



PUBLIC SECTOR EMPLOYEES  
CO-OPERATIVE CREDIT UNION LIMITED

# ANNUAL REPORT 2018





# PRODUCTS AND SERVICES

## INVESTMENTS

GOLDEN HARVEST  
SPECIAL DEPOSIT  
FIXED DEPOSIT

## SAVINGS

CHRISTMAS CLUB  
REGULAR SAVINGS AND DEPOSIT  
TREASURE CHEST "LUCKY SAVERS" CLUB  
PARTNER PLAN

## SERVICES

BILL PAYMENT OUTLET  
ONLINE ATM SERVICES

## SECURED LOANS

SHARE RATIO  
HOME/LAND ACQUISITION  
HOME IMPROVEMENT  
MOTOR VEHICLE  
PERSONAL LOAN  
NHT HOUSING LOAN

## UNSECURED LOANS

EASI ACCESS LOAN  
QUICK N' EEZEE LOAN  
PAY DAY LOAN  
SUPREME LOAN  
CHARACTER LOAN  
EDUCATION LOAN  
EMERGENCY LOAN  
INSURANCE PREMIUM FINANCING  
SUPER CONSOLIDATION LOAN  
DEMAND LOAN  
NHT HOUSING LOAN

## INSURANCE

LOAN PROTECTION COVERAGE  
LIFE SAVINGS COVERAGE  
FAMILY INDEMNITY PLAN (FIP)  
FIP CRITICAL ILLNESS RIDER

# 8%

**EARN AN  
UNBEATABLE INTEREST RATE  
WHEN YOU INVEST IN OUR  
SPECIAL DEPOSIT ACCOUNT**

## WHO CAN BECOME A MEMBER

- a) All employees of the Government of Jamaica
- b) Past employees of the public sector who were members of the Credit Union when they resigned
- c) Employees of the Public Sector Employees Co-operative Credit Union Limited
- d) Members of other credit unions who serve public sector employees
- e) Spouses and/or children of the "active" members mentioned above

**CALL OR VISIT ONE OF OUR BRANCHES TODAY**

**HEAD OFFICE**  
**ST. JAMES**  
**ST. MARY**  
**MANCHESTER**  
**ST. CATHERINE**

7-9 Union Square, Cross Roads Kingston 5  
Shop 10 Icon Mall, 12 Crane Boulevard, Faireview, Montego Bay  
Shop 10 F Pompano Shopping Complex, Tower Isle St. Mary  
9 Ward Avenue, Mandeville  
Lot 1, Shop #6 Caribbean Estate Shopping Plaza

Tel: 876-929-8017 or 876-929-1845  
Tel: 876: 971-2306 or 876-979-3046  
Tel: 876-975-5649 or 876-975-5754  
Tel: 876-625-4240 or 876-625-8583  
Tel: 876-632-6424 or 876-833-9079



@PSECCUJA

Email: [info@pseccreditunionja.com](mailto:info@pseccreditunionja.com)  
Website: [www.pseccreditunionja.com](http://www.pseccreditunionja.com)



## PRAYER OF ST FRANCIS

Lord, make me an instrument of your peace;  
where there is hatred, let me sow love;  
where there is injury, pardon;  
where there is doubt, faith;  
where there is despair, hope;  
where there is darkness, light;  
and where there is sadness, joy.

O Divine Master,  
grant that I may not so much seek to be consoled  
as to console;  
to be understood, as to understand;  
to be loved, as to love;  
for it is in giving that we receive,  
it is in pardoning that we are pardoned,  
and it is in dying that we are born to eternal life.  
Amen.



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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the

51<sup>ST</sup> ANNUAL

GENERAL MEETING

of the

**PUBLIC SECTOR EMPLOYEES**

**CO-OPERATIVE CREDIT UNION LIMITED**

will be held on

SATURDAY, AUGUST 10, 2019

at

JAMAICA CONFERENCE CENTRE

14-20 Port Royal Street, Kingston

Commencing at 10:00 a.m.

Registration begins at 9:00 a.m.

