established in accordance with the rules.

Board of Directors

Retiring from the Board of Directors were Mr. George Hunter, Mr. Christopher Murdock, Mr. Errol Adams and Mr. Andrew Johnson. There were no nominations from the floor so the four were returned unopposed to serve for two years.

Credit Committee

Those retiring from the credit committee were Mr. Steven Watson and Mr. Michael Farquharson. With no nominations coming from the floor, Mr. Watson and Mr. Farquharson were elected unopposed to serve for two years.

Supervisory Committee

Members of the Supervisory Committee serve for only one year. The retiring members were Nigel Davis, Omar Drysdale, Julian Oscar, Sancha Miller-McPherson and Juniffer Dixon-Gordon. No nominations came from the floor hence all five were elected unopposed to serve for one year.

The Director of Elections congratulated the newly elected persons and reminded them of

their regulatory obligation to meet within ten days and elect their various officers and to forward this relevant information to the Registrar and to any other registered society of which the credit union was a member.

On the request of the Director of Elections a motion was moved by Mr. Roy Earle seconded by Ms. Leanora Williams-Hylton for the Board of Directors to nominate delegates and alternate delegates to the Jamaica C-operative Credit Union League.

RULE CHANGE

The CEO drew the meetings' attention to the proposed amendments to the rules. He spent some time explaining the strategic thinking and intent behind the changing the name of the credit union and expanding the bond.

He mentioned inter alia that four credit unions were competing for the national security membership of about 20,000 persons while, except for teachers, nurses and postal workers, there was no credit union serving the public sector since the merger of GSSB with Churches to form First Heritage. The public sector he added employed about 100,000 members.

He was of the strong view that the emergence of the Micro Financing organizations that seemed to be eating up our market share within our own sphere of operations was because of the contraction of the credit unions. The intention he said was to exploit those opportunities that are left behind, hence the proposed amendments. The amendments to be considered were:

ARTICLE 1 - NAME AND OBJECTS CURRENT RULE

1. The name of the Society shall be National

MINUTES

17

Security Employees Co-operative Credit Union Limited (NSECCU).

TO BE AMENDED TO READ

1. The name of the Society shall be Public Sector Employees Co-operative Credit Union Limited (PSECCU).

ARTICLE II - MEMBERSHIP AND SPHERE OF OPERATION:-

CURRENT RULE

6. Every applicant for membership shall pay entrance fee of Five Hundred Dollars (\$500.00) and subscribe to a minimum of Two Thousand Dollars (\$2,000.00) in Permanent Shares and One Thousand Dollars (\$1,000.00) in Voluntary Shares. Upon acceptance of each application by the Board of Directors, the applicant shall be registered as a member. If the applicant is rejected, the entrance fee shall not be refundable.

TO BE AMENDED TO READ

6. Every applicant for membership shall pay entrance fee of One Thousand Dollars (\$1000.00) and subscribe to a minimum of Three Thousand Dollars (\$3,000.00) in Permanent Shares and One Thousand Dollars (\$1,000.00) in Voluntary Shares. Upon acceptance of each application by the Board of Directors, the applicant shall be registered as a member. If the applicant is rejected, the entrance fee shall not be refundable.

CURRENT RULE

11. A person ceases to be a member:-
 - b. On ceasing to hold at least Two Thousand Dollars (\$2,000.00) in Permanent Shares and One Thousand Dollars (\$1,000.00) in Voluntary Shares;

TO BE AMENDED TO READ

11. A person ceases to be a member:-
 - b. On ceasing to hold at least Three Thousand Dollars (\$3000.00) in Permanent Shares and One Thousand Dollars (\$1000.00) in Voluntary Shares;

ARTICLE VI - RECEIPT & DISBURSEMENTS

CURRENT RULE

21. All receipts and disbursements shall be supported by the proper vouchers, and all disbursements in excess of Three Thousand Dollars (\$3000.00) shall be made by cheque.

TO BE AMENDED TO READ

21. All receipts and disbursements shall be supported by the proper vouchers, and all disbursements in excess of Five Thousand Dollars (\$5000.00) shall be made by cheque.

MINUTES

ARTICLE IX - CREDIT COMMITTEE

CURRENT RULE

45. The Credit Committee by resolution concurred in by all members of the said Committee and a majority of the members present at a General Meeting may delegate to the Treasurer the power to make loans to members, provided the amount of any such loan shall not exceed Two Thousand Dollars (\$2,000.00) and the period of the repayment shall not exceed thirty days; provided also that the member is in good standing. The Treasurer shall furnish to the Credit Committee a record of each loan made and such records shall become a part of the records of the Committee.

AMENDED TO READ

45. The Credit Committee shall ratify all loans approved by the Credit Administration Manager and any other officer falling below him/her. The Credit Administration Manager shall furnish to the Credit Committee a record of each loan made and such records shall become a part of the records of the Committee.

ARTICLE XI - OFFICER:- CURRENT RULE 51

ii. The TREASURER shall be the Managing Director of the Society under the control and direction of the Board of Directors. Before entering upon his duties he shall furnish a surety bond for the faithful performance of his duties in such amount as shall be determined by the Board of Directors as provided for in Article VIII Rule 37 (l) the premium of which shall be paid by the Society, subject to such limitations and control as may be imposed by the Board of Directors it shall be the duties of the Treasurer;

a. to have custody of all funds, security, valuable papers and other assets of the

Society, except his own surety bond which shall be in the custody of such other persons as the Board of Directors may designate;

- b. to sign all Cheques, Notes, Drafts and other negotiable or transferable instruments drawn by the Society as required in the process of its business;
- c. to keep and maintain a full and complete record of all the transactions of the Society and to have custody of all the books of accounts, vouchers, bonds, securities etc., to be at all times open to the inspection of the Board of Directors and the Supervisory Committee;
- d. to prepare a Trial Balance of the General Ledger within ten (10) days of the close of each month which Trial Balance shall be posted in the office of the Society until replaced by the Trial Balance for the succeeding month;
- e. to prepare within fifteen (15) days of the close of each half year a statement of the Profit and Loss Account and the Balance Sheet which statement shall be certified by at least two members of the Supervisory committee and shall be posted in a Prominent place in the office of the Society until replaced by the statement for the succeeding half-year.
- f. to receive all monies paid in to the society and, within forty-eight (48) hours after receipt, deposit all funds in his possession in the Bank or Banks of deposit prescribed by the Board of Directors;
- g. to see that all Promissory Notes, Drafts, or any other negotiable instruments drawn in favour of the Society, are properly prepared;

MINUTES

19

- h. to do all other such duties as pertain to the Office of Treasurer.

TO BE AMENDED TO READ RULE 51.

ii. The TREASURER: The Treasurer shall maintain oversight responsibility of the financial affairs of the Society and should be sufficiently qualified to carry out such responsibilities. He shall ensure that the financial responsibilities as delegated to Management are effectively administered in keeping with best practices, current financial reporting standards and other standards as may be required from time to time by the Regulators.

ARTICLE XIII - ELECTIONS CURRENT RULE 64

- i. Not less than thirty (30) days prior to each Annual General Meeting, the Board of Directors shall appoint a Nominating Committee of three (3) members, of which not more than one may be a member of the existing Board of Directors. It shall be the duty of the nominating Committee to nominate at the vacancy for which elections are being held.

AMENDED TO READ

64. A nominating Committee shall be appointed by the Board of Directors at least ninety (90) days prior to each Annual General Meeting (AGM) and shall consist of at least three (3) members, but not more than seven (7) members.

- (a) Not less than Eighty (80) days prior to the AGM the Nominating Committee shall meet to consider the following:
- (i) The vacancies that will arise at the AGM on the Board of Directors, the Credit Committee and the Supervisory Committee
 - (ii) A preliminary list of nominations to be

made to fill such vacancies.

- (iii) All other matters and procedures related to the filling of such vacancies.
- (b) Not less than seventy-five (75) days prior to the AGM the Nominating Committee shall notify the membership in writing of the vacancies for the Board, Credit, and Supervisory Committees and invite nominations to be made for each vacancy by petition on the prescribed form that must be signed by at least five (5) members. The committee may use electronic mail to notify members who have opted to receive notices or statements electronically.
- (c) The written notice shall state the closing date for receiving nominations by petition. In all cases, the period for receiving nominations by petition shall extend at least thirty (30) days from the date the petition requirements are mailed to all members.
- (d) The written notice shall indicate that there will be no nomination from the floor.
- (e) Upon consideration of all nominations made and received by petition the Nomination Committee shall interview and recommend at least one (1) member for each vacancy
- (f) The Nomination Committee shall file the nominations with the Secretary of the Credit Union at least forty (40) days before the Annual General Meeting.

- (g) Each nominee by petition must include statement of qualifications and biographical data with the petition. To be valid, nominations by petition must be accompanied by a signed certificate from the nominee or nominees stating that they are agreeable to the nomination and will serve if elected to Office.

MINUTES

- (h) The Nominating Committee shall have the authority to include candidates not nominated by petition among those to be considered by the Committee, and of its own accord seek suitable candidates to fill vacancies on the various Committees.
- (i) Members of the Nominating Committee shall not be eligible for nominations.
- (j) The Nominating Committee shall act in accordance with the Terms of Reference Policy of the Credit Union in its selection of each nominee
- (k) A member seeking nomination to hold office shall be disqualified if:
 - (i) He fails to satisfy the Registrar and/or the Supervisor that he is a fit and proper person to perform corporate governance functions
 - (ii) He has a dormant or inactive account for at least six (6) months.
 - (iii) His membership within the society is not more than six (6) months, provided that he is an active member for more than 6 months in another co-operative society.
 - (iv) His membership in any other co-operative society at the time of the Nominating Committee's deliberations has been judged delinquent.
- (l) The Secretary of the Board of Directors will no later than thirty (30) days prior to the AGM notify the members in writing or by way of electronic mail of the nominations recommended by the Nominating Committee. The notice shall also be posted in a conspicuous place in the Credit Union office.

- (m) A brief statement of qualifications and biographical data in a form approved by the Board of Directors shall be included for each nominee recommended by the Nominating Committee.

- (n) The final selections with the terms of office shall be presented at the AGM by the Nominating Committee.

CURRENT RULE

64.

- ii. After the nominations of the Nominating Committee have been laid before the members, the Returning Officer shall call for nominations from the floor. When the nominations are closed, tellers shall be appointed by the Returning Officer, ballots shall be distributed, the votes shall be taken and tallied by the tellers, and the results announced.

AMENDED TO READ

64.

- ii. After the nominations of the Nominating Committee have been placed before the members, a Returning Officer shall be appointed by the Chairman and will preside over the elections. If sufficient nominations are recommended by the Nominating Committee to provide at least as many nominees as positions to be filled, the election shall not be conducted by ballot and the returning officer shall declare each nominee elected by general consent or acclamation at the meeting. In the event there are more nominations recommended by the Nominating Committee than the number of vacancies available there shall be voting by ballot. The returning officer shall be responsible for appointing tellers, distributing ballots, conducting and tallying the vote and announcing the results.

MINUTES

21

CURRENT RULE

64.

iv. Nominations shall be in the following order:

- a. nominations for members of the Board of Directors;
- b. nominations for Credit Committee Members;
- c. nominations for Supervisory Committee Members. Elections may be by separate ballots following the order of the nominations or, if preferred, may be by ballot.

AMENDED TO READ

64.

iv. Elections shall be in the following order:

- a. Elections for members of the Board of Directors;
- b. Elections for members of the Credit Committee;
- c. Elections for members of the Supervisory Committee;
- d. Delegates and Alternate Delegates to the League or any affiliated organizations shall be determined by the Board of Directors.

ARTICLE XX SEAL:-

CURRENT RULE

71. The Board of Directors shall adopt for the use of the Society a distinctive Seal having the name of the Society inscribed thereon. Subject to the provision of the law and regulation the Board of Directors may borrow from any source on such security on such terms of repayment as they think fit, provided the total amount borrowed shall not exceed 16 times the Permanent Capital and Reserve.

I. The Seal of the Society shall at all times remain in the custody of the Treasurer at the Registered Office of the Society.

II. The Seal of the Society shall not be affixed to any document except by the authority of a resolution of the Board of Directors and in the presence of at least two members of the Board of Directors and the Secretary of such other person as the Board of Directors may appoint for the purpose; and the two (2) members of the Board of Directors and the Secretary or other person as aforesaid shall sign every document to which the Seal of the Society is so affixed in their presence.

TO BE AMENDED TO READ

71. The Board of Directors shall adopt for the use of the Society a distinctive Seal having the name of the Society inscribed thereon. Subject to the provision of the law and regulation the Board of Directors may borrow from any source on such security on such terms of repayment as they think fit, provided the total amount borrowed shall not exceed 16 times the Permanent Capital and Reserve.

I. The Seal of the Society shall at all times remain in the custody of the Chief Executive Officer at the Registered Office of the Society.

II. The Seal of the Society shall not be affixed to any document except by the authority of the Board of Directors.

Moved by Mr. O. Bromfield
Seconded by Mr. G. Hunter

MINUTES

After discussions the amendments were put to the vote and were carried as follows:

| | | |
|----------------------|---|--------------------------------------|
| Rules 1, 4, 6 and 11 | - | 136 For, 0 Against and 20 Abstaining |
| Rule 64 | - | 121 For, 0 Against and 35 Abstaining |
| Rule 45, 71 | - | 120 For, 0 Against and 36 Abstaining |

APPOINTMENT OF AUDITORS

The Chairman sought and received the approval of the AGM for UHY Dawgen renamed Crowe Horwath to continue as auditors for the credit union.

PRIZES

The Chairman stated that there were some prizes to give away and would be given to members who could correctly answer questions to be given by the Marketing Manager. Prizes were won by Mrs. Sylvanny Williams-Walters, Ms. Sashane Morrison and Mr. Cecil Hinds.

Cash prizes were drawn and the following persons were winners:

| | | |
|----------------|---|------------------|
| * First Prize | - | Patricia Johnson |
| * Second Prize | - | Delroy Grant |
| * Third Prize | - | Heron Tater |

VOTE OF THANKS/ADJOURNMENT

Director Andrew Johnson ably delivered the vote of thanks after which the Chairman having exhausted the agenda adjourned the meeting at 4:10pm.



.....
Errol G. Adams
Secretary

Board of Directors

23



Seated: L-R - Dacy-Ann Graham - Asst Secretary, Calvin Allen - President, Jeanette Davis - Vice President

Standing :L-R- Christopher Murdock - Asst Treasurer, Courtney Faulknor - Director, Errol Adams - Secretary Andrew Johnson - Director, Eric Wint - Director

Missing: George Hunter - Treasurer

BOARD REPORT



Calvin Allen MSc. - President

I'm pleased to report on behalf of the Board of Directors of the Public Sector Employees Co-operative Credit Union Limited (PSECCU) to report that not withstanding the various challenges in the financial environment, the PSECCU recorded another successful year of operations, with growth of 11% in total asset. This success was through careful financial navigation and proactive actions to the changing environment, whilst still meeting our members' financial need and satisfaction.

we continue our mission of improving the economic empowerment of our members by providing high quality, attractive financial services and responsible counsel whilst acting with values of integrity, financial prudence, transparency and in conformity with statutory regulations.

The Jamaica Economy Performance

Information from the Bank of Jamaica Website and Statistical Institute of Jamaica (STATIN) as at end-2017 indicated that the Government was firmly on track to achieve its targets under the 3-

year precautionary Stand-By Arrangement (SBA) with the International Monetary Fund (IMF).

For 2017, all five indices of the Jamaica Stock Exchange (JSE) increased, four of which increased at a faster pace in comparison to 2016. Jamaica's economy is projected to grow in 2018 at a faster rate than recorded in 2017 largely reflecting increased volume utilization in the mining industry, recovery in the agriculture sector and the impact of on-going structural reforms.

The economy performed as follows:

- The Consumer Price Index was 5.2 per cent for the calendar year 2017 up from 1.7 percent in 2016 and Improvement in business and consumer confidence was reported for 2017.
- The exchange rate appreciated by 2.8 per cent in 2017 compared to a depreciation of 6.3 percent in 2016. There was a general decrease in interest rates on Treasury Bills. Specifically, the weighted average yields on GOJ 90-days, 180-days and 270-days T-Bills decreased by 150 basis points(bps), 193 bps and 129 bps to 4.18 per cent, 4.63 per cent and 5.45 per cent, respectively.
- Growth in the Gross Domestic Product (GDP) of 0.5 percent in 2017 compared to the 1.5 percent in 2016.
- Unemployment declined by 1.5 percentage points to an average of 11.7 percent for 2017. This was the lowest recorded rate of unemployment since 2008.
- Jamaica's current account deficit worsened in 2017 to 3.0 per cent of GDP relative to 1.2 percent Of GDP in 2016. The deterioration was largely underpinned by an increase in spending on imports.

BOARD REPORT

25

- Jamaica's Balance of payments recorded improvement in 2017. NIR closed the year at US \$3.2B representing 27 weeks of imports putting the country in a better position to withstand external shocks.

Credit Union Movement Performance

At December 2017 the number of credit unions in Jamaica contracted to 28 following three (3) mergers during the year. The movement continued to perform laudably in relation to a number of its key result areas with assets growing by 8% to close the year at S 103.7B; savings growing by 9% to \$80.58; and loans by 12% to 572.4B. Profitability increased, recording growth in the ratio of net surplus to average assets. The ratio increased from 1.37% to 1.86% which represented an increase of 36% over prior year.

The Movement continued to register growth in other key performance areas during 2017 including Asset Quality; Solvency; and Capital Adequacy.

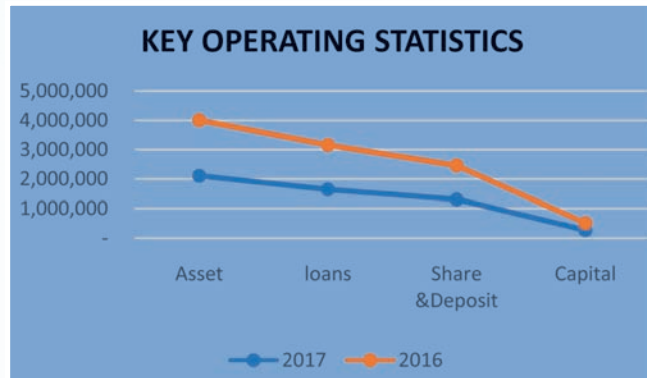
The Bank of Jamaica Credit Union Regulations was still not passed in 2017 but the movement expect that it will be passed in 2018.