DRESS CODE: BUSINESS CASUAL

Errol Adams  
Secretary



## VISION STATEMENT

To become the financial institution of choice for our members.

## MISSION STATEMENT

Our mission is to:

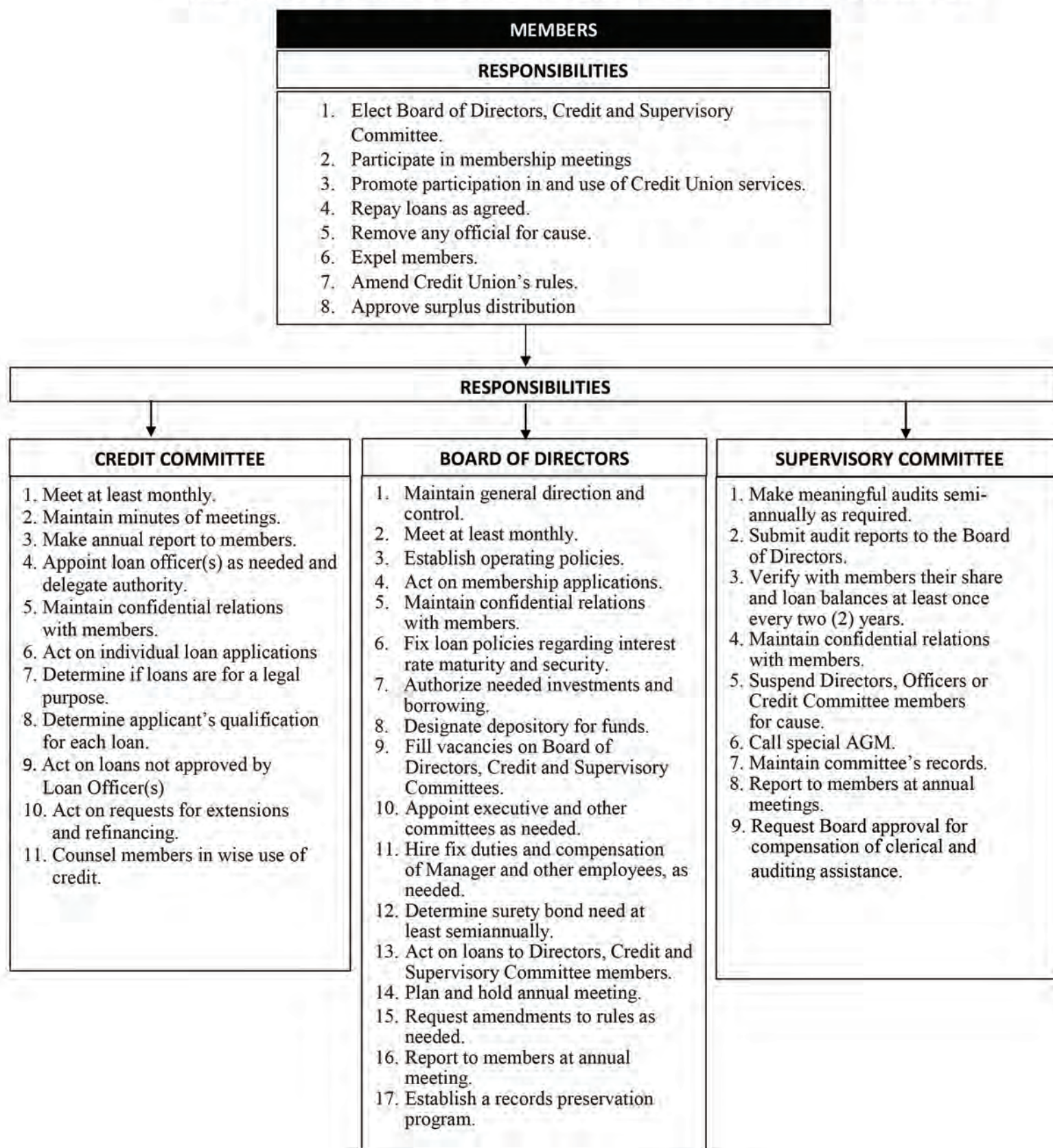
- Serve the financial needs of our members by providing high quality and competitive services while maintaining fiscal soundness
- Provide our members with products and services that are desirable and that provide value in an environment of trust and integrity.
- Provide financial counseling and responsible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