The Public Sector Employees Co-operative Credit Union Limited Performance

The Public Sector Employees Co-operative Credit Union Limited recorded another successful year of operations, resulting comprehensive income of \$8.5M and asset growth of eleven percent (11%) during 2017. This achievement was through vigilant financial steering and pro-active actions to the dynamics in our operating environment, whilst still meeting our members' financial needs and delivering superior products, to improve their financial wellbeing.

CAPITAL BASE

We continue to work in readiness for The Bank of Jamaica(BOJ) Regulation. Capital adequacy is the main requirement for licensing under BOJ Credit Union Regulation and our Institutional Capital stands at 11.95% which is above the minimum requirement set by Jamaica Co-operative Credit Union league (JCCUL) PEARLS standard and Bank of Jamaica (BOJ) primary ratio of 8% and 6% respectively. Our Fix Asset to Capital Ratio is 33% which is within the BOJ standard of less than 50%.



FINANCIAL PERFORMANCE IN KEYS OPERATING AREAS

The key performance of the Credit Union resulted in total assets moving from \$1.8B to \$2.1B, an increase of \$207M or 11% in 2017 when compare to the previous year. The loan portfolio increased by \$234M or 9% in 2017, moving from \$1.495B in 2016 to \$1.630B in 2017. The savings portfolio moved from \$1.150B in 2016 to \$1.309B 2017; a growth of \$159M or 14% as highlighted in table 1 below:

BOARD REPORT

Table 1 - Key Operating Statistics

| Key Operating Statistics | 2017 | 2016 | Change | Change (%) |
|-----------------------------|-----------|-----------|----------|------------|
| Membership growth | 8620 | 8082 | | |
| | | | (\$'000) | (%) |
| Total Assets | 2,106,659 | 1,899,020 | 263,486 | 11 |
| Net Loans to members | 1,630,140 | 1,495,139 | 234,248 | 9 |
| Savings (Shares & Deposits) | 1,309,367 | 1,150,010 | 159,357 | 14 |
| Institutional Capital | 266,996 | 243,867 | 23,129 | 9.5 |
| Delinquent loans | 26,034 | 32,209 | 6,418 | 19 |
| Delinquent loan provision | 16,465 | 15,101 | 1364 | |

DELINQUENCY

The Credit Union continues to be impacted as the sharp increase in the resignation rate of the members of the Jamaica Constabulary Force (JCF) continues. However, effective delinquency control measures were employed to keep delinquency at minimum such as contracting the services of the two additional Credit Bureau and as at December 2017 the delinquency stood at 1.6% of our loan portfolio. We have filed court cases against the delinquent individuals as we are ardent about keeping this portfolio to a minimum and below Credit Union Movement PEARLS standard of 5%.

RISK AND COMPLIANCE

Credit Unions are required to establish and implement policies, procedures and programmes to prevent and detect money laundering and finance of terrorist activities in compliance with the Jamaica Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) laws. In keeping with this, we have appointed a Nomination Officer, who has the dual role of managing legal matters as well as enterprise risk management. Additionally, we continue to develop Enterprise Risk Management in the

Credit Union is to ensure that significant risks undertaken to increase profitability are adequately identified and managed. At the core of this is the identification of the Credit Union's key risks through the use of the risk register and also consistently updating the policies and procedures to manage the identified risks.

The Credit Union also continues to maintain a high level of compliance with all laws and regulations relating to its operations. Throughout the year 2017, the Credit Union continued its work on the improvement of the Enterprise Risk Management Framework and measures taken included:

- * Threshold and suspicious transaction reporting to the designated authority
- * Know your customer due diligence (updating customer information)
- * Employees Integrity awareness
- * Evaluation of the Credit Union's compliance with the regulations and guidance notes
- * AML/CFT & POCA training and re-training were undertaken with staff to guide employees

BOARD REPORT

27

PRODUCTS AND SERVICES

The Board of Directors is committed to providing the correct blend of products and services to the satisfaction of all our members and as such we continue to provide a wide range of products and services. We have launched our online banking where you can transfer funds, check account balances and pay bills online in the comfort of your home or from anywhere in the world.

In keeping with our vision of being the financial institution of choice the Credit Union continues to provide supplementary services such as the Bill Express facility and Family Indemnity Plan Insurance (FIP), Critical Illness Insurance and Group Life Insurance. We offer secure and unsecured loans for all purposes and savings that attract the most competitive rate of return in the market. Three new loan products were also introduced namely; the Super Consolidation loan, Quick 'n' Eezee loan, and Back 2 School loan. We have also reduced the interest rate on home & land acquisition loans to 7.99%, Home Equity Loans to 8.99% and Motor Vehicle Loans to 7.99%. We've also partnered with NHT to be able to offer up to \$1.5M to members earning less than \$30,000.00 per week to assist with home acquisition deposit, repairs, purchase solar panels etc.

STAFF DEVELOPMENT

The Board of Directors continues to invest in the development and training of Directors, Committee Members, Management and Staff to add significant value to the Credit Union. We are cognizant that Human Resource must be able to support and enable the execution of strategy through building organizational capability. Hence, we ensured that our Committee Members, Management and Staff were being

trained to highest level of efficiency relevant to their job function to be able to give quality service and professional advice to you our membership.

Several internal training sessions were conducted covering areas such as Customer Service/Sales and Cross Selling, Customer Charter and Complaints Procedure, Proceeds of Crime Act (POCA), Management Policy and Products and Services Overview. Board of Directors, Management, Staff and Committee members also participated in training programmes conducted by the Jamaica Co-operative Credit Union League. These included: Financial Instrument (IFRS9), Credit Administration, Classification and Provisioning & Non-Accrual Requirement Workshop, Insolvency Act Awareness Session, Business Continuity Planning and Sensitization Workshop, Audit Technique for Supervisory and Internal Auditor, Orientation for New Credit Union Staff, Delinquency Management, and meeting Protocols for Credit Union Presidents and Secretaries.

Staff Complement

At the end of 2017, the credit union had a total staff complement of forty-three (46) employees operating from the head office and three rural branches, which includes the employment of four (4) new employees. Throughout the year eight (8) persons were employed, one (1) employee resigned, and one (1) dismissed.

MARKETING AND CUSTOMER SERVICE

The opinion of our members is very important and gives us the opportunity to ascertain their feedback on our products and services and our customer service delivery. This was captured by conducting market surveys through questionnaire additionally members were kept

BOARD REPORT

abreast of all products and services and changes within the Credit Union via quarterly publication of our newsletters and brochures.

The Credit Union continues several Customer Relationship Management (CRM) strategies by sending text messages, birthday greetings, emails and welcome letters to new members as well as engaging our members on various social media platforms such as Facebook and Twitter. The Member Referral program continues and members entering the competition were required to refer a minimum of ten (10) new members on a monthly basis for a chance to compete and win cash prizes of Twenty-Five Thousand Dollars (\$25,000), Fifteen Thousand Dollars (\$15,000) and Ten Thousand Dollars (\$10,000).

CORPORATE SOCIAL RESPONSIBILITY

We continued in our effort to enhance the socio-economic well-being of our members through the granting of scholarships, bursaries, sponsorships and donations. A number of members, their families, charitable organizations and JCF sports activities and projects benefited from outreach assistance totaling Three Million Seven Hundred Thousand Dollars (\$3.7).

These included:

- * Police Federation Conference
- * Police Area Sports Day and the chaplaincy services domino tournament.
- * Police Law Enforcement Torch Run
- * 76 GSAT students received grants.
- * Four members received memorial scholarships. (The Leroy Burnett, Lincoln Grant & D'Sent Nicholas and Leonie Smythe-Melhado Memorial Scholarships for \$200,000 each.)

Conclusion

We are aware of the operating environment and have implemented the necessary strategies to achieve expense density, greater income generation and improved productivity to provide a cushion and complement to our members against the impact of the economic difficulties. We remain committed to developing creative, comprehensive and suitable products and services to meet your every need, while practicing all tenets of Prudential Financial administration.

Board of Directors Attendance Report

Attendance at the Directors' Meeting for the period January to December 2017 shown below.

| NAMES | ATTENDANCE | MEETINGS HELD | EXCUSED |
|---------------------|------------|------------------|---------|
| Calvin Allen | 13 | 13 | - |
| Jeanette Davis | 11 | 13 | 2 |
| George Hunter | 11 | 13 | 2 |
| Christopher Murdock | 13 | 13 | - |
| Errol Adams | 10 | 13 | 3 |
| Dacy-Ann Graham | 9 | 13 | 4 |
| Eric Wint | 12 | 13 | 1 |
| Courtney Faulknor | 11 | 13 | 2 |
| Andrew Johnson | 9 | 13 | 4 |

BOARD REPORT

29

APPRECIATION

On behalf of the Board of Directors, I wish to thank the many individuals and organizations who partnered with us throughout the year 2017. Namely the Credit Union League, Credit Union Fund Management Company, Centralized Strategic Services, Department of Co-operatives & Friendly Societies, CUNA Caribbean Insurance Jamaica Ltd, National Union of Co-operatives and the Ministry of National Security payroll staff.

We could not have done it on our own and so special appreciation goes out to our Chief Executive Officer, Mr. Osmond Bromfield and his capable management team and staff for their prudent performance throughout the year. We thank the Credit and Supervisory Committees for their assistance throughout the year and most of all, to you the general membership for your support over the period. We will continue to serve you well and we look forward to serving you again.



Calvin Allen (Mr.)
PRESIDENT

Treasurer's Report



**George Hunter BSc., ASc.
Treasurer**

The Jamaican Economy continued its slow rebound as it recorded growth for the fifth consecutive year with gross domestic product (GDP) increasing by 0.5% for the year ended December 31, 2017, which was below the expected growth of 1.7%. The inflation rate remained low and closed the year at 5.2%, however that was more than 200 times higher than the 1.7% recorded for 2016. The Jamaican dollar appreciated by 2.7% compared to the depreciation rate of 6.7% during the corresponding period for 2016. For the year ended December 2017 the Jamaican Dollar closed the year at J\$125 to US\$1.

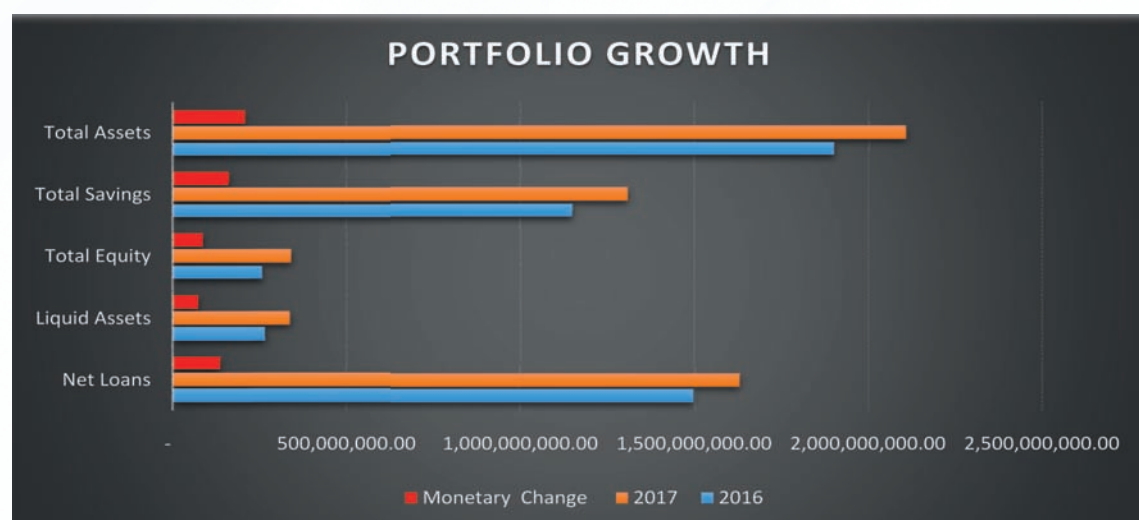
The Public Sector Employees Co-operative Credit Union Limited performed admirably despite the economic challenges stated above. When compared to the competition namely the commercial banks and the

micro financial institutions, we grew at a faster rate than the industry in the key areas of loans, deposits and total assets, where the industry recorded growth rates of 7.4%, 11.5% and 8.9% respectively. The Credit Union recorded growth in all areas of its operations as shown below.

Table 1 – Portfolio Growth

| | 2017 | 2016 | Monetary Change | Change % |
|------------------------|------------------|------------------|-----------------|----------|
| Loans | 1,630,140,104.00 | 1,495,138,808.00 | 135,001,296.00 | 9.03% |
| Liquid Assets | 335,711,271.00 | 264,803,842.00 | 70,907,429.00 | 26.78% |
| Total Equity | 340,737,865.00 | 256,684,217.00 | 84,053,648.00 | 32.75% |
| Total Savings/Deposits | 1,309,366,930.00 | 1,150,010,408.00 | 159,356,522.00 | 13.86% |
| Total Assets | 2,106,659,127.00 | 1,899,020,149.00 | 207,638,978.00 | 10.93% |

Figure 1 –Portfolio Growth



Treasurer's Report

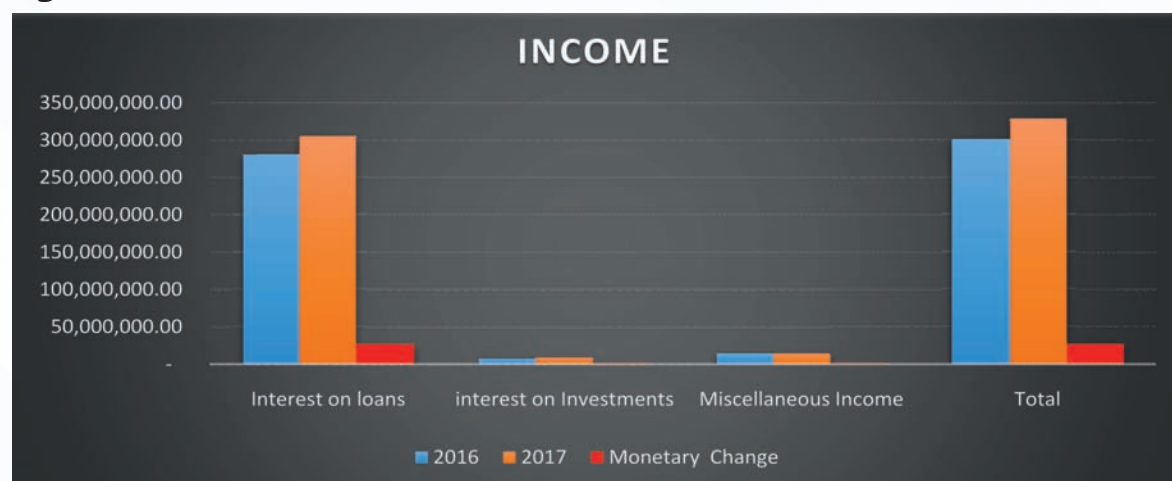
31

As displayed in the table above loans grew by 9.03%, liquid assets by 26.78%, equity by 32.75%, savings by 13.86% and total assets by 10.93% over the year ended December 31, 2017. The level of growth was below the levels recorded for 2016, however with a higher inflation rate of 5.2% the Credit Union did well as it managed to better the Credit Union Movement's averages asset growth of 8.8% by growing at 10.93% or 2.23% higher in its total assets.

Table 2 – Income

| | 2017 | 2016 | Monetary Change | Change % |
|-------------------------|----------------|----------------|-----------------|----------|
| Interest on loans | 306,052,040.00 | 280,367,215.00 | 25,684,825.00 | 9.16% |
| interest on Investments | 7,640,825.00 | 7,116,099.00 | 524,726.00 | 7.37% |
| Miscellaneous Income | 14,288,240.00 | 13,866,574.00 | 421,666.00 | 3.04% |
| Total | 327,981,105.00 | 301,349,888.00 | 26,631,217.00 | 8.84% |

Figure 2



The table above shows that the credit union improved in all its income generating areas during 2017 when compared to 2016. Total income increased by 8.84% or \$26,631,217 which was fueled mainly by the increase in Loan's interest income of 9.16% or \$25,684,825. The growth in interest income was in line with the growth rate in loans of 9.03% or \$135,001,296. The Credit Union's continued expansion within the Public Sector should result in significant loans growth in years to come and subsequently result in increased income.

Cost of Funds

The cost of funds for the year 2017 increased significantly by \$13,519,348.49 or 22.80% while interest paid to members deferred shares decreased by 20.52% and interest cost on deposits increased by 27.67%. Our Credit Union continues to promote equity investment as a means to ensure Capital Adequacy and simultaneously mobilize savings for liquidity purposes in anticipation of the Bank of Jamaica fully regulating for the Credit Union Movement. The growth in deposits realized was not enough to cover all liquidity needs and as a result external credit costs increased by 23.72%, a trend we expect to be reverse in 2018 with the continued double digit growth in deposits.

Treasurer's Report

Table 3 – Cost of Funds

| | 2017 | 2016 | Monetary Change | Change % |
|------------------|---------------|---------------|-----------------|----------|
| Savings Deposits | 27,030,184.00 | 21,171,239.00 | 5,858,945.00 | 27.67% |
| External Credit | 40,887,314.64 | 33,049,046.00 | 7,838,268.64 | 23.72% |
| Deferred Shares | 3,621,417.00 | 4,556,409.00 | (934,992.00) | -20.52% |
| Bank Charge | 1,287,837.85 | 530,711.00 | 757,126.85 | 142.66% |
| Total | 72,826,753.49 | 59,307,405.00 | 13,519,348.49 | 22.80% |

The table and chart below shows the comparative analysis of the operations of the Credit Union in terms of income and expenditure for 2017 against 2016. The credit Union recorded net income of \$9,531,377 compared with \$21,994,503 a change of \$12,413,126 or 56.57%. The shortfall was due mainly to the increase in interest expense which should be reduced by 50% once the deposits and capital surpass the level required to reduce the need to external credits.