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. Confirmation of Minutes of the 50th Annual General Meeting Held June 09, 2018 and Discussing Matters Arising There From
7. Reports of the:
  - (a) Board of Directors
  - (b) Treasurer and Auditors
  - (c) Credit Committee
  - (d) Supervisory Committee
  - (e) JCCUL 2017 and 2018 AGM Reports
  - (f) Nomination Committee
8. Nominees acceptance for:
  - i. Board of Directors
  - ii. Supervisory Committee
  - iii. Credit Committee
  - iv. Delegates to JCCUL
9. Distribution of Surplus
10. Fixing of Maximum Liability
11. Appointment of Auditors
12. Any Other Business
13. Awards
14. Drawing of Prizes
15. Vote of Thanks
16. Termination
17. Lunch



# PARLIAMENTARY RULES

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## 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 there upon 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 present at the meeting before they can be discussed, and, 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 50TH ANNUAL GENERAL MEETING

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## MINUTES OF THE 50<sup>TH</sup> ANNUAL GENERAL MEETING OF THE PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED

HELD ON SATURDAY JUNE 9, 2018

AT THE SPANISH COURT HOTEL, 1 ST. LUCIA AVENUE, KINGSTON 5

### 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. Patsie 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-Gordon - *Member*, Miss. Julian Oscar - *Member*.

### **CALLED TO ORDER**

After inviting the delegates to be seated and being advised by the Secretary that a quorum was in place, the Chairman Mr. Calvin Allen amidst resounding applause called the 50<sup>th</sup> Annual General Meeting of the Public Sector Employees Co-operative Credit Union to order and invited the Secretary to read the notice convening the meeting.

### **DEVOTION AND REMEMBRANCE**

The Chairman invited Rev. Courtney Faulknor to conduct the devotional exercise and to pay homage to those members who had passed on during the year under review. Subsequent to the devotional exercise, which ended with the repeating of the Prayer of St. Francis, the Reverend invited the meeting to stand and share in a moment of silence in honour of the following persons:

NAMES	DATE OF PASSING
Junior Morrison	September 2017
Nicalda Green	September 18, 2017
Kevin Thompson	July 3, 2017
Derrick Chambers	November 24, 2017
Trevor Danswell	May 31, 2017
Courtney Linton	October 30 2017
Rushaine Wolaston	August 30, 2017
Oral Dobson	May 29, 2017
Paulette Bailey-Brown	January 6, 2017
Hubert Hyman	July 3, 2017
Winchroy Budhoo	May 10, 2017
Courtney Robinson	April 14, 2017
Leighton Hanson	April 28, 2017
Duncan Smith	February 23, 2017

**APOLOGIES FOR ABSENCE**

Apologies for absence were tendered for Director Mr. Christopher Murdock who was unavoidably absent.

**WELCOME AND OPENING REMARKS**

The Chairman extended warm welcome to everyone present and lauded them for making the effort to be a part of a momentous occasion as a significant milestone in the life of the Public Sector Employees Co-operative Credit Union was being celebrated. He mentioned that there were some persons in the audience who would be recognized for their sterling support, their contribution and their business that would have caused the entity to be where it was that evening.

He proceeded to acknowledge some key persons who were visiting from other credit unions and other affiliate entities. They were: Mr. Anthony McLaughlin; President of the Jamaica Police Co-operative Credit Union, Mr. CN Powell; Retired Commandant of the Island Special Constabulary Force, a former Director, Mrs. Joann Thompson; Mr. Dawkins Brown from Crowe Horwath Jamaica, our Auditors; Mr. Michael-David Webb from the Department of Co-operatives and Friendly Societies; Mrs. Joyce Banton-Harris, a former Deputy Commandant of the Island Special Constabulary Force; and Mrs. Latoya Blackwood-West whom he highlighted was the daughter of former President, the late Mrs. Leonie Smythe-Melhado and who was recognized by former United States President Barack Obama in the Youth Empowerment Movement. Special recognition and welcome were extended to Miss Brendalyn McFarlane, and Mrs. Daphne McCaulsky-Johnson, stalwarts of the PSECCU in its fifty (50) years of service. Miss Vera Lindo from the League and the loyal and dedicated stenographer, Mr. Carl Bryan received special welcome and recognition as well.