Table 4- Profitability

| | 2017 | 2016 | Monetary Change | Change % |
|--------------------|----------------|----------------|-----------------|----------|
| Gross Income | 253,789,737.00 | 239,677,417.00 | 14,112,320.00 | 5.89% |
| Operating Expenses | 244,258,360.00 | 217,682,914.00 | 26,575,446.00 | 12.21% |
| Net Income | 9,531,377.00 | 21,944,503.00 | (12,413,126.00) | -56.57% |

Figure 3

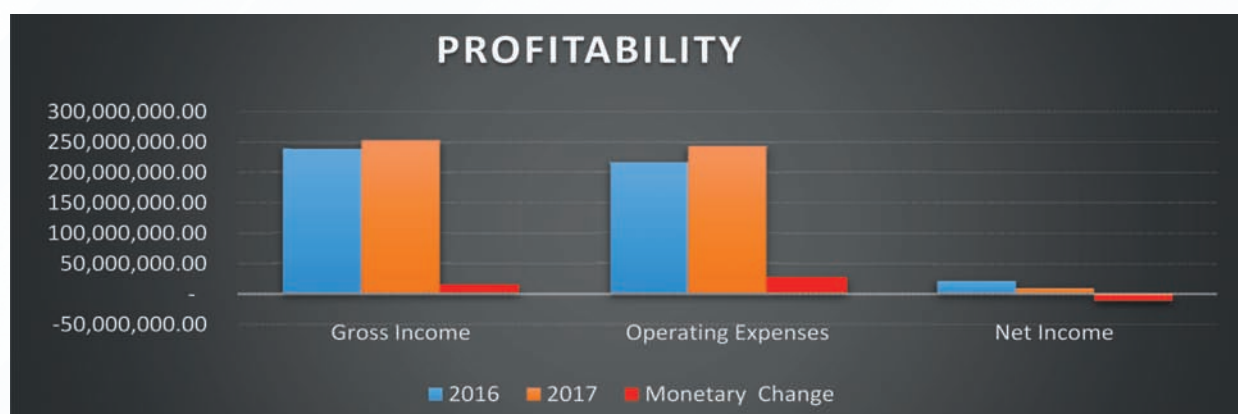


Table 5 - Expenditure

| | 2017 | 2016 | Monetary Change | Change % |
|----------------------------|-------------|-------------|-----------------|----------|
| Personnel Cost | 151,792,867 | 135,768,589 | 16,024,278 | 11.80% |
| Members' Insurance | 16,009,911 | 13,801,116 | 2,208,795 | 16.00% |
| Marketing & Promotions | 3,904,090 | 4,717,936 | (813,846) | -17.25% |
| Administrative Expenditure | 48,036,432 | 37,782,780 | 10,253,652 | 27.14% |
| Affiliation Expenditure | 24,515,060 | 25,612,493 | (1,097,433) | -4.28% |
| Total | 244,258,360 | 217,682,914 | 26,575,446 | 12.21% |

Treasurer's Report

33

Expenditure

The above table shows that expenditure increased by a lower rate at \$26,575,446 or 12.21% during 2017 compared to \$31,520,418 or 16.93% for 2016. Despite the 5.2% increase in inflation the Credit Union managed to curtail cost and minimize the impact of inflation by slowing the growth rate of overall costs to the Credit Union.

While, the provision for loan loss improved to \$1,364,614 compared to \$2,365,914 a change of \$1,000,452 or 42.30% when compared to 2016 we remain resolute to reducing it further. It must however be noted that we are still faced with the continued resignation of members of the Jamaica Constabulary Force due mainly to migration.

Table 6 - Delinquency

| | 2017 | 2016 | Monetary Change | Change % |
|------------------------|--------------|--------------|-----------------|----------|
| Total Delinquent Loans | 26,034,754 | 32,209,204 | (6,174,450) | -19.17% |
| Loan Loss Allowance | 16,465,949 | 15,101,335 | 1,364,614 | 9.04% |
| Loan Loss Provisioning | 1,364,614.00 | 2,365,066.00 | (1,000,452) | -42.30% |

Delinquency

Delinquent loans declined to \$26,034,754 or 1.6% of total loans during 2017 compared to \$32,209,204 or 2.15% at the end of 2016. While the reduction is a move in the right direction efforts will continue to ensure delinquency is maintained at the minimum possible level by taking action against delinquent members including court action and engagement of debt collection agencies.

Acknowledgement

I would like to express my gratitude to the members of the Board of Directors who have entrusted me with the responsibility of Treasurer. Your enthusiasm, commitment and support were inspiring. I am thankful to the management and staff for their dedication, loyalty and hard work which has contributed to another successful year for the Credit Union. To the Department of Co-operatives and Friendly Societies, Crowe Horwath Chartered Accountants and the Jamaica Co-operative Credit Union League for your support throughout the year.

To all members of the Public Sector Employees Co-operative Credit Union, immeasurable appreciation and sincerest gratitude is extended to you for electing me to serve as a member of the Board of Directors and for your kind support through the year.



George Hunter
Treasurer



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

(An Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)

2 MUSGRAVE AVENUE
KINGSTON 10

ANY REPLY OR SUBSEQUENT REFERENCE
TO THIS COMMUNICATION SHOULD BE
ADDRESSED TO THE PERMANENT
SECRETARY AND THE FOLLOWING
REFERENCE QUOTED:-

TEL: 927-4912/927-6572
or 978-1946 Fax: 927-5832
E-mail: dcfs@cwjamaica.com

S1

R 335/-343/04/18

April 10, 2018

The Secretary
Public Sector Employees Co-operative
Credit Union Limited
7-9 Union Square, Cross Roads
KINGSTON 5

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2017.

You must now hold the Annual General Meeting convened under **Regulation 19** of the Co-operative Societies Regulations, 1950. At least seven (7) days notice shall be given before the meeting is held.

A copy of your report, which you intend to present to the Annual General Meeting on the year's working of the Society as set forth in **Regulation 35** of the Co-operative Societies Regulations should be forwarded to this office.

Kindly advise me of the date of the Annual General Meeting, so that arrangements may be made for the Department to be represented.

Yours truly,

Lavern Gibson-Eccleston (Mrs.)
FOR REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League

Public Sector Employees Co-Operative Credit Union Limited

(Formerly National Security Employees
Co-Operative Credit Union Limited)

Financial Statements

For The Year Ended
31st December 2017

INDEX

| | PAGE |
|--|---------|
| REPORT OF THE INDEPENDENT AUDITORS TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES | 1 - 1b |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Position | 2 - 3 |
| Statement of Comprehensive Income | 4 |
| Statement of Changes in Equity | 5 - 9 |
| Statement of Cash Flows | 10 |
| Notes to the Financial Statements | 11 - 53 |

**REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)**

Opinion

We have audited the financial statements of Public Sector Employees Co-operative Credit Union Limited, which comprise the statement of financial position as at 31st December 2017, the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Credit Union's financial statements give a true and fair view of the financial position of the Credit Union as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of 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.

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 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 of this other information, we are required to report that fact.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION 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 the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)**

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (cont'd):

- 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.

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.

Report on Additional Matters as Required by the Co-operative Societies Act

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

The engagement partner on the audit resulting in this independent auditors' report is Mr Dawkins Brown.



Crowe Horwath Jamaica

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

| | <u>Note</u> | 2017 \$ | 2016 \$ |
|--|-------------|-----------------------------|-----------------------------|
| <u>NON-CURRENT ASSETS</u> | | | |
| Earning: | | | |
| Loans to Members - Net of Provision for Loan Impairment | 5 | 1,630,140,104 | 1,495,138,808 |
| Financial Investments | 7 | 5,500,245 | 4,419,646 |
| | | <u>1,635,640,349</u> | <u>1,499,558,454</u> |
| Non-Earning: | | | |
| Property, Plant & Equipment | 8 | 87,856,440 | 90,394,533 |
| Retirement Benefit Asset | 9 | 12,718,000 | 12,788,000 |
| | | <u>100,574,440</u> | <u>103,182,533</u> |
| TOTAL NON-CURRENT ASSETS | | <u>1,736,214,789</u> | <u>1,602,740,987</u> |
| <u>CURRENT ASSETS</u> | | | |
| Earning: | | | |
| Liquid Assets | 10 | 278,282,185 | 193,777,095 |
| Financial Investments | 10 | 45,185,431 | 44,298,829 |
| | | <u>323,467,616</u> | <u>238,075,924</u> |
| Non-Earning: | | | |
| Liquid Assets | 11 | 12,243,655 | 26,727,918 |
| Receivables & Prepayments | 11 | 34,733,067 | 31,475,320 |
| | | <u>46,976,722</u> | <u>58,203,238</u> |
| TOTAL CURRENT ASSETS | | <u>370,444,338</u> | <u>296,279,162</u> |
| TOTAL ASSETS | | <u>2,106,659,127</u> | <u>1,899,020,149</u> |
| <u>CAPITAL AND LIABILITIES</u> | | | |
| Members' Permanent Shares | 12 | 155,860,659 | 66,607,416 |
| Non-Institutional Capital | 13 | 89,010,344 | 96,343,714 |
| Institutional Capital | 14 | 95,866,862 | 93,697,087 |
| Total Equity | | <u>340,737,865</u> | <u>256,648,217</u> |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Interest Bearing: | | | |
| Savings Deposits | 16 | 339,183,272 | 267,287,407 |
| Members' Voluntary Shares | 17 | 862,089,812 | 783,829,822 |
| Members' Deferred Shares | 17 | 15,268,114 | 83,562,365 |
| TOTAL NON-CURRENT LIABILITIES | | <u>1,216,541,198</u> | <u>1,134,679,594</u> |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

| | <u>Note</u> | <u>2017</u> <u>\$</u> | <u>2016</u> <u>\$</u> |
|--------------------------------------|-------------|-----------------------------|-----------------------------|
| <u>CURRENT LIABILITIES</u> | | | |
| Interest Bearing: | | | |
| External Credits | 18 | 394,090,484 | 367,472,747 |
| Savings Deposits | 16 | 108,093,846 | 98,893,179 |
| | | <u>502,184,330</u> | <u>466,365,926</u> |
| Non-Interest Bearing: | | | |
| Payables and Accruals | 19 | <u>47,195,734</u> | <u>41,326,412</u> |
| TOTAL CURRENT LIABILITIES | | <u>549,380,064</u> | <u>507,692,338</u> |
| TOTAL CAPITAL AND LIABILITIES | | <u><u>2,106,659,127</u></u> | <u><u>1,899,020,149</u></u> |

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

**APPROVED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON
AND SIGNED ON ITS BEHALF BY:**



CALVIN ALLEN
PRESIDENT



CHRISTOPHER MURDOCK
ASSISTANT TREASURER

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

| | <u>Note</u> | 2017 \$ | 2016 \$ |
|--|-------------|--------------------------|--------------------------|
| INTEREST INCOME: | | | |
| Loans to Members | | 306,052,040 | 280,367,215 |
| Liquid Assets | 20 | 7,478,276 | 7,068,241 |
| Financial Investments | 20 | 162,549 | 47,858 |
| | | <u>313,692,865</u> | <u>287,483,314</u> |
| INTEREST EXPENSE: | | | |
| Saving Deposits | | 27,030,184 | 21,171,239 |
| External Credits | | 40,887,315 | 33,049,046 |
| Members' Deferred Shares | | 3,621,417 | 4,556,409 |
| Other Financial Costs | 21 | 1,287,838 | 530,711 |
| | | <u>72,826,754</u> | <u>59,307,405</u> |
| NET INTEREST INCOME | | 240,866,111 | 228,175,909 |
| Increase in Provision for Loan Losses | | <u>(1,364,614)</u> | <u>(2,365,066)</u> |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS | | <u>239,501,497</u> | <u>225,810,843</u> |
| NON-INTEREST INCOME | | | |
| Miscellaneous Income | 22 | <u>14,288,240</u> | <u>13,866,574</u> |
| GROSS INCOME | | 253,789,737 | 239,677,417 |
| Less: Operating Expenses | 23 | <u>244,258,360</u> | <u>217,682,914</u> |
| NET INCOME BEFORE HONORARIA | | 9,531,377 | 21,994,503 |
| Honoraria | | <u>(2,000,000)</u> | <u>(2,000,000)</u> |
| NET INCOME AFTER HONORARIA | | 7,531,377 | 19,994,503 |
| OTHER COMPREHENSIVE INCOME: | | | |
| Items that will or may be reclassified to profit or loss: | | | |
| Gain on Revaluation of Shares | | 1,078,035 | 120,720 |
| Items that will not be reclassified to profit or loss: | | | |
| Minimum Business Tax | | (60,000) | (60,000) |
| Pension (Expense)/Income | | <u>(70,000)</u> | <u>4,462,000</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>8,479,412</u> | <u>24,517,223</u> |

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

**PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2017
SUMMARY**

(Expressed in Jamaican Dollars unless otherwise indicated)

| | Permanent Shares | Non- Institutional Capital | Institutional Capital | Total |
|---|---------------------|----------------------------------|--------------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Balance at 31st December 2015 | 62,491,535 | 89,012,363 | 89,061,081 | 240,564,979 |
| Total Comprehensive Income for the Year | - | 24,517,223 | - | 24,517,223 |
| Transfer - 20% of Net Income for the year 2016 before | | | | |
| Honoraria | - | (4,398,901) | 4,398,901 | - |
| Subscription | 4,115,881 | - | - | 4,115,881 |
| Entrance Fee | - | - | 237,105 | 237,105 |
| Appropriation of Net Surplus for 2015 | | | | |
| Donations | - | (9,000,000) | - | (9,000,000) |
| Education | - | (514,238) | - | (514,238) |
| Dividend on Permanent Shares | - | (1,800,000) | - | (1,800,000) |
| Disaster Relief Fund | - | (1,000,000) | - | (1,000,000) |
| Transfers from Current Year Surplus | | | | |
| Increase in Share Transfer Fund | - | (472,733) | - | (472,733) |
| | 4,115,881 | (17,185,872) | 4,636,006 | (8,433,985) |
| Balance at 31st December 2016 | 66,607,416 | 96,343,714 | 93,697,087 | 256,648,217 |
| carried forward | | | | |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2016
SUMMARY (CONT'D)
(Expressed in Jamaican Dollars unless otherwise indicated)

| | Permanent Shares \$ | Non- Institutional Capital \$ | Institutional Capital \$ | Total \$ |
|---|---------------------------|--|--------------------------------|--------------------|
| Balance at 31st December 2016 | | | | |
| brought forward | 66,607,416 | 96,343,714 | 93,697,087 | 256,648,217 |
| Total Comprehensive Income for the Year | - | 8,479,412 | - | 8,479,412 |
| Transfer - 20% of Net Income for the year 2017 before | | | | |
| Honoraria | - | (1,906,275) | 1,906,275 | - |
| Subscription for Permanent Shares | 89,253,243 | - | - | 89,253,243 |
| Entrance Fees | - | - | 263,500 | 263,500 |
| Appropriation of Net Surplus for 2016 | | | | |
| Dividend on Permanent Share | - | (12,000,000) | - | (12,000,000) |
| Donations | - | (123,147) | - | (123,147) |
| Education | - | (1,000,000) | - | (1,000,000) |
| Memorial Scholarship | - | (800,000) | - | (800,000) |
| Disability Fund | - | (1,000,000) | - | (1,000,000) |
| Transfers from Current Year Surplus: | | | | |
| Adjustment to Permanent Share Transfer Fund | - | 1,016,640 | - | 1,016,640 |
| Balance at 31st December 2017 | 89,253,243 | (15,812,782) | 2,169,775 | 75,610,236 |
| | 155,860,659 | 89,010,344 | 95,866,862 | 340,737,865 |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2017
NON-INSTITUTIONAL CAPITAL

(Expressed in Jamaican Dollars unless otherwise indicated)

| | Fair Value Reserve | Revaluation & Building Reserve | Retirement Benefit Reserve | General Reserve | Special Reserve | Share Transfer Fund | Loan Loss Reserve | Undistributed Surplus | TOTAL |
|---|--------------------|--------------------------------|----------------------------|-----------------|-----------------|---------------------|-------------------|-----------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 31st December 2015 carried forward | 264,480 | 65,729,466 | 8,326,000 | 1,554 | 16,347 | 280,412 | 79,866 | 14,314,238 | 89,012,363 |
| Other Comprehensive Income | | | | | | | | | |
| Pension Income | - | - | 4,462,000 | - | - | - | - | - | 4,462,000 |
| Minimum Business Tax | - | - | - | - | - | - | - | (60,000) | (60,000) |
| Increase in Fair Value of Quoted Shares | 120,720 | - | - | - | - | - | - | - | 120,720 |
| Net Income After Honoraria | - | - | - | - | - | - | - | 19,994,503 | 19,994,503 |
| Total Comprehensive Income of the year | 120,720 | - | 4,462,000 | - | - | - | - | 19,934,503 | 24,517,223 |
| Transactions with Owners | | | | | | | | | |
| Appropriation of Net Surplus for 2015 | - | - | - | - | - | - | - | (9,000,000) | (9,000,000) |
| Dividend Paid on Permanent Shares | - | - | - | - | - | - | - | (514,238) | (514,238) |
| Donations | - | - | - | - | - | - | - | (1,800,000) | (1,800,000) |
| Education | - | - | - | - | - | - | - | (1,000,000) | (1,000,000) |
| Disaster Relief Fund | - | - | - | - | - | - | - | (1,000,000) | (1,000,000) |
| Transfer - 20% of Net Income for the year 2016 before Honoraria | - | - | - | - | - | - | - | (4,398,901) | (4,398,901) |
| Transfer to Loan Loss Reserve | - | - | - | - | - | - | (79,866) | 79,866 | - |
| Transfers from Current Year Surplus: | | | | | | | | | |
| Increase in Share Transfer Fund | - | - | - | - | - | 192,321 | - | (192,321) | - |
| Transfer to Share Transfer Fund | - | - | - | - | - | (472,733) | - | - | (472,733) |
| Total Transactions with Owners | - | - | - | - | - | (280,412) | (79,866) | (16,825,594) | (17,185,872) |
| Balance at 31st December 2016 carried forward | 385,200 | 65,729,466 | 12,788,000 | 1,554 | 16,347 | - | - | 17,423,147 | 96,343,714 |

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

Page 8

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2017
NON-INSTITUTIONAL CAPITAL (CONT'D)

(Expressed in Jamaican Dollars unless otherwise indicated)

| | Fair Value Reserve | Revaluation & Building Reserve | Retirement Benefit Reserve | General Reserve | Special Reserve | Share Transfer Fund | Loan Loss Reserve | Undistributed Surplus | TOTAL |
|---|--------------------|--------------------------------|----------------------------|-----------------|-----------------|---------------------|-------------------|-----------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 31st December 2016 brought forward | 385,200 | 65,729,466 | 12,788,000 | 1,554 | 16,347 | - | - | 17,423,147 | 96,343,714 |
| Other Comprehensive Income | | | | | | | | | |
| Pension Income | - | - | (70,000) | - | - | - | - | - | (70,000) |
| Minimum Business Tax | - | - | - | - | - | - | - | (60,000) | (60,000) |
| Increase in Fair Value of Shares | 1,078,035 | - | - | - | - | - | - | - | 1,078,035 |
| Net Income After Honoraria | - | - | - | - | - | - | - | 7,531,377 | 7,531,377 |
| Total Comprehensive Income for the Year | 1,078,035 | - | (70,000) | - | - | - | - | 7,471,377 | 8,479,412 |
| Transactions with Owners | | | | | | | | | |
| Appropriation of Net Surplus for 2016 | | | | | | | | | |
| Dividend on Permanent Share | - | - | - | - | - | - | - | (12,000,000) | (12,000,000) |
| Donations | - | - | - | - | - | - | - | (123,147) | (123,147) |
| Education | - | - | - | - | - | - | - | (1,000,000) | (1,000,000) |
| Memorial Scholarship | - | - | - | - | - | - | - | (800,000) | (800,000) |
| Disability Fund | - | - | - | - | - | - | - | (1,000,000) | (1,000,000) |
| Permanent Share Reserve Transfer | - | - | - | - | - | 500,000 | - | (500,000) | - |
| Transfer - 20% of Net Income for the year 2017 before Honoraria | - | - | - | - | - | - | - | (1,906,275) | (1,906,275) |
| Adjustment to Permanent Share Transfer Fund | - | - | - | - | - | 1,016,640 | - | - | 1,016,640 |
| Total Transactions with Owners | - | - | - | - | - | 1,516,640 | - | (17,329,422) | (15,812,782) |
| Balance at 31st December 2017 | 1,463,235 | 65,729,466 | 12,718,000 | 1,554 | 16,347 | 1,516,640 | - | 7,565,102 | 89,010,344 |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31ST DECEMBER 2017
INSTITUTIONAL CAPITAL
 (Expressed in Jamaican Dollars unless otherwise indicated)

| | Legal & Statutory Reserves | Retained Earnings Reserve | TOTAL |
|---|---|--|--------------------------|
| | \$ | \$ | \$ |
| Balance at 31st December 2015 | 79,061,081 | 10,000,000 | 89,061,081 |
| Entrance Fees | 237,105 | - | 237,105 |
| Transfer - 20% of Net Income for the year 2015 before Honoraria | <u>4,398,901</u> | <u>-</u> | <u>4,398,901</u> |
| Balance at 31st December 2016 | 83,697,087 | 10,000,000 | 93,697,087 |
| Entrance Fees | 263,500 | - | 263,500 |
| Transfer - 20% of Net Income for the year 2017 before Honoraria | <u>1,906,275</u> | <u>-</u> | <u>1,906,275</u> |
| Balance at 31st December 2017 | <u>85,866,862</u> | <u>10,000,000</u> | <u>95,866,862</u> |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
STATEMENT OF CASH FLOWS
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

| | 2017 | 2016 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Total Comprehensive Income for year | 8,479,412 | 24,517,223 |
| Non - Cash items included in Comprehensive Income | | |
| Depreciation | 8,778,656 | 10,874,040 |
| Provision for Loan Losses | 1,364,614 | 2,365,066 |
| Revaluation of Quoted Shares | (1,078,035) | (120,720) |
| Pension Income | 70,000 | (4,462,000) |
| | <u>17,614,647</u> | <u>33,173,609</u> |
| (Increase)/ Decrease in Operating Assets | | |
| Accounts Receivable & Prepayments | (3,257,747) | (4,008,471) |
| Increase/ (Decrease) in Operating Liabilities | | |
| Payables and Accruals | <u>5,869,324</u> | <u>15,775,708</u> |
| Cash Provided by Operating Activities | <u>20,226,224</u> | <u>44,940,846</u> |
| Cash Flows from Investing Activities | | |
| Loans to Members | (136,365,910) | (236,613,292) |
| Financial Investments | (1,967,201) | (2,198,187) |
| Purchase of Property, Plant & Equipment | <u>(6,240,565)</u> | <u>(3,351,976)</u> |
| Net Cash Used in Investing Activities | <u>(144,573,676)</u> | <u>(242,163,455)</u> |
| Cash Flows from Financing Activities | | |
| Savings Deposits | 81,096,532 | 90,283,694 |
| External Credits | 26,617,737 | 67,007,566 |
| Members' Voluntary Shares | 78,259,990 | 59,282,974 |
| Members' Deferred Shares | (68,294,251) | 15,052,781 |
| Members' Permanent Shares | 89,253,243 | 4,115,881 |
| Entrance Fees | 263,500 | 237,105 |
| Donations | (123,147) | (514,238) |
| Share Transfer Fund | - | (280,412) |
| Dividend Paid on Permanent Shares | (12,000,000) | (9,000,000) |
| Transfer to/(from) Undistributed Surplus | 1,016,640 | (192,321) |
| Fair Value Reserve | 1,078,035 | 120,720 |
| Disaster Relief Fund | - | (1,000,000) |
| Disability Fund | (1,000,000) | - |
| Education & Scholarship Fund | <u>(1,800,000)</u> | <u>(1,800,000)</u> |
| Net Cash Provided by Financing Activities | <u>194,368,279</u> | <u>223,313,750</u> |
| Increase in Liquid assets | 70,020,827 | 26,091,141 |
| Liquid Assets at beginning of year | <u>220,505,013</u> | <u>194,413,872</u> |
| Liquid Assets at end of year | <u>290,525,840</u> | <u>220,505,013</u> |
| Liquid Assets | | |
| Cash and Bank Balances: Non-Earning | 12,243,655 | 26,727,918 |
| Cash and Bank Balances: Earning | <u>278,282,185</u> | <u>193,777,095</u> |
| | <u>290,525,840</u> | <u>220,505,013</u> |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

1. Identification:

The Co-operative is registered under the Co-operative Societies Act. Membership in the Credit Union is limited to the following:

- (a) Employees of the Island Special Constabulary Force.
- (b) Past Employees of the Island Special Constabulary Force who were members of the Credit Union when they resigned or retired from the Force.
- (c) Employees of the National Security Employees Co-operative Credit Union (formerly Jamaica Special Constabulary Co-operative Credit Union Limited).
- (d) Members of the National Security Employees Co-operative Credit Union (formerly Jamaica Special Constabulary Co-operative Credit Union Limited).
- (e) Employees of the Public Sector Employees Co-operative Credit Union (formerly National Security Employees Co-operative Credit Union Limited).
- (f) Members of the Public Sector Employees Co-operative Credit Union (formerly National Security Employees Co-operative Credit Union Limited).
- (g) Spouses and children of members mentioned in (a), (c) & (d) above.
- (h) Spouses and children of members mentioned in (b) above may also retain their membership provided that the spouses and children became members before the member transferring membership resigned or retired from the Force.
- (i) Employees of The Ministry of National Security.
- (j) Employees of any other affiliated organization of the Island Special Constabulary Force.

Any or all of whom shall not be less than the age prescribed by the Co-operative Societies Act provided that any person who gains membership by virtue of sections (c), (d) and (g) above shall not be entitled to transmit membership to their spouse and children.

The liability of individual members is limited by shares, Individual membership may not exceed 20% of total share capital.

The main objectives of the Co-operative are:

- (a) the promotion of thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit;
- (b) the provision of loans to members at reasonable rates of interest and exclusively for provident and productive purposes;
- (c) to receive the savings of its members either as payment on shares or as deposits.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

2. Regulation:

The Co-operative Societies Act requires, amongst other provisions, that at least 20% of the net profit of the credit union be transferred annually to a reserve fund. Section 59(1) & (2) of the Act provides for the exemption from Income Tax and Stamp Duty for the Credit Union.

3. Adoption of Standards, Interpretations and Amendments:

- (a) Standards and Interpretations in respect of published standards that are in effect:

The International Accounting Standards Boards (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. The Credit Union's management has assessed 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 in effect are as follows:

The following are Standards, Amendments and Interpretations in respect of published standards which are in effect and are relevant to the Credit Union:

Amendments to IAS 7 - Statement of Cash Flows (Effective January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Improvements to IFRS 2014–2016 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2017 and 2018. The main relevant amendment is as follows:

Makes amendments to the following standard:

- **IFRS 12: Disclosure of Interests in Other Entities (Effective January 2017)**

Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*

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 had no material impact on the Credit Union's financial statements.

**PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017**

(Expressed in Jamaican Dollars unless otherwise indicated)

3. Adoption of Standards, Interpretations and Amendments (Cont'd)

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

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Credit Union has not early-adopted. The Credit Union has assessed the relevance of all the new standards, amendments and interpretations with respect to the Credit Union's operations and has determined that the following are likely to have an effect on the Credit Union's financial statements:

IFRS 9: Financial Instruments (2014) (Effective January 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

Management has determined that the standard is relevant to existing policies for its current operations, but has not yet assessed the impact on adoption.

IFRS 16 - Leases (Effective January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Adoption of Standards, Interpretations and Amendments (cont'd):

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

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2017)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Clarifications to IFRS 15 : Revenue from Contracts with Customers (Effective January 2018)

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Amendments to IAS 40 - Investment Property Transfers of Investment Property (Effective January 2018)

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

3. Adoption of Standards, Interpretations and Amendments (cont'd):

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

Amendments to IFRS 9: Financial Instruments Prepayment Features with Negative Compensation (Effective January 1, 2019)

Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain.

The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

IFRS 16 - Leases (Effective January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (Effective January 2018)

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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 financial statements.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

4. 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 expressed in Jamaican Dollars which is the functional currency of the Credit Union.

(b) Significant Accounting Policies

(i) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

(ii) Loans to members and provision for loan impairment.

Loans are stated net of any unearned income and provision for impairment losses.

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

A provision for loan 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 loans. When a loan is identified as impaired, the carrying amount of the loan is reduced by recording a specific provision for loan loss to write down the loan 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.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies

(ii) Loans to members and provision for loan impairment (cont'd).

The provision for loan impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the date of the statement of financial position. These have been estimated based upon historical patterns of losses in each component, and the current economic climate in which the borrowers operate.

Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the supervisory body's provisioning policy of making a full provision for loans in arrears over twelve (12) months. General provisions from ten percent (10%) to sixty percent (60%) are established in respect of loans in arrears for two (2) to twelve (12) months.

Regulatory loan loss reserve requirements that exceed the provision required under International Financial Reporting Standards (IFRS) - (IAS) 39 "*Financial Instruments: Recognition and Measurement*" are dealt with in a non-distributable loan loss reserve as a transfer from undistributed net income.

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(iii) Investments

Investments are classified as held-to-maturity and available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase and re-evaluates such designation on a periodic basis.

Held-to-maturity securities are those with fixed or determinable payments and fixed maturity. A positive intent and ability to hold to maturity must be demonstrated.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates or market prices. They are initially recognised at cost, which includes transaction cost, and subsequently remeasured at fair value based on quoted bid prices or amounts derived from cash flow models. Fair values for unquoted equity instruments are estimated using applicable price/earnings or cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses arising from the changes in the fair value of securities classified as available-for-sale are recognised in equity. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of comprehensive income as gains or losses from investment securities.

All purchases and sales of investment securities are recognized at settlement date.

(iv) Property, plant and equipment

Property, plant and equipment, including furniture, fixtures and equipment, computers and building held for administrative purposes, are stated in the statement of financial position at cost, less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, using the straight line method, on the following bases:

| | | |
|------------------------|-----|-----------|
| Buildings | 4% | per annum |
| Computers & Equipments | 25% | per annum |
| Furniture, Fixtures | 10% | per annum |
| Generator | 10% | per annum |
| Motor Vehicle | 20% | per annum |

No depreciation is provided on land.

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(v) Impairment

The carrying amount of the Credit Union's assets, other than loans to members are reviewed at each date of the statement of financial position to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each of the dates of the statements of financial position. An impairment loss is recognised whenever the carrying amount of an asset or its cash - generating unit exceeds its recoverable amount. Impairments are recognised in the statement of comprehensive income.

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

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

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

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

(vi) Other assets

Other assets comprise receivables which are carried at original amounts less provisions made for bad debts and impairment losses. A provision for bad debts is established when there is objective evidence that the Credit Union will not be able to collect all amounts due according to the original terms of the receivables. The amount of any provision is the difference between the carrying amount and the expected recoverable amount.

(vii) Retirement benefit asset

The Credit Union participates in a multi-employer 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. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(vii) Retirement benefit asset (cont'd)

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Remeasurement of the net defined benefit asset is recognised directly in equity. The remeasurement includes:

- Actuarial gains and losses
- Return on Plan assets (interest included)
- Any asset ceiling effects (interest included)

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

(viii) Liquid Assets

For the purpose of the statement of cash flow, liquid earning assets comprise investments maturing within nine (9) months from the date of the statement of financial position; and also foreign and local saving accounts. Liquid non-earning assets comprise cash on hand and current accounts held at banks.

(ix) Members' deposits

Members' deposits are stated at their nominal value.

(x) Other liabilities

Other liabilities are stated at their nominal value.

(xi) Permanent Shares

Under the proposed Bank of Jamaica regulations and International Financial Reporting Standards, 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 has therefore established Permanent Shares in order to strengthen its capital base. Special Bye-Laws were passed at an Annual General Meeting held on July 19, 2007, 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 250 Permanent Shares. These shares are issued at a par value of \$2 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.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(xi) Permanent Shares - cont'd

An individual ceasing to be a member of the Credit Union, shall be entitled to redeem any amount held as Permanent Shares. Permanent Shares are redeemable only upon transfer to another member.

(xii) Institutional Capital

Institutional Capital is comprised of permanent shares reserve, capital reserves and other 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 thereby protect the interest of the members. They are not available for distribution. Transfers to other reserves are made on the basis of decisions taken at Annual General Meetings.

Statutory & Legal Reserves

The Co-operative Societies Act provides that at least twenty percent (20%) of Annual Net Income should be carried to a Reserve Fund. Members entrance fees are also credited to these reserves.

(xiii) Non-institutional Capital

Loan Loss Reserve

This represents the excess of the Credit Union's internally assessed provision for loan impairment, over that which is required under IFRS.

Retirement Benefit Reserve

This reserve was created to match the value of the retirement benefit asset of the Credit Union. The unrealised amounts in respect of the recognised retirement benefit asset are transferred to a non-distributable reserve.

Share Transfer Fund

In accordance with the Credit Union's rules, a Share Transfer Fund was established from undistributed surplus, to buy back the permanent shares of deceased or resigning members. Shares purchased through this fund would be sold to new members joining the Credit Union.

Other Non-qualifying Reserve

Transfers to other reserves are made on the basis of decisions taken at the Annual General Meetings of members.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(xiv) League fees and stabilization dues

Jamaica Co-operative Credit Union League (JCCUL) has fixed the rate of league fees at 0.02% (2015 - 0.02%) of total assets. Stabilization dues are fixed at a rate of 0.15% (2015 - 0.15%) of total savings.

(xv) Provisions

Provisions are recognised when the Credit Union has a present legal or constructive obligation as a result of past events, if 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.

(xvi) Borrowing costs

Borrowing costs are recognized in the Statement of Comprehensive Income for all Interest Bearing Liabilities in the period in which they are incurred by reference to the principal outstanding and at the effective interest rate applicable.

(xvii) Expenses

Expenses are recognized in the Statement of Comprehensive Income on the accrual basis.

(xviii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business. Interest income earned from loans, investments and fees are recorded on the accrual basis.

(xix) Foreign Currency Transactions

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Foreign currency balances at the date of the statement of financial position are translated at the rates ruling on that date. Gains or losses arising from fluctuations in exchange rates are included in the Statement of Comprehensive Income.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

(b) Significant Accounting Policies (cont'd) -

(xx) Comparative information

Where necessary, comparative figures have been re-classified and/or restated to conform with changes in presentation in the current year.

(xxi) 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 and benefits to other stakeholders, and to maintain a strong capital base in order to support the development of its business. The Credit Union's capital is defined as its Institutional Capital and other eligible reserves. Its dividend payout is usually made taking into account maintenance of an adequate capital base. In accordance with regulatory requirements, at least twenty percent (20%) of net income must be transferred to Institutional Capital at the end of each financial year before any appropriation of surplus.

The Credit Union has adopted JCCUL's PEARLS monitoring system which is intended among other things to reveal institutional weaknesses and trends. PEARLS is the acronym for Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, and Signs of Growth, and are a set of financial ratios or indicators, each with a prudential norm or associated goal. The target goal for each indicator is set by the World Council of Credit Unions based on its field experience.

One of the requirements under the PEARLS monitoring system is for the Credit Union to maintain its Institutional Capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, this ratio was 11.95% (2016 - 8.4%) which is in compliance with the requirements.