Before taking the break for dinner the President paused to recognize the members of the Board of Directors highlighting their unique attributes and their contribution to the success of the group. He also thanked them for their tremendous support, the enabling factor behind the vim, vigor and confidence with which he'll be able to report on the Board's stewardship for the year in review.

**DINNER**

The dinner break was taken at 6:50pm. Grace was said by Director Eric Wint and the gathering was serenaded by the Jamaica Constabulary Force Band.

The meeting resumed at 8:00pm. At the resumption the President acknowledged the presence of Mr. Errol Gallimore, Registrar of Co-operatives and Friendly Society.

**MINUTES OF THE 49<sup>TH</sup> ANNUAL GENERAL MEETING HELD JULY 8, 2017**

The Minutes of the 49<sup>th</sup> Annual General Meeting held July 08, 2017 having been circulated electronically and in hard copy was taken as read on a motion by Mr. Roy Earle and seconded by Mr. Christopher Bowen.

**CORRECTIONS AND CONFIRMATION**

There were no amendments to the Minutes. They were subsequently confirmed on a motion by Miss Ruth Watson, seconded by Mr. Maurice Channer and was subsequently carried. The President commented on the good quality of the minutes and recognized to rousing applause, the efforts of the Secretary.

**MATTERS ARISING FROM MINUTES**

No matter for discussion arose from the Minutes.



## **SUSPENSION OF STANDING ORDER**

The Chairman sought a suspension of the Standing Order to accommodate greetings from the Registrar of Co-operatives and Friendly Societies. This was moved by Mr. George Hunter seconded by Mr. Osmond Bromfield.

## **GREETINGS FROM THE REGISTRAR**

The Registrar stated that it was an honour to be present and how he did everything not to miss the opportunity to be a part of the 50th anniversary celebrations. He mentioned aspects of the history of the Credit Union as found in his records, which spoke of 14 Special Constables in 1962 coming together to form the Island Special Constabulary Credit Union.

He implored the Credit Union to reflect on and pay tribute to the founding fathers and to find ways by which they could be remembered. One such way he suggested, was through scholarships in their names. He mentioned Mr. D'Sent Nicholas who he said was a very good President who had served the Credit Union well.

The Registrar commented that the Credit Union had seen steady growth over the years, this he said was as a result of the leadership exhibited by the Board of Directors. He further stated that he was proud to say here and anywhere that as a Regulator, this was one Credit Union that he had the least to worry about and had always felt that this Credit Union in particular had been in safe and sound hands over the years, in terms of governance structure.

In offering his congratulations he highlighted that as a Credit Union we had surpassed in many respects, the various standards which were set by the Credit Union League and by the Department of Co-operatives over the years. He added that as preparations were being made in respect to a new regulator; the Bank of

Jamaica, which he was anticipating would take effect before year end, he was happy to state that the Credit Union had met most of the prudential standards and regulatory requirements so as to position itself to be licensed within the registration time frame. He had no doubt that we were on safe footing.

He also lauded the Board for being visionary; looking and planning ahead and making changes to the rules and structure. He made mention of the change made in the prior year which would be implemented this year, where there would be no nominations from the floor. He mentioned also the changes to the Bond of the Credit Union. Those changes he said were as a result of the visionary and strategic move by the Board.

He used the opportunity to encourage the Board and the members to keep their eyes on the ball as they moved forward, as within the next ten (10) years believes there would only be about ten (10) to fifteen (15) credit unions as we continued to see the consolidation of the Credit Union Movement. He said it was noteworthy that while the numbers get smaller the credit unions would get stronger and he believed the Public Sector Employees Co-operative Credit Union would be one of those that would remain strong and steadfast in meeting the regulators standard.