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

5. Loans to Members:

| | 2017 | 2016 |
|-------------------------------------|-----------------------------|-----------------------------|
| | \$ | \$ |
| Balance at Beginning of Year | 1,510,240,143 | 1,273,626,851 |
| Add: Loans Granted | <u>1,209,962,218</u> | <u>1,506,769,943</u> |
| | 2,720,202,361 | 2,780,396,794 |
| Less: Repayments and Transfers | <u>(1,073,596,308)</u> | <u>(1,270,156,651)</u> |
| | 1,646,606,053 | 1,510,240,143 |
| Less: Provision for Loan Impairment | <u>(16,465,949)</u> | <u>(15,101,335)</u> |
| | <u><u>1,630,140,104</u></u> | <u><u>1,495,138,808</u></u> |
| Loans are classified as follows: | | |
| - Personal | 1,646,134,510 | 1,509,311,481 |
| - Educational | <u>471,543</u> | <u>928,662</u> |
| | <u><u>1,646,606,053</u></u> | <u><u>1,510,240,143</u></u> |

6. Provision for Loan Impairment:

| | 2017 | 2016 |
|------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| Balance at Beginning of Year | 15,101,335 | 12,736,269 |
| Increase in Provision for the Year | <u>18,256,322</u> | <u>10,095,646</u> |
| | 33,357,657 | 22,831,915 |
| Less Provision for write-off | <u>(16,891,708)</u> | <u>(7,730,580)</u> |
| Balance at End of Year | <u><u>16,465,949</u></u> | <u><u>15,101,335</u></u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

6. Provision for Loan Impairment (cont'd):

Provision for loan losses determined under JCCUL Regulatory requirements is as follows:

| | Total Delinquent Loans | Standard Rate | Loan Loss Provision 2017 | Loan Loss Provision 2016 |
|---|---------------------------------------|--------------------------|---|---|
| | \$ | % | \$ | \$ |
| 1-30 Days | 976,598 | Nil | - | - |
| 31-60 Days | 3,386,573 | Nil | - | - |
| 61-90 Days | 2,946,247 | 10 | 294,625 | 458,909 |
| 91-180 Days | 2,872,724 | 30 | 861,817 | 1,524,161 |
| 181-364 Days | 6,992,336 | 60 | 4,195,402 | 2,530,831 |
| Over 365 Days | 8,860,276 | 100 | 8,860,276 | 10,036,941 |
| | <u>26,034,754</u> | | <u>14,212,120</u> | <u>14,550,842</u> |
| | | | 2017 | 2016 |
| | | | \$ | \$ |
| Regulatory Loan Loss Provision | | | 14,212,120 | 14,550,842 |
| Less Provision based on IAS 39 | | | <u>16,465,949</u> | <u>15,101,335</u> |
| Excess over IAS 39 Provision Transferred to Loan Loss Reserve | | | <u>(2,253,829)</u> | <u>(550,493)</u> |

The value of securities held against outstanding loans have not been taken into account in estimating the provision for loan losses. The Directors have not estimated the value of these securities.

The following is a summary of delinquent loans at 31st December 2017:

| | Number in Arrears | Total Delinquent Loans | Savings held against Loans | Portion not covered by Savings |
|----------------|----------------------------------|---------------------------------------|---|---|
| | | \$ | \$ | \$ |
| 1 - 30 Days | 5 | 976,598 | 662,104 | 314,494 |
| 31 - 60 Days | 24 | 3,386,573 | 475,661 | 2,910,912 |
| 61 - 90 Days | 17 | 2,946,247 | 127,159 | 2,819,088 |
| 91 - 180 Days | 21 | 2,872,724 | 2,111 | 2,870,613 |
| 181 - 364 Days | 39 | 6,992,336 | 2,001 | 6,990,335 |
| Over 365 Days | <u>56</u> | <u>8,860,276</u> | <u>2,000</u> | <u>8,858,276</u> |
| | <u>162</u> | <u>26,034,754</u> | <u>1,271,036</u> | <u>24,763,718</u> |

7. Non-Current Assets - Financial Investments:

| | 2017 | 2016 |
|---------------------------|------------------|------------------|
| | \$ | \$ |
| Available-for-Sale | | |
| NCB - Quoted Shares | 1,192,560 | 600,000 |
| JCCUL - Un-quoted Shares | 138,699 | 138,699 |
| Permanent Shares | 2,007,555 | 2,007,555 |
| CUFMC Shares | 1,125,000 | 1,125,000 |
| Qnet Shares | 970,950 | 485,475 |
| Mortgage Fund | <u>65,481</u> | <u>62,917</u> |
| | <u>5,500,245</u> | <u>4,419,646</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017

(Expressed in Jamaican Dollars unless otherwise indicated)

8. Property, Plant & Equipment

| | Freehold Land \$ | Freehold Building \$ | Furniture & Fixture \$ | Motor Vehicle \$ | Computer & Equipment \$ | Total \$ |
|-----------------------------|------------------------|----------------------------|------------------------------|------------------------|-------------------------------|-------------|
| <u>At Cost or Valuation</u> | | | | | | |
| 31st December 2015 | 13,500,000 | 72,500,000 | 16,671,790 | 10,916,680 | 33,314,378 | 146,902,848 |
| Additions | - | - | 1,275,448 | - | 2,076,528 | 3,351,976 |
| 31st December 2016 | 13,500,000 | 72,500,000 | 17,947,238 | 10,916,680 | 35,390,906 | 150,254,824 |
| Additions | - | - | 928,328 | - | 5,312,237 | 6,240,565 |
| 31st December 2017 | 13,500,000 | 72,500,000 | 18,875,566 | 10,916,680 | 40,703,143 | 156,495,389 |
| <u>Depreciation</u> | | | | | | |
| 31st December 2015 | - | 9,048,290 | 11,275,049 | 5,521,855 | 23,141,057 | 48,986,251 |
| Charge for the year | - | 3,028,921 | 1,171,873 | 2,189,318 | 4,483,928 | 10,874,040 |
| 31st December 2016 | - | 12,077,211 | 12,446,922 | 7,711,173 | 27,624,985 | 59,860,291 |
| Charge for the year | - | 2,900,001 | 1,197,267 | 1,560,557 | 3,120,833 | 8,778,658 |
| 31st December 2017 | - | 14,977,212 | 13,644,189 | 9,271,730 | 30,745,818 | 68,638,949 |
| <u>Net Book Values</u> | | | | | | |
| 31st December 2017 | 13,500,000 | 57,522,788 | 5,231,377 | 1,644,950 | 9,957,325 | 87,856,440 |
| 31st December 2016 | 13,500,000 | 60,422,789 | 5,500,316 | 3,205,507 | 7,765,921 | 90,394,533 |
| 31st December 2015 | 13,500,000 | 63,451,710 | 5,396,741 | 5,394,825 | 10,173,321 | 97,916,597 |

Land and Buildings located at numbers 7 & 9 Union Square were valued on 4th October and 8th November 2012 by Oliver Property Services for forty-seven million dollars (\$47,000,000) and thirty-nine million dollars (\$39,000,000) respectively. The net increase in value has been credited to the Revaluation Reserve.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

9. Retirement Benefit Asset:

The Credit Union participates in a multi-employer pension plan. The pension plan is a defined benefit plan and is funded. The assets of the funded plan are held independently of the Credit Union's assets in a separate trustee administered fund. Independent actuaries value the plans forming a part of the scheme every year using the projected unit credit method. The latest actuarial valuations were carried out as at December 31, 2017.

The amounts recognised in the Statement of Financial Position are determined as follows:

| | 2017 | 2016 |
|--|----------------------------|----------------------------|
| | \$ | \$ |
| Present Value of funded obligations | 42,391,000 | 24,073,000 |
| Fair Value of plan assets | <u>(55,109,000)</u> | <u>(36,862,000)</u> |
| Asset recognised in the Statement of Financial Position | <u>(12,718,000)</u> | <u>(12,788,000)</u> |

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

| | 2017 | 2016 |
|---------------------------------------|---------------------------|-----------------------|
| | \$ | \$ |
| Employer's Current Service Cost | 2,643,000 | 1,508,000 |
| Interest Cost on Obligation | 2,793,000 | 1,853,000 |
| Interest Income on Plan Assets | (4,110,000) | (2,783,000) |
| Past Service Cost | 897,000 | - |
| Administrative Expenses | <u>359,000</u> | <u>175,000</u> |
| Net Pension Expense recognised | <u>2,582,000</u> | <u>753,000</u> |
| Actuarial Gain on Obligation | (2,976,000) | (2,002,000) |
| Actuarial Loss on Plan Assets | <u>910,000</u> | <u>2,023,000</u> |
| Remeasurement (Income)/Costs | <u>(2,066,000)</u> | <u>21,000</u> |

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

| | 2017 | 2016 |
|---|----------------------------|----------------------------|
| | \$ | \$ |
| Net Asset at beginning of year | (12,788,000) | (8,326,000) |
| Adjustment to Net Asset as reflected in revised Actuarial Valuation | <u>893,000</u> | <u>-</u> |
| | (11,895,000) | (8,326,000) |
| Pension Expense recognised | 2,582,000 | 753,000 |
| Remeasurements | 2,066,000 | 21,000 |
| Contributions Paid | <u>(5,471,000)</u> | <u>(5,236,000)</u> |
| Closing Net Asset at end of year | <u>(12,718,000)</u> | <u>(12,788,000)</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

9. Retirement Benefit Asset (cont'd):

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

| | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| Discount rate | 8.0% | 9.0% |
| Expected rate of return on plan assets | N/A | N/A |
| Expected future salary increases | 6.0% | 6.0% |
| Price Inflation | 5.0% | 6.0% |
| Pension Increases | 2.5% | 3.0% |
| Expected average remaining working lives of employees (years) | <u>31.6</u> | <u>26.1</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:

| | <u>2017</u> <u>'000</u> | <u>2016</u> <u>'000</u> | <u>2015</u> <u>'000</u> | <u>2014</u> <u>'000</u> | <u>2013</u> <u>'000</u> |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Fair Value of Plan Assets as previously reported | 55,109 | 36,862 | 29,203 | 21,393 | 17,533 |
| Adjustment as reflected in revised Actuarial Valuation | - | 4,015 | - | - | - |
| Revised Fair Value of Plan Assets | <u>55,109</u> | <u>40,877</u> | <u>29,203</u> | <u>21,393</u> | <u>17,533</u> |
| Defined Benefit Obligation as previously reported | 42,391 | 24,073 | 20,877 | 13,922 | 11,986 |
| Adjustment as reflected in revised Actuarial Valuation | - | 4,909 | - | - | - |
| Revised Defined Benefit Obligation | <u>42,391</u> | <u>28,982</u> | <u>20,877</u> | <u>13,922</u> | <u>11,986</u> |
| Surplus | <u>12,718</u> | <u>11,895</u> | <u>8,326</u> | <u>7,471</u> | <u>5,547</u> |

Experience Adjustments

| | | | | | |
|--|------------|--------------|--------------|----------------|----------------|
| Fair Value of Plan Assets as previously reported | 910 | (2,023) | (732) | (3,335) | (2,382) |
| Adjustment as reflected in revised Actuarial Valuation | - | 4,031 | - | - | - |
| Revised Fair Value of Plan Assets | <u>910</u> | <u>2,008</u> | <u>(732)</u> | <u>(3,335)</u> | <u>(2,382)</u> |
| Defined Benefit Obligation | <u>540</u> | <u>451</u> | <u>(151)</u> | <u>528</u> | <u>(132)</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

10. Current Assets - Earning:

| | 2017 | 2016 |
|----------------------------------|--------------------|--------------------|
| | \$ | \$ |
| <u>Liquid Assets:</u> | | |
| JCCUL - Certificates of Deposits | 123,875,480 | 69,578,911 |
| JCCUL - CU Cash Deposits | 128,961,382 | 99,905,459 |
| JCCUL - CU Premium | 924,644 | 878,191 |
| BNS (DBG) Investment | 1,539,245 | 11,340,142 |
| JMMB Investment | 10,346,832 | - |
| Sagicor Investment | 5,137,980 | - |
| NCB Capital Market | 1,998,851 | 6,838,523 |
| Money Masters Ltd. | 5,497,771 | 5,235,869 |
| | <u>278,282,185</u> | <u>193,777,095</u> |

Financial Investments:

| | 2017 | 2016 |
|---------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Held-to-maturity - C.U.E.T.S. Deposit | <u>45,185,431</u> | <u>44,298,829</u> |

11. Current Assets - Non-Earning:

| | 2017 | 2016 |
|-------------------------------|-------------------|-------------------|
| | \$ | \$ |
| <u>Liquid Assets</u> | | |
| <u>Cash and Bank Balances</u> | | |
| Savings Account | 651,208 | 650,000 |
| Current Account | 11,492,445 | 26,051,282 |
| Cash on Hand | 100,002 | 26,636 |
| | <u>12,243,655</u> | <u>26,727,918</u> |

Receivables & Prepayments

| | 2017 | 2016 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Interest Receivable - Loans | 31,010,540 | 27,459,998 |
| Other Receivables & Prepayments | 3,722,527 | 4,015,322 |
| | <u>34,733,067</u> | <u>31,475,320</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

12. Members' Permanent Shares:

| | 2017 | 2016 |
|-------------------------------|--------------------|-------------------|
| | ₤ | ₤ |
| Balance at beginning of year | 66,607,416 | 62,491,535 |
| Net Subscriptions & Transfers | 89,253,243 | 4,115,881 |
| Balance at end of year | <u>155,860,659</u> | <u>66,607,416</u> |

13. Non-Institutional Capital:

| | 2017 | 2016 |
|--------------------------------------|-------------------|-------------------|
| | ₤ | ₤ |
| i) Revaluation & Building Reserve | 65,729,466 | 65,729,466 |
| ii) Retirement Benefit Asset Reserve | 12,718,000 | 12,788,000 |
| iii) General Reserve | 1,554 | 1,554 |
| iv) Special Reserve | 16,347 | 16,347 |
| v) Fair Value Reserve | 1,463,235 | 385,200 |
| vi) Share Transfer Fund | 1,516,640 | - |
| vii) Loan Loss Reserve | - | - |
| viii) Undistributed Surplus | 7,565,102 | 17,423,147 |
| | <u>89,010,344</u> | <u>96,343,714</u> |

i) Revaluation & Building Reserve

This represents unrealised gains on the revaluation of the land and buildings.

ii) 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 is dealt with as an appropriation to or from the Undistributed Surplus.

iii) General Reserve

The general reserve was set up for unspecific purposes to be decided upon.

iv) Special Reserve

The general reserve was set up for unspecific purposes to be decided upon.

v) Fair Value Reserve

This reserve comprises the unrealised fair value gain on NCB quoted shares.

vi) Share Transfer Fund

The Share Transfer Fund is maintained to facilitate the repurchase of shares. Shares Purchased through this reserve must be sold to members of the Credit Union before any new shares may be issued.

vii) Loan Loss Reserve

The Loan Loss reserve represents the difference between the IAS 39 Loan Impairment and the regulatory Loan Loss Provision.

viii) Undistributed Surplus

This represents surplus at the end of the year which is available for distribution.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31ST DECEMBER 2017

(Expressed in Jamaican Dollars unless otherwise indicated)

14. Institutional Capital:

| | 2017 | 2016 |
|--------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Retained Earnings Reserve | 10,000,000 | 10,000,000 |
| Legal & Statutory Reserves (Note 15) | 85,866,862 | 83,697,087 |
| | <u>95,866,862</u> | <u>93,697,087</u> |

Under the Co-operative Societies Act, at least 20% of the Net Surplus must be transferred to Statutory Reserve. The Share Transfer Fund is maintained to facilitate the repurchase of shares. Shares purchased through this reserve must be sold to members of the Credit Union before any new shares may be issued.

15. Legal & Statutory Reserves:

| | 2017 | 2016 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at beginning of year | 83,697,087 | 79,061,081 |
| Add: 20% of Net Income | 1,906,275 | 4,398,901 |
| Entrance Fees | 263,500 | 237,105 |
| Balance at end of year | <u>85,866,862</u> | <u>83,697,087</u> |

16. Interest Bearing Liabilities - Savings Deposits:

| | 2017 | 2016 |
|------------------------------|---------------------------|---------------------------|
| | \$ | \$ |
| <u>Non-Current</u> | | |
| Special Deposits | 317,071,128 | 245,743,948 |
| Youth Savings Deposits | 22,112,144 | 21,543,459 |
| | <u>339,183,272</u> | <u>267,287,407</u> |
| <u>Current</u> | | |
| Regular Savings and Deposits | 62,433,392 | 58,288,473 |
| Fixed Deposits | 979,422 | 886,697 |
| Christmas Savings Club | 2,099,305 | 1,996,122 |
| Golden Harvest Savings | 9,848,811 | 12,780,194 |
| Golden Harvest (7%) | 17,102,125 | 13,945,400 |
| Standing Orders (Delinquent) | 4,110,680 | 1,840,642 |
| Standing Orders | 11,520,111 | 9,155,651 |
| | <u>108,093,846</u> | <u>98,893,179</u> |
| | <u>447,277,118</u> | <u>366,180,586</u> |

17. Members' Voluntary Shares/Deferred Shares:

Voluntary Shares

| | 2017 | 2016 |
|-----------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Balance at beginning of year | 783,829,822 | 724,546,848 |
| Add : Subscription/Dividends Paid | 291,859,914 | 280,590,768 |
| | 1,075,689,736 | 1,005,137,616 |
| Less: Transfers | (213,599,924) | (221,307,794) |
| Balance at end of year | <u>862,089,812</u> | <u>783,829,822</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017

(Expressed in Jamaican Dollars unless otherwise indicated)

17. Members' Voluntary Shares/Deferred Shares - Cont'd

| Deferred Shares | 2017 | 2016 |
|------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Balance at beginning of year | 83,562,365 | 68,509,584 |
| Addition for the year | (68,294,251) | 15,052,781 |
| Balance at end of year | <u>15,268,114</u> | <u>83,562,365</u> |

Deferred Shares are not withdrawable for a period of five (5) years. Interest will be paid at a rate of 6% per annum.

Based on the draft Bank of Jamaica Credit Union Regulations, Deferred Shares are treated as Institutional Capital, and as such are included in the calculation of the Capital to Asset ratio. However, they are classified as liabilities in these financial statements in accordance with the requirements of IFRS.

18. Interest Bearing Liabilities - External Credits:

| | 2017 | 2016 |
|-------------|--------------------|--------------------|
| | \$ | \$ |
| JCCUL Loans | <u>394,090,484</u> | <u>367,472,747</u> |

The above loans were obtained by the Credit Union under line of credit facilities. The loans were taken in the form of several draw downs. An additional loan of One Hundred and Fifty Million dollars (\$150m) was taken in the current year. The purposes are for liquidity support and building. The interest rates on these loans ranged between 10.25% and 11% and are secured by the hypothecation of savings deposits and legal mortgage stamped on property. All amounts outstanding are due for repayment over the next 5 years.

19. Non-Interest Bearing Liabilities:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$ | \$ |
| <u>Accounts Payable & Accruals</u> | | |
| Deceased Estate Accounts | 8,905,354 | 7,145,082 |
| ATM Payable/(Receivable) | 11,150,747 | 6,951,564 |
| Bill Express Payable | 169,166 | 277,579 |
| Withheld Tax Payable | 7,596,003 | 7,602,698 |
| Interest Charges Payable | 164,391 | 213,362 |
| Dividend Payable | 1,649,568 | 4,370 |
| Accruals | 398,258 | 107,180 |
| Audit Fees Accrued | 845,790 | 1,409,650 |
| Conec Mobile Wallet | 80,505 | 75,005 |
| Memorial Scholarship Grant | - | 800,000 |
| Staff Expenses Accrued | 7,399,101 | 7,374,450 |
| Other | <u>5,871,804</u> | <u>7,379,970</u> |
| | <u>44,230,687</u> | <u>39,340,910</u> |
| <u>Other Provisions</u> | | |
| Restoration Reserve | 441,753 | 505,753 |
| Donation Provision | 58,145 | - |
| Disaster Relief Fund | 1,477,243 | 1,477,243 |
| Disability Fund | 985,401 | - |
| Scholarship Reserve / Education Provision | 1,180 | 1,180 |
| Building Improvement Reserve | <u>1,325</u> | <u>1,325</u> |
| | <u>2,965,047</u> | <u>1,985,502</u> |
| | <u>47,195,734</u> | <u>41,326,412</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

20. Liquid Asset and Financial Investment Income:

| (i) Liquid Assets | 2017 | 2016 |
|--|------------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| Term Deposits | <u>7,478,276</u> | <u>7,068,241</u> |
| (ii) Financial Investments | | |
| Shares-JCCUL | 138,069 | 23,378 |
| NCB Shares | <u>24,480</u> | <u>24,480</u> |
| | <u>162,549</u> | <u>47,858</u> |

21. Financial Costs

| | | |
|--------------|------------------|----------------|
| Bank Charges | <u>1,287,838</u> | <u>530,711</u> |
|--------------|------------------|----------------|

22. Miscellaneous Income

| | 2017 | 2016 |
|-------------------------|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Fees and Commission | 4,264,223 | 3,523,119 |
| Loan Administration Fee | 5,341,850 | 6,954,020 |
| ATM Fee Income | 3,084,140 | 3,171,480 |
| Recovered Income | 1,390,848 | - |
| Miscellaneous Income | 162,869 | 167,184 |
| Sale of Rule Books | <u>44,310</u> | <u>50,771</u> |
| | <u>14,288,240</u> | <u>13,866,574</u> |

23. Operating Expenses:

| | 2017 | 2016 |
|-----------------------------------|--------------------|--------------------|
| | <u>\$</u> | <u>\$</u> |
| Personnel Expenses: | | |
| Salaries & Wages | 119,000,440 | 108,222,755 |
| Employer's Statutory Contribution | 12,713,910 | 11,523,192 |
| Staff Training & Welfare | 5,588,179 | 3,357,700 |
| Staff Travel & Subsistence | 7,683,988 | 7,053,183 |
| Group Life Insurance | 982,118 | 375,927 |
| Pension | <u>5,824,232</u> | <u>5,235,832</u> |
| | <u>151,792,867</u> | <u>135,768,589</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

23. Operating Expenses (cont'd):

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Members Security: | | |
| Golden Harvest Insurance | 90,692 | 128,000 |
| Life Saving & Loan Protection Insurance | 15,442,377 | 13,303,504 |
| Cumis Bond | 476,842 | 369,612 |
| | <u>16,009,911</u> | <u>13,801,116</u> |

| | 2017 | 2016 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| Marketing & Promotion: | | |
| Advertising & Public Relations | 1,378,322 | 1,098,835 |
| Promotion | 1,569,425 | 2,488,006 |
| Christmas Gifts | 956,343 | 1,131,095 |
| | <u>3,904,090</u> | <u>4,717,936</u> |

| | 2017 | 2016 |
|---------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Administrative Expenses: | | |
| Travel & Entertainment | 136,238 | 368,002 |
| Repairs & Maintenance | 2,490,996 | 2,855,426 |
| Depreciation | 8,778,656 | 10,874,040 |
| Rent | 2,450,633 | 2,372,685 |
| Audit Fees - Current Year | 1,409,650 | 1,409,650 |
| Audit Fees - Previous Year | - | 361,150 |
| Internal Audit | 1,687,358 | 545,900 |
| Professional & Consulting Fees | 2,115,430 | 2,480,855 |
| Security | 1,973,979 | 1,623,588 |
| Stationery | 3,148,230 | 1,863,129 |
| Office Supplies | 1,224,822 | 1,146,596 |
| Insurance - Premises & Assets | 1,343,290 | 1,511,598 |
| Electricity | 4,209,244 | 3,611,035 |
| Telephone | 4,538,600 | 3,409,752 |
| Water Rates & Taxes | 536,933 | 466,156 |
| Cable Television Charges | 475,306 | 635,209 |
| Donations | 1,906,400 | 1,284,236 |
| Bad Debt Written Off | 8,843,302 | - |
| Miscellaneous | 767,365 | 963,773 |
| | <u>48,036,432</u> | <u>37,782,780</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

23. Operating Expenses (cont'd):

| | 2017 | 2016 |
|--|---------------------------|---------------------------|
| | \$ | \$ |
| Representation & Affiliation: | | |
| League Fees | 3,640,235 | 3,122,308 |
| Stabilization Dues | 1,725,016 | 1,500,666 |
| Annual General Meeting - League | 1,383,848 | 1,336,232 |
| Annual General Meeting - Members | 2,457,505 | 2,402,358 |
| Funeral Aid (Staff & Committee) | 50,000 | 150,000 |
| Travel and Subsistence - Volunteers | 6,636,603 | 6,671,800 |
| Meetings and Seminars - Volunteers | 3,002,555 | 2,462,803 |
| Members' Welfare | 819,340 | 2,596,230 |
| ATM Participation Fee | 1,672,655 | 2,168,326 |
| ATM Fee | 3,084,140 | 3,171,480 |
| Training & Education - Volunteers | 43,163 | 30,290 |
| | <u>24,515,060</u> | <u>25,612,493</u> |
| TOTAL OPERATING EXPENSES | <u>244,258,360</u> | <u>217,682,914</u> |

24. Appropriations:

| | 2017 | 2016 |
|------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Previous Year's Surplus: | | |
| Education/Scholarship Reserve | 1,800,000 | 1,800,000 |
| Donation | 123,147 | 514,238 |
| Dividends Paid on Permanent Shares | 12,000,000 | 9,000,000 |
| Disaster Relief Fund | - | 1,000,000 |
| Disability Fund | 1,000,000 | - |
| Increase in Share Transfer Fund | 500,000 | - |
| | <u>15,423,147</u> | <u>12,314,238</u> |

25. Comparison of Ledger Balances:

| | Permanent Shares | Voluntary Shares | Loans | Savings Deposits |
|------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|
| | \$ | \$ | \$ | \$ |
| General Ledger | 155,860,659 | 862,089,812 | 1,646,606,053 | 447,277,118 |
| Personal Ledger | <u>155,860,659</u> | <u>862,089,812</u> | <u>1,646,606,051</u> | <u>447,277,119</u> |
| Differences 2017 | <u>-</u> | <u>-</u> | <u>2</u> | <u>(1)</u> |
| Differences 2016 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

26. Staff and Volunteer Balances:

These represent loans granted to members of staff, the Board of Directors, Supervisory and Credit Committees:

| | | | |
|--------------------------------|---------------|-------------------|-------------------|
| Number | | 52 | |
| Total Shares | | 44,995,956 | |
| Total Loans | | 86,439,653 | |
| | <u>Amount</u> | <u>Loans</u> | <u>Shares</u> |
| | # | \$ | \$ |
| Staff | 34 | 49,904,076 | 22,900,134 |
| Directors | 9 | 22,213,112 | 14,107,306 |
| Supervisory & Credit Committee | <u>10</u> | <u>14,322,465</u> | <u>7,988,516</u> |
| | <u>53</u> | <u>86,439,653</u> | <u>44,995,956</u> |

No waiver was granted on the above loans. As at 31st December 2017 all loans were being repaid in accordance with the loan agreements.

27. Insurances:

(a) Fidelity Insurance Coverage

During the year, the Credit Union had fidelity insurance coverage with Cuna Mutual Insurance Company Limited. The total premium for the year was \$476,842 (2016: \$369,612).

(b) Life Savings and Loan Protection Coverage

During the year, the Credit Union had life savings and loan protection coverage with Cuna Mutual Insurance Company Limited. The total premium for the year was \$15,442,377 (2016: 13,303,504).

(c) Premises & Assets

During the year, the Credit Union had insurance coverage in respect of premises and assets. The total premium for the year was \$1,343,290 (2016: \$1,511,598).

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. 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 accruals.

The Credit Union's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Credit Union's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

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

(a) Credit Risk

The Credit Union is exposed to credit risk, which is the risk that its members, clients or counterparts will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Credit risk is the most important risk for the Credit Union's business; management therefore carefully manages its exposures to credit risk. Credit risk exposures arise principally from the Credit Union's loans to members, deposits with other institutions and investment securities. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single member.

There is a policy document in place which provides guidelines for the Credit Union's review process.

Credit review process

The Credit Union has a Credit Committee that operates within the guidelines established by the Board of Directors for the granting of loans. The process is managed to ensure that members' credit worthiness is carefully assessed before loans are granted. The established guidelines are also designed to protect the interest of savers by providing competitive interest rates and prompt service to borrowers. In respect of waivers of loan policies or procedures, the Credit Committee has to refer such loans to the Board of Directors before they can grant approval.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

(i) Loans to members

The Credit Union's exposure to credit risk is influenced mainly by the individual characteristics of each member. The Board of Directors has established a credit policy under which each member is assessed individually for creditworthiness prior to the Credit Union offering them a credit facility. Loans are normally granted at a maximum ratio of \$10 for each \$1 share value held by a member. One is required to be a member for at least one (1) month before becoming eligible for a loan, except in extraordinary circumstances which will be determined by the Credit Committee in collaboration with the Loans Manager.

All applications for loan must be accompanied by supporting documents, and loans are not granted to delinquent members or co-makers of delinquent members. The verification of applicants income must be carried out before the approval of loans and the Credit Union reserves the right to request additional information.

The repayment period for loans ranges from one month (1) to one hundred & eighty months (180) as follows :

| | <u>Ratio</u> | <u>Type of Loan</u> | <u>Maximum Period</u> |
|----|--------------|---------------------|-----------------------|
| 1) | 10 : 1 | Consolidation Loan | 60 months |
| 2) | 3 : 1 | Demand Loan | 12 months |
| 3) | 5 : 1 | Personal Loan | 180 months |
| 4) | | Easy Access Loan | 18 month |

Collateral

The Credit Union holds collateral against loans to members as follows:

- 1) First and second mortgage where National Housing Trust or any reputable Institution is the holder, providing they are willing to register the Interest of the Credit Union.
- 2) Bill of sale on appliances, machines and equipment (only at the time of being purchased through the Credit Union.
- 3) Bill of Sale on motorcars not exceeding ten years old.
- 4) Assignment of Ninety percent (90%) of cash surrender value of Life Insurance Policies.
- 5) Assignment of deposits with other Credit Unions.
- 6) Assignment of maximum of seventy percent (70%) of market value of bonds and government securities within prescribed list of quoted stocks.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

(i) Loans to members (cont'd)

Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

- 1) Where necessary professional assessment of items being offered as security will be required.
- 2) All items offered as security must be fully insured and the Credit Union must be satisfied as to the arrangements in place for the future payments of the insurance premium.
- 3) Motor vehicles may be used as security, provided that the vehicle will continue to get comprehensive insurance coverage until loan is fully repaid.

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.

Loans past due but not impaired -

These are loans where the 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. These loans fall mainly in the categories of one to two months delinquent. At 31st December 2016, these loans totalled \$8,284,580 (2016: \$8,284,580). The ageing analysis is as follows:

| | 2017 | 2016 |
|----------|------------------|------------------|
| | \$ | \$ |
| 1 month | 976,598 | 741,198 |
| 2 months | 3,386,573 | 7,543,382 |
| | <u>4,363,171</u> | <u>8,284,580</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(a) Credit Risk (cont'd)

(i) Loans to members (cont'd)

Loans past due and impaired -

At 31st December 2017 loans to members that were past due and considered impaired totalled \$23,924,624 (2015: \$23,924,624). The ageing of these loans are as follows:

| | 2017 | 2016 |
|----------------|-------------------|-------------------|
| | \$ | \$ |
| 2 - 3 months | 2,946,247 | 4,589,094 |
| 3 - 6 months | 2,872,724 | 5,080,537 |
| 6 - 12 months | 6,992,336 | 4,218,052 |
| Over 12 months | 8,860,276 | 10,036,941 |
| | <u>21,671,583</u> | <u>23,924,624</u> |

Allowances for loan impairment

The Credit Union establishes an allowance for impairment losses that represents its estimate of incurred losses in its portfolio. The main component of this allowance is a collective loan loss allowance established on a group basis in respect of delinquent loans. The total loans portfolio has not been subject to individual assessments for impairment.

The average credit period on loans granted is three (3) years. The Credit Union has provided fully for all past due loans over 365 days while past due loans between 61 and 365 days are provided for based on the percentages recommended in the prudential standards set by the supervisory body.

The creation and release of the provision for impaired loans have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Write-off policy

The Credit Union writes off loans (and any related allowances for impairment losses) when the Credit Union determines that the loans are not collectible. This determination is usually made after considering information such as changes in borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. During the year, no write offs were done.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(a) Credit Risk - cont'd

(ii) Savings Deposits and Investments

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. The management therefore does not expect any counterparty to fail to meet its obligations.

(iii) Receivables and prepayments

Interest receivable on loans represent over eighty seven percent (89%) (2016-87%) of receivables and prepayments. Interest is not accrued after ninety (90) days of delinquency. The risk exposure in respect of other balances is considered low.

Exposure to credit risk

The carrying amounts of the following financial assets represent the maximum exposure to credit risk before collaterals held. At the date of the statement of financial position these balances were:

| | 2017 | 2016 |
|-----------------------------|----------------------|----------------------|
| | \$ | \$ |
| Loans to members, (net) | 1,630,140,104 | 1,495,138,808 |
| Liquid assets-earning | 278,282,185 | 193,777,095 |
| Financial investments | 50,685,676 | 48,718,475 |
| Liquid assets-non-earning | 12,243,655 | 26,727,918 |
| Receivables and prepayments | 34,733,067 | 31,475,320 |
| | <u>2,006,084,687</u> | <u>1,795,837,616</u> |

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.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instrument Risk Management (cont'd):

(b) Liquidity risk

Liquidity risk is the risk that the Credit Union is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market position.

The Credit Union manages this risk by keeping a substantial portion of its assets in liquid form in accordance with regulatory guidelines.

The Credit Union is subject to a liquid limit by the Jamaica Credit Union League (JCCUL) and compliance is regularly monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to savings deposits. For this purpose liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 0.73 to 1 (2016: 0.58 to 1).

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

Liquidity risk management process -

The Credit Union's liquid risk management process, as carried out within the Credit Union and monitored by the Board of Directors, include:

- 1) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- 2) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any foreseen interruption to cash flow.
- 3) Maintaining committed lines of credit
- 4) Optimizing cash returns on investments.
- 5) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Credit Union. It is unusual for entities to be completely matched as business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

b) Liquidity Risk (cont'd).

The following table summarises the net liquidity gap and the cumulative liquidity gap of the Credit Union analysing its assets and liabilities into their earliest possible contractual maturity categories.

NON-CURRENT ASSETS

Earning:

Loans to Members - Net of Provision
for Loan Impairment

Financial Investments

Non-Earning:

Property, Plant & Equipment
Retirement Benefit Asset

CURRENT ASSETS

Earning:

Liquid Assets

Financial Investments

Non-Earning:

Liquid Assets
Receivables & Prepayments

TOTAL ASSETS

| | Within 1 month \$ | 1 to 3 months \$ | 3 to 12 months \$ | 1 to 5 years \$ | Over 5 years \$ | No Specific maturity \$ | Total \$ |
|--|-------------------------|------------------------|-------------------------|-----------------------|-----------------------|-------------------------------|----------------------|
| Loans to Members - Net of Provision for Loan Impairment | - | 9,504,132 | 30,000,093 | 497,732,920 | 874,312,792 | 218,590,167 | 1,630,140,104 |
| Financial Investments | - | - | - | - | - | 5,500,245 | 5,500,245 |
| Property, Plant & Equipment | - | - | - | - | - | 87,856,440 | 87,856,440 |
| Retirement Benefit Asset | - | - | - | - | - | 12,718,000 | 12,718,000 |
| Liquid Assets | - | 278,282,185 | - | - | - | - | 278,282,185 |
| Financial Investments | - | 45,185,431 | - | - | - | - | 45,185,431 |
| Liquid Assets | 12,243,655 | - | - | - | - | - | 12,243,655 |
| Receivables & Prepayments | 34,733,067 | - | - | - | - | - | 34,733,067 |
| TOTAL ASSETS | <u>46,976,722</u> | <u>332,971,748</u> | <u>30,000,093</u> | <u>497,732,920</u> | <u>874,312,792</u> | <u>324,664,852</u> | <u>2,106,659,127</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

b) Liquidity Risk (cont'd).

| | Within 1 month \$ | 1 to 3 months \$ | 3 to 12 months \$ | 1 to 5 years \$ | Over 5 years \$ | No Specific maturity \$ | Total \$ |
|---|-------------------------|------------------------|-------------------------|-----------------------|-----------------------|-------------------------------|----------------------|
| <u>EQUITY AND LIABILITIES</u> | | | | | | | |
| Members' Permanent Shares | - | - | - | - | - | 155,860,659 | 155,860,659 |
| Non-Institutional Capital | - | - | - | - | - | 89,010,344 | 89,010,344 |
| Institutional Capital | - | - | - | - | - | 95,866,862 | 95,866,862 |
| Total Equity | | | | | | | |
| <u>NON-CURRENT LIABILITIES</u> | | | | | | | |
| Interest Bearing: | | | | | | | |
| Savings Deposits | - | - | - | 317,071,128 | 22,112,144 | - | 339,183,272 |
| Members' Voluntary Shares | - | - | - | - | 862,089,812 | - | 862,089,812 |
| Members' Deferred Shares | - | - | - | 15,268,114 | - | - | 15,268,114 |
| <u>CURRENT LIABILITIES</u> | | | | | | | |
| Interest Bearing: | | | | | | | |
| External Credit | - | - | - | 394,090,484 | - | - | 394,090,484 |
| Savings Deposits | 17,152,205 | - | 979,421 | 17,102,125 | 8,327,398 | 64,532,697 | 108,093,846 |
| Non-Interest Bearing: | | | | | | | |
| Payables and Accruals | - | - | 47,195,734 | - | - | - | 47,195,734 |
| TOTAL CAPITAL AND LIABILITIES | 17,152,205 | - | 48,175,155 | 743,531,851 | 892,529,354 | 405,270,562 | 2,106,659,127 |
| TOTAL LIQUIDITY GAP CUMULATIVE GAP | | | | | | | |
| | 29,824,517 | 332,971,748 | (18,175,062) | (245,798,931) | (18,216,562) | (80,605,710) | - |
| | <u>29,824,517</u> | <u>362,796,265</u> | <u>344,621,203</u> | <u>98,822,272</u> | <u>80,605,710</u> | <u>-</u> | <u>-</u> |
| 2016 | | | | | | | |
| TOTAL ASSETS | 58,203,238 | 251,986,497 | 44,830,029 | 398,976,194 | 818,236,098 | 320,376,053 | 1,892,608,109 |
| TOTAL LIABILITIES | <u>10,042,348</u> | <u>-</u> | <u>43,322,534</u> | <u>696,779,060</u> | <u>935,724,922</u> | <u>281,458,450</u> | <u>1,967,327,314</u> |
| TOTAL LIQUIDITY GAP | 48,160,890 | 251,986,497 | 1,507,495 | (297,802,866) | (117,488,824) | 38,917,603 | - |
| CUMULATIVE GAP | <u>48,160,890</u> | <u>300,147,387</u> | <u>301,654,882</u> | <u>3,852,016</u> | <u>(113,636,808)</u> | <u>-</u> | <u>-</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk

The Credit Union takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, equity prices and interest rates and will affect the Credit Union's income or value of its portfolio of financial instruments. Market risk is monitored by the General Manager who carries out extensive reviews and monitors the price movement of financial assets on the local and international markets. Market risk exposure are measured using sensitivity analysis.

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

(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 not directly exposed to foreign currency risk as at 31st December 2017 as it does not hold accounts in currencies other than Jamaican currencies.

(ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Credit Union as part of its investment portfolio. The primary goal of the Credit Union's investment strategy is to maximize returns on investments and to have an appropriate asset mix.

The Credit Union's equity securities are listed on the Jamaica Stock Exchange. There was a 99% or \$592,560 movement for the year 2017 (2016 - \$120,720 or 25%). A 10% increase or decrease in quoted bid prices at the date of the statement of financial position would result in an increase and an equal decrease respectively in equity of \$119,256 (2016 - \$60,000).

(iii) Interest rate risk

Interest rate risk is the risk that the value or the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Credit Union to cash flow interest rate risk, whereas fixed interest rate instruments expose the Credit Union to fair value interest rate risk.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

At the reporting date, the interest rate profile of the Credit Union's interest-bearing financial instruments were as follows:

| | <u>2017</u> | | <u>2016</u> | |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------|
| | Interest Rate % | \$ | Interest Rate % | \$ |
| Financial Assets | | | | |
| Loans to Members after Provision | 10.0 - 20.0 | 1,630,140,104 | 10.0 - 20.0 | 1,495,138,808 |
| Liquid Assets - HTM | | | | |
| JCCUL - Certificates of Deposits | 4.2-5.5 | 123,875,480 | 5.1 - 5.5 | 69,578,911 |
| JCCUL - CU Cash Deposits | 1.9 - 2 | 128,961,382 | 3-3.4 | 99,905,459 |
| JCCUL - CU Premium | 4.5 - 5.5 | 924,644 | 5.5 - 6.3 | 878,191 |
| BNS(DB&G) | 2.1 - 4.5 | 1,539,245 | 1.75 - 4.5 | 11,340,142 |
| JMMB | 2.85- 5.7 | 10,346,832 | 5.5 - 5.75 | - |
| NCB Capital Market | 2.6 - 3.85 | 1,998,851 | 2.9 - 3.85 | 6,838,523 |
| Sagicor Investment | 3.5 - 5.5 | 5,137,980 | - | - |
| Money Masters Ltd | 4.2 - 5 | 5,497,771 | 5 - 5.25 | 5,235,869 |
| Financial Investments - | | | | |
| AFS Securities | 4.0 | 65,481 | 4.0 | 62,917 |
| HTM Securities | 1.9 - 2 | 45,185,431 | 2 - 3 | 44,298,829 |
| | | <u>1,953,673,201</u> | | <u>1,733,277,649</u> |
| Financial Liabilities | | | | |
| Savings Deposits | 3.0 - 8.0 | 447,277,118 | 3.0 - 8.0 | 366,180,586 |
| External Credits | 10.75 - 13.0 | 394,090,484 | 10.75 - 13.0 | 367,472,747 |
| | | <u>841,367,602</u> | | <u>733,653,333</u> |
| | | <u>1,112,305,599</u> | | <u>999,624,316</u> |

Sensitivity Analysis

During the period January 2017 to December 2017, interest rates have moved downwards, with the BOJ 3-6 months deposit rates moving by approximately 33 basis points from 4.9% to 4.57%. This trend is expected to continue as the Government of Jamaica (GOJ) continues its policies of lowering of interest rates.

The disclosures provided in this note are based on the Credit Union's investment portfolio as at 31st December 2017.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

YEAR ENDED 31ST DECEMBER 2017

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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

| | <u>2017</u> | | <u>2016</u> | |
|----------------------------------|---------------|-------------------|---------------|---------------------|
| | Interest Rate | | Interest Rate | |
| | <u>%</u> | <u>\$</u> | <u>%</u> | <u>\$</u> |
| Financial Assets | | | | |
| Loans to Members after Provision | - | - | -1 | (14,951,388) |
| Liquid Assets - HTM | | | | |
| JCCUL - Certificates of Deposits | -0.8 | (991,004) | -0.35 | (243,526) |
| JCCUL - CU Cash Deposits | -1.25 | (1,612,017) | -3.2 | (3,196,975) |
| JCCUL - CU Premium | -1.45 | (13,407) | -0.55 | (4,830) |
| BNS(DB&G) | -0.575 | (8,851) | -0.75 | (85,051) |
| JMMB | -0.3 | (31,040) | 1.05 | - |
| NCB Capital Market | -0.975 | (19,489) | -0.825 | (56,418) |
| Sagicor Investment | 0.65 | 33,397 | 1.275 | - |
| Money Masters Ltd | 4.6 | 252,897 | - | - |
| Financial Investments - | | | | |
| AFS Securities | -3.2 | (2,095) | -0.7 | (440) |
| HTM Securities | 1.95 | 881,116 | - | - |
| | | (1,510,494) | | (18,538,628) |
| Financial Liabilities | | | | |
| Savings Deposits | -6 | (26,836,627) | -0.5 | (1,830,903) |
| External Credits | - | - | - | - |
| | | (26,836,627) | | (1,830,903) |
| | | <u>25,326,134</u> | | <u>(16,707,725)</u> |

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

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

(iv) 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 the Credit Union's Regulatory Body. The results of these are discussed with the Credit Union's Management and Board of Directors.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

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 Asset and Liability Management Committee has oversight responsibility for the management and monitoring of interest rate risk and reports frequently to the Board of Directors on its strategies and position.

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 1 month \$ | 1 to 3 months \$ | 3 to 12 months \$ | 1 to 5 years \$ | Over 5 years \$ | Non-rate sensitive \$ | Total \$ |
|--|-------------------------|------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|----------------------|
| NON-CURRENT ASSETS | | | | | | | |
| Earning: | | | | | | | |
| Loans to Members - Net of Provision for Loan Impairment | - | - | 1,630,140,104 | - | - | - | 1,630,140,104 |
| Financial Investments | - | - | - | - | 5,500,245 | - | 5,500,245 |
| Non-Earning: | | | | | | | |
| Property, Plant & Equipment | - | - | - | - | - | 87,856,440 | 87,856,440 |
| Retirement Benefit Asset | - | - | - | - | - | 12,718,000 | 12,718,000 |
| CURRENT ASSETS | | | | | | | |
| Earning: | | | | | | | |
| Liquid Assets | 278,282,185 | - | - | - | - | - | 278,282,185 |
| Financial Investments | - | 45,185,431 | - | - | - | - | 45,185,431 |
| Non-Earning: | | | | | | | |
| Liquid Assets | - | - | - | - | - | 12,243,655 | 12,243,655 |
| Receivables & Prepayments | - | - | - | - | - | 34,733,067 | 34,733,067 |
| TOTAL ASSETS | <u>278,282,185</u> | <u>45,185,431</u> | <u>1,630,140,104</u> | <u>-</u> | <u>5,500,245</u> | <u>147,551,162</u> | <u>2,106,659,127</u> |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
(Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instruments Risk Management (cont'd):

(c) Market risk (cont'd)

(iii) Interest rate risk (cont'd)

| | Within 1 month \$ | 1 to 3 months \$ | 3 to 12 months \$ | 1 to 5 years \$ | Over 5 years \$ | No Specific maturity \$ | Total \$ |
|---------------------------------------|-------------------------|------------------------|-------------------------|-----------------------|-----------------------|-------------------------------|----------------------|
| <u>EQUITY AND LIABILITIES</u> | | | | | | | |
| Members' Permanent Shares | - | - | - | - | - | 155,860,659 | 155,860,659 |
| Non-Institutional Capital | - | - | - | - | - | 89,010,344 | 89,010,344 |
| Institutional Capital | - | - | - | - | - | 95,866,862 | 95,866,862 |
| Total Equity | | | | | | | |
| <u>NON-CURRENT LIABILITIES</u> | | | | | | | |
| Interest Bearing: | | | | | | | |
| Savings Deposits | - | 22,112,144 | 317,071,128 | - | - | - | 339,183,272 |
| Members' Voluntary Shares | - | - | 862,089,812 | - | - | - | 862,089,812 |
| Members' Deferred Shares | - | - | - | 15,268,114 | - | - | 15,268,114 |
| <u>CURRENT LIABILITIES</u> | | | | | | | |
| Interest Bearing: | | | | | | | |
| External Credit | - | - | 394,090,484 | - | - | - | 394,090,484 |
| Savings Deposits | - | - | - | - | - | 108,093,846 | 108,093,846 |
| Non-Interest Bearing: | | | | | | | |
| Payables and Accruals | - | - | - | - | - | 47,195,734 | 47,195,734 |
| TOTAL CAPITAL AND LIABILITIES | - | 22,112,144 | 1,573,251,424 | 15,268,114 | - | 496,027,445 | 2,106,659,127 |
| TOTAL LIQUIDITY GAP | 278,282,185 | 23,073,287 | 56,888,680 | (15,268,114) | 5,500,245 | (348,476,283) | - |
| CUMULATIVE GAP | 278,282,185 | 301,355,472 | 358,244,152 | 342,976,038 | 348,476,283 | - | - |
| TOTAL ASSETS | 193,777,095 | 44,298,829 | 1,495,138,808 | - | 4,419,646 | 161,385,771 | 1,899,020,149 |
| TOTAL LIABILITIES | - | 21,543,459 | 1,397,046,517 | 83,562,365 | - | 396,867,808 | 1,899,020,149 |
| TOTAL LIQUIDITY GAP | 193,777,095 | 22,755,370 | 98,092,291 | (83,562,365) | 4,419,646 | (235,482,037) | - |
| CUMULATIVE GAP | 193,777,095 | 216,532,465 | 314,624,756 | 231,062,391 | 235,482,037 | - | - |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instrument Risk Management (cont'd):

(d) 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 2017 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.

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|------------------|------------------|----------|------------------|
| | \$ | \$ | \$ | \$ |
| <u>Available-for-sale Investments</u> | | | | |
| Unquoted Investments at Fair Value | - | 4,307,685 | - | 4,307,685 |
| Quoted Investments at Fair Value | 1,192,560 | - | - | 1,192,560 |
| | <u>1,192,560</u> | <u>4,307,685</u> | <u>-</u> | <u>5,500,245</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.

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instrument Risk Management (cont'd):

(d) 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, 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 other 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.

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2017 | | 2016 | |
|---------------------------|----------------|---------------|----------------|---------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | \$ | \$ | \$ | \$ |
| Financial Assets: | | | | |
| <u>Earning</u> | | | | |
| Loans to Members | 1,630,140,104 | 1,630,140,104 | 1,495,138,808 | 1,495,138,808 |
| Financial Investments | 50,685,676 | 50,685,676 | 48,718,475 | 48,718,475 |
| Liquid Assets | 278,282,185 | 278,282,185 | 193,777,095 | 193,777,095 |
| <u>Non-Earning</u> | | | | |
| Liquid Assets | 12,243,655 | 12,243,655 | 26,727,918 | 26,727,918 |
| Receivables & Prepayments | 34,733,067 | 34,733,067 | 31,475,320 | 31,475,320 |

PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
(FORMERLY NATIONAL SECURITY EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
YEAR ENDED 31ST DECEMBER 2017
 (Expressed in Jamaican Dollars unless otherwise indicated)

28. Financial Instrument Risk Management (cont'd):

(d) Fair Value (cont'd):

| | 2017 | | 2016 | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| | \$ | \$ | \$ | \$ |
| Financial Liabilities: | | | | |
| <u>Interest Bearing</u> | | | | |
| Savings Deposits | 447,277,118 | 447,277,118 | 366,180,586 | 366,180,586 |
| Members' Voluntary Shares | 862,089,812 | 862,089,812 | 783,829,822 | 783,829,822 |
| Members' Deferred Shares | 15,268,114 | 15,268,114 | 83,562,365 | 83,562,365 |
| External Credit | 394,090,484 | 394,090,484 | 367,472,747 | 367,472,747 |
| <u>Non - Interest Bearing</u> | | | | |
| Payables & Accruals | <u>47,195,734</u> | <u>47,195,734</u> | <u>41,326,412</u> | <u>41,326,412</u> |

Credit Committee

91



The Credit Committee is a voluntary body consisting of five (5) members elected by the general membership. The role of the committee is to examine and approve loans above shares applications and ratify loans approved by the Credit Administration Manager.

The Committee meets on average twice per month, however unscheduled meetings are held when the need arises. The Committee also attends joint meetings held on a quarterly basis with the Board of Directors and Supervisory Committee.

The following members were retired and made themselves available for nomination, are Messe Michael Farquharson and Steven Watson. At our last Annual General Meeting held on Saturday, July 8, 2017 at the Jamaica Conference Centre, Port Royal Street, Kingston they were selected and return to serve for two (2) years.

On Wednesday, July 12, 2017 a special meeting was held by the committee to elect the Chairman and Secretary. Mr. Michael Farquharson was elected Chairman and Mrs. Carlene Allen Secretary.

YEAR IN REVIEW.

In the month of August, 2017, a new pre owned motor car loan was introduced to the membership.

The Committee ensured that all loans met the required standards for approval in accordance with the Credit Union's rules, regulation and policies

Credit Committee

ATTENDANCE REPORT JANUARY – DECEMBER 2017

For the year under review a total of twenty-eight (28) meetings were held.

| Names | Scheduled Meetings | Present | Excused | Absent |
|----------------------------------|--------------------|---------|---------|--------|
| Michael Farquharson, Chairman | 28 | 28 | Nil | Nil |
| Carlene Allen, Secretary | 28 | 26 | 2 | Nil |
| Patsie Wallen-Lindsay, Member | 28 | 24 | 4 | Nil |
| Anthony Lewis, Member | 28 | 25 | 3 | Nil |
| Steven Watson, Member | 28 | 28 | Nil | Nil |

ACKNOWLEDGEMENT

We take this opportunity to thank you our membership for your vote of confidence in selecting us to serve you during 2017 and look forward for continued service to you. Thanks also to the Board of Directors, staff and other Committees, for your support during 2017 and we look forward to your support going forth.


.....
Michael Farquharson
Chairman


.....
Carlene Allen
Secretary

Supervisory Committee

93



*Supervisory
Committee*

Seated: Nigel Davis Chairman
Standing L-R: Juniffer Dixon-Gordon (Secretary), Julian Oscar,
 Omar Drysdale and Sancha Miller-McPherson

It is my esteem pleasure to present the Supervisory Committee's annual report for the year ending 2017, as we celebrate 50 "Golden" years of distinguish service to the public sector workers and their family. The Public Sector Employee Co-operative Credit Union (PSECCU) has grown and developed in many ways since its establishment in 1968. In so doing, it has positively impacted the lives and livelihood of many. Today, it represents the premier financial institution with SERVICE being its core value, and its 'members' financial security matters most. Heartiest congratulations!

The Committee's role is to maintain oversight of the safety and soundness of the Credit Union. Today we remain very committed to this task. Operating independently of all entities of the credit union, we are dedicated with the constant effort of ensuring that the Board, the staff, all

policies, practices and procedures are compliant with applicable laws and regulations. We are mandated to ensure that the Credit Union constantly seeks to maximize benefit to members, and that the overall operations are in keeping with local and international best practices within the movement.

At the 49th Annual General Meeting held on July 8, 2017, the following members were duly elected and served on the supervisory committee in the following capacities.

| | |
|---------------------------|-----------|
| * Nigel Davis | Chairman |
| * Juniffer Dixon-Gordon | Secretary |
| * Sancha Miller-McPherson | Member |
| * Omar Drysdale | Member |
| * Julian Oscar | Member |

Supervisory Committee

| Attendance Record | | | | |
|--------------------------|---------------------------|----------------|----------------|---------------|
| Names | Scheduled Meetings | Present | Excused | Absent |
| Nigel Davis | 12 | 11 | 1 | Nil |
| Juniffer Dixon- Gordon | 12 | 12 | Nil | Nil |
| Omar Drysdale | 12 | 11 | 1 | Nil |
| Julian Oscar | 12 | 10 | 2 | Nil |
| Sancha Miller-McPherson | 12 | 10 | 2 | Nil |

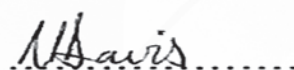
The Internal Auditor and the Supervisory Committee conducted audits and reviews were done on various areas of the Credit Union's operation of which, subsequent monthly reports were sent to the Board of Directors and Management. These included:

- * Fix Assets
- * Delinquent Loans/Charged-off Loans & Allowance for Loan Loss
- * Anti-Money Laundering (AML) /Countering of Terrorism Financing (CTF) Framework
- * Disbursement Process
- * Board of Director's Minutes
- * Lodgment Process
- * Surprise Cash Count
- * Financial Statements for year ending 2017

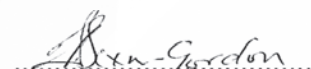
There was general adherence to established policies and procedures. Compliance with the related laws and regulations that govern the Credit Union's operations were adequate. We were able to make recommendations, implementation of which resulted in improvements in the control environment, thus reducing the risk of loss to the organization. The Supervisory Committee reviewed the results and periodically checks with management on any action items identified in the report. The Supervisory Committee can say with complete confidence that

the Credit Union continues to maintain a high level of financial safety and soundness. We will remain vigilant representatives of our members' interests, ensuring continued safety and soundness for your money as the Credit Union strives to provide you and your family with excellent member service.

We wish to record our warmest and sincere thanks to the Board of Directors, Management, Internal Auditors and Staff for their courtesy and co-operation throughout the year. We recognize the hard work undertaken by all to maintain and improve the support and services provided by the credit union to its members.



Nigel Davis
Chairman



Juniffer Dixon-Gordon
Secretary

Nominating Committee

95

In accordance with Rule 64 governing the operations of the Public Sector Employees Co-operation Credit Union Limited, not less than ninety (90) days prior to each Annual General Meeting, the Board of Directors shall appoint a Nomination Committee of three members, of which not more than one may be a member of the existing Board of Directors. It shall be the duty of the Nomination Committee to nominate at the vacancy for which elections are being held.

The Nomination Committee was appointed by the Board of Directors at its meeting on February 15, 2018, in keeping with Rule 64 and comprised of the persons named below:

1. Mr. Andrew Johnson – Chairman
2. Mr. Michael Farquharson – Credit Committee Chairman
3. Mrs. Tamara Maxwell Green – Deputy CEO

In performing its work, the Committee was guided by the Rule 64 (a) to (f):

The Board of Directors current status is as follows:

| Board of Directors Retiring at 2018 Annual General Meeting are: | Board of Directors Retiring at 2019 Annual General Meeting |
|--|---|
| Calvin Allen | George Hunter |
| Jeanette Davis | Christopher Murdock |
| Dacy-Ann Graham | Errol Adams |
| Eric Wint | Andrew Johnson |
| Courtney Faulknor | |

Based on nominations received and subsequent assessment, the committee has put forward the following nominees for election by the membership to fill five (5) vacancies on the Board of Directors to serve for a period of two years::

| Nominees for Board of Directors to serve for 2 years: |
|--|
| Calvin Allen |
| Jeanette Davis |
| Dacy-Ann Graham |
| Eric Wint |
| Courtney Faulknor |
| Jason Rodriques |
| Norman Morrison |

The Credit Committee current status is as follows:

| Credit Committee Retiring at 2018 Annual General Meeting are:: | Credit Committee Retiring at 2019 Annual General Meeting |
|---|---|
| Carlene Allen | Micheal Farquharson |
| Patsie Wallen-Lindsay | Steven Watson |
| Anthony Lewis | |

The Nominations Committee recommends that the Credit Committee members below be elected to serve for the term of two (2) years:

| Credit Committees Members recommended |
|--|
| Carlene Allen |
| Patsie Wallen-Lindsay |
| Anthony Lewis |

Nominating Committee

The Supervisory Committee is elected to serve for a period of one year and all members will retire at this Annual General Meeting and the The Nominations Committee recommends that the Supervisory Committee below be elected to serve for the term of one (1) year :

| Supervisory Committee Retiring and recommended to serve for 1 year: |
|--|
| Nigel Davis |
| Juniffer Dixon-Gordon |
| Omar Drysdale |
| Julian Oscar |
| Sancha Miller-McPherson |

PROFILES OF CANDIDATES

BOARD OF DIRECTORS

Calvin Allen:

Mr. Allen is a Senior Superintendent of Police, serving the Jamaica Constabulary Force for thirty-one (31) years. He has been a member of the credit union since 1988 and has served as a Credit Committee member for six years and as a Board of Directors for over nine (9) years. Mr. Allen holds a MSc. Degree in National Security & Strategic Studies from the University of the West Indies.

Jeanette Davis:

Ms. Jeanette Davis is a Deputy Superintendent of Police, serving the Jamaica Constabulary Force for twenty-seven (27) years. Ms. Davis had been a member of staff at the Public Sector Employees Co-op.Credit Union for over 20 years, serving in various capacities to include General Manager in charge of operations. She has also served as a member of the Board of Directors since 2014. Ms. Davis holds an Associate Degree in Business Administration

and is currently pursuing her BSc in Human Resource Management at the University of the West Indies.

Dacy-Ann Graham:

Ms. Dacy-Ann Graham is a Deputy Superintendent of Police, serving the Jamaica Constabulary Force with assigned duties at the St. Andrew North Division as the Administration Officer. She has served on the Board for the past four (4) years and has been a member of the Credit Union since 2008. Ms. Graham holds a BSc Degree in Economics and Management Studies and a MSc Degree in Human Resource Development from the University of the West Indies.

Eric Wint:

Mr. Wint is a Deputy Superintendent of Police, serving the force for thirty-three (33) years. He has served as a Board of Director at the Public Sector Employees Co-op.Credit Union for over ten (10) years and has been a member of the credit union for over thirty (30) years. He has extensive training in Administration and Management and is also trained in Proceeds of Crime Act, Risk Management and Microsoft word.

Courtney Faulknor, JP:

Rev. Faulknor has been an Assistant Chaplain in the JCF since 1999, where he caters to the spiritual and psychological well-being of the sworn and unsworn members. He has served the Public Sector Employees Co-op. Credit Union Board of Directors as a Secretary and Assistant Secretary. He currently holds a Bachelor of Arts in Theology, Master of Arts (Hons) in Counselling Psychology and he is currently pursuing a PhD in Transformational Leadership.

Jason Rodriques:

Mr. Jason Rodriques is a Sergeant of Police and sub-officer in charge of Operations for the Kingston Western Division. Mr. Rodriques has

Nominating Committee

97

been a member of the Jamaica Constabulary Force for over 15 years and holds a Bachelor of Science Degree in Business Administration with Major in Accounting and Financial Management from University College of the Caribbean.

Norman Morrison:

Mr. Morrison has 8 years experience in law enforcement and in safeguarding client's assets while working as a security officer at the United States Embassy, prior to being a CXC Accounts teacher at Biggs, Grant & Johnson (BGJ) Institute from 2008-2010. He holds a Certified Accounting Technician Certificate, Advanced Diploma in Accounting and Business and is currently pursuing the Association of Chartered Certified Accountant (ACCA) designation.

CREDIT COMMITTEE

Anthony Lewis:

Mr. Anthony Lewis is a Deputy Superintendent of Police and had been a member of staff of the Credit Union for the past 25 years and served in various capacity such as Delinquency officer, Risk Manager and Mandeville Branch Manager. Mr. Lewis has also served as a member of the Credit Committee for over 4 years. He holds a Diploma in Paralegal Studies, Certificates in Supervisory, Financial and Delinquency Management.

Patsie Wallen-Lindsay:

Mrs. Lindsay is an Assistant Superintendent of Police and has been employed to the Jamaica Constabulary Force since May 24, 1990. She has been a member of the Public Sector Employees Co-operative Credit Union since 1990 and has served on the Credit Committee for over 10 years. She holds a Certificate in Administration and Management and is also trained in Proceeds of Crime Act, Risk Management and Microsoft word.

Carlene Allen:

Mrs. Allen is a serving member of the Jamaica Constabulary Force for over 23 years. Mrs. Allen had been a member of staff at the Public Sector Employees Co-op. Credit Union for over 13 years, serving in various capacity to include Credit Manager and has also served the Credit Committee for the past 4 years. She holds Associate Degree in Business Administration.

SUPERVISORY COMMITTEE

Sancha Miller-McPherson:

Mrs. McPherson is employed to the Jamaica Constabulary Force(JCF) for over 13 years and has served as a Supervisory Committee member at the Public Sector Employees Co-op. since 2005. She holds Certificates in Supervisory Management, Credit Risk Assessment and Proceeds of Crime Act.

Nigel Davis:

Mr. Davis has been a member of the Jamaica Constabulary Force for approximately seventeen (17) years now and is a classroom instructor at the National Police College. He has been a member of the Public Sector Employees Co-op Credit Union since 2001 and has served as a volunteer on the Supervisory Committee as a member, secretary and chairman. Mr. Davis holds Associate Degree in Criminal Justice – JCSC, Certificates in Credit Risk Assessment, Audit Techniques for Supervisory Committee and Proceeds of Crime Act. He is currently pursuing a BSc in Public Policy & Management.

Juniffer Dixon-Gordon:

Mrs. Gordon is a Sergeant of Police with seventeen (17) years of service in the JCF and is currently assigned to the Pension & Benefits Unit at the Office of the Commissioner of Police. She has been a member of the Supervisory Committee since 2005. She holds Certificates in Supervisory Management, Desktop Graphics, Proceeds of Crime Act, Credit Risk Assessment and Audit Techniques for Internal Auditors & Supervisory Committee.

Nominating Committee

Omar Drysdale:

Mr. Drysdale has been employed to the Jamaica Constabulary Force for the past ten (10) years. He is currently stationed at Kingston Central Police Station. Mr. Drysdale has served on the Supervisory Committee for the past four (4) years and has also performed duties as a Loans Clerk for two (2) years at the Public Sector Employees Co-op. Credit Union. He holds Certificates in Customer Relation, Proceeds of Crime Act and Police Development Course.

Julian Oscar:

Ms. Oscar is a Corporal of Police, attached to the Kingston & St. Andrew Parish Court. She had been a member of staff of the Public Sector Employees Co-op. Credit Union as a Loans Officer for over 7 years and has served on the Supervisory Committee for over 2 years. She holds Certificates in Credit Administration, Proceeds of Crime Act and Customer Service.

The Nomination Committee is most grateful to have served in this capacity.



Mr. Andrew Johnson
Chairman

Resolution

99

DISTRIBUTION OF SURPLUS

Your Board of Directors recommend for your approval the appropriation of the undistributed surplus of Seven Million Five Hundred and Sixty Five Thousand One Hundred and Two Dollars (JA\$7,565,102.00) to be apportioned as follows:

| DETAIL | AMOUNT (\$) |
|--------------------------------|----------------|
| Dividend (on Permanent Shares) | \$3 117 213.18 |
| Share Transfer | \$1 000 000.00 |
| GSAT Grant | \$1 000 000.00 |
| Honoraria | \$1 500 000.00 |
| Memorial Scholarship | \$ 800 000.00 |
| Donations | \$ 147 888.82 |
| Total | \$7 565 102.00 |

In keeping with Rule 69, your Board of Directors proposed that the maximum liability for the loans that the Board of Directors may borrow is to be set at 16 times the Society's capital and reserve funds.



George Hunter
Treasurer

MEET OUR TEAM

MANAGEMENT TEAM



Seated: L-R Osmond Bromfield (Chief Executive Officer), Tamara Maxwell-Green (Deputy CEO)

Standing Front Row: L-R: Tracey-Ann Francis-Phillips (Credit Administration Manager), Simonne Hunter (Accounts Manager), Lisa Harry (Administration and Support Services Manager) and KellyAnn Dixon (Marketing and Communications Manager)

Standing Back Row: L-R Charles Tam (Chief Operations Officer), Yanique Watson (Legal, Risk & Compliance Manager) and Chezray Rodney (Information Technology Manager)

CREDIT DEPARTMENT

101



Standing Front Row: L-R : Taleta Henlon (Loans Officer), Sharon Smith-Linton (Delinquency Officer), Charles Tam (Chief Operations Officer), Jodi-Ann McBean (Junior Loans Clerk) and Davia Thawe (Loans Officer)

Standing Back Row: L-R : Tracey -Ann Francis Phillips (Credit Administration Manager), Crystal Scarlett (Snr Loans Clerk), Jodi-Ann Smith (Loans Clerk), Racquel Walters (Mobile Branch Officer) and Patricia McLawrence (Snr Loans Clerk)

ACCOUNTS DEPARTMENT



Standing Front Row :L-R Kimone Cameron (Accounts Officer), Kadene Saunders (Junior Clerk)

Standing Back Row L-R: Gavin Mighty (Junior Clerk), Shanique Beckford (Snr Accounts Clerk), Shanika Murdock (Junior Clerk), Alaine Williams (Snr Accounts Clerk), Pete Morse (Accounts Officer) and Simonne Hunter (Accounts Manager)

MEET OUR TEAM

EXECUTIVES



L-R: Tamara Maxwell-Green (Deputy CEO)
Osmond Bromfield (Chief Executive Officer)
Charles Tam (Chief Operations Officer)

MARKETING DEPARTMENT



Standing L-R: KellyAnn Dixon (Marketing and Communications Manager) and Nadine Edwards (Customer Service Clerk)

INFORMATION AND TECHNOLOGY DEPARTMENT



Standing L-R : Chezray Rodney (Information Technology Manager) and Tanesha Henry (Information Technology Officer)

ADMINISTRATION DEPARTMENT



Standing L-R: Lisa Harry (Administration and Support Services Manager) and Tamara Barrett (Executive Assistant)

SUPPORT STAFF



Standing L-R : Ceibert Taylor (Company Driver), Monica Foster (Office Attendant), Tamara Taylor-Fuller (Office Attendant), Beverly Nembhard (Office Attendant) and Donovan Buchanan (Groundsman)

MEET OUR TEAM

REGION 1 MONTEGO BAY



L-R: Deandra Campbell - Temp Clerk
Tanya Dawkins - Office Attendant
Sheldon Francis - Branch Officer
Saneisha Thompson - Loans Clerk
Neloresa Palmer - Junior Clerk

REGION 2 ST. MARY



L-R: Kimoi Page - Junior Clerk
Shavelle Edwards - Temp Clerk
Shanique Adams-Calder - Branch Officer
Michelle James - Office Attendant
David Clarke - Junior Clerk

REGION 3 MANDEVILLE



L-R: Donna Thompson – Office Attendant
Nicole Coley – Loans Clerk
Rachelle Wellington – Loans Clerk
Alicia Graham-Carter – Branch Officer

OBITUARY

105

The Board of Directors, Management and Staff of the Public Sector Employees Co-operative Credit Union Ltd would like to offer condolence to the families of the following deceased member:

| NAMES | DATE OF DEATH |
|-----------------------|-----------------|
| Junior Morrison | Sept. 2017 |
| Nicalda Green | 18th Sept. 2017 |
| Kevin Thompson | 3rd July 2017 |
| Derrick Chambers | 24th Nov. 2017 |
| Trevor Dawswell | 31st May 2017 |
| Courtney Linton | 30th Oct. 2017 |
| Russhaine Wollaston | 30th Aug. 2017 |
| Oral Dobson | 29th May 2017 |
| Paulette Bailey-Brown | 6th Jan. 2017 |
| Hubert Hyman | 3rd July 2017 |
| Winchroy Budhoo | 10th May 2017 |
| Courtney Robinson | 14th April 2017 |
| Leighton Hanson | 28th April 2017 |
| Duncan Smith | 23rd Feb 2017 |

[illegible]



**Public Sector
EMPLOYEES**
Co-operative Credit Union Limited
'Where your financial security matters most'



'Celebrating 50 years of outstanding service'



**National
Housing Trust**
...the key to your home

Are you building, buying or upgrading your house?
BORROW UP TO \$1.5 MILLION*
(FINANCED BY NHT) & GET UP TO 5 YEARS TO REPAY



USE LOAN TO

- Make a down payment on a property
- Purchase land
- Build on your land
- Acquire a title for your property
- Infrastructure (upgrade or new)
- Home improvements
- Acquire valuation/surveyor report
- Install solar (energy saving) products

HOME *Sweet* HOME LOAN

HAPPINESS HAS A NEW ADDRESS!!!!!!

TO APPLY

- ✓ You must be a NHT contributor or become a registered contributor
- ✓ You must become a member of the Public Sector Employees Co-op Credit Union
 - ✓ You must be earning less than \$30,000 weekly.
 - ✓ *maximum cash at any one point is \$850,000

CALL OR VISIT ANY ONE OF OUR BRANCHES TODAY

Head Office 7-9 Union Square, Cross Roads, Kingston 5
Shop 10F Pompano Bay Complex, Tower Isle, St. Mary
66 Claude Clarke Avenue, Montego Bay, St. James
9 Ward Ave, Mandeville

Tel: 929-8017 or 929-1845/55
Tel: 975-5649 or 975-5754
Tel: 971-2306 or 940-4720
Tel: 625-4240 or 625-8583



Email: Info@pseccreditunionja.com
Website: www.Pseccreditunionja.com
Twitter: <https://twitter.com/Pseccuja>
Facebook: www.facebook.com/Pseccuja
Instagram: [@pseccuja](https://www.instagram.com/pseccuja)