The Registrar further stated that he would have noted the steady growth in Total Assets of over 11%, the delinquency rate of 2% and the performance in some other key areas which surpassed the statutory requirements. He encouraged us to continue the prudence and good governance of the resources of the Credit Union and also to continue the build-up of the capital adequacy requirement so as to meet the new challenges which were to come.

### RESUMPTION OF STANDING ORDER

A motion for the resumption of the standing order was moved by Mr. Michael Farquharson and seconded by Mr. Anthony Lewis.

### REPORT OF THE BOARD OF DIRECTORS FOR YEAR ENDED DECEMBER 31, 2017

Before giving the Board's report the President beseeched everyone to get a copy of the 50<sup>th</sup> Anniversary Magazine. He asked them to take critical note of the comments of the Prime Minister and the Leader of the Opposition. Both persons spoke to the journey of the entity and the pride it took in the range of products and services it had created and the level of access it provided for members to benefit from; such as, to build, to educate and to improve their standard of living. He added that these two gentlemen did not just write their messages for the sake of just writing a message but had actually done their research and so were able to write such on-point messages that actually captured the essence of what had happened over the past fifty years.

The President expressed thanks firstly to the membership for the confidence entrusted to him when they elected him to serve as a Director and secondly to the Board of Directors who saw him fit enough to lead as President. He added that it was now a moment to reflect, a moment to celebrate and a moment for us to be proud. He asked the questions; what did we do? What has been our stewardship? Akin to the President of the United States being required to report to Congress on the State of the Union, he said that the State of the Credit Union is safe, strong and secure.

### Background

The Chairman reported that notwithstanding the many and varying challenges in the financial environment, The Public Sector Employees Co-operative Credit Union recorded another successful year of operation

with growth of 11% in Total Assets. This success was realized through careful navigation and proactive actions to the ever-changing environment while ensuring that the financial needs and satisfaction of members were met. We continued the mission of the economic empowerment of our members by providing high quality, attractive financial services and responsible counsel while acting with values and integrity, financial prudence and transparency all in conformity with statutory regulations.

### The Jamaican Economy

The chairman reported that the Bank of Jamaica website and the Statistical Institute of Jamaica (STATIN) both indicated that as at the end of 2017 Jamaica was firmly on target to achieve its targets under the three-year precautionary stand-by agreement with the International Monetary Fund. The Jamaica Stock Exchange saw increases in all five of its indices with four growing at a faster pace when compared to 2016. The projection for the economy was that it would grow at a faster rate in 2018 than 2017 largely reflecting increased volume utilization in the mining industry, recovery in the agriculture sector and the impact of ongoing structural reforms. He went on to highlight some of the key performance indicators:

- The Consumer Price Index (CPI) was 5.2% for the calendar year 2017 up from 1.7% in 2016 and improvement in business and consumer confidence was reported for 2017.
- The exchange rate appreciated by 2.8% in 2017 compared to a depreciation of 6.3% in 2016. Interest rates on Treasury Bills decreased with the weighted average yields on GOJ 90 days, 180 days and 270 days Treasury Bills decreasing by 150, 193 and 129 basis points to 4.18%, 4.63% and 5.45% respectively.
- Growth in the Gross Domestic Product of 0.5% in 2017 compared to 1.5% in 2016.



- Decline in unemployment by 1.5% to an average of 11.7% in 2017 was the lowest recorded rate of unemployment since 2008.
- Jamaica's current account deficit worsened in 2017 to 3.0% of GDP relative to 1.2% of GDP in 2016. This was largely due to increase spending on imports.
- Jamaica's balance of payment showed improvement in 2017 and the NIR closed the year at US\$3.2B representing 27 weeks of imports, placing the country in a better position to withstand external shocks.

## **The Credit Union Movement's Performance**

As at December 31, 2017 the number of credit unions in Jamaica contracted to 28 following 3 mergers during the year. The movement continued to perform creditably in a number of its key result areas with:

- Assets growing by 8% to close the year at \$103.78B
- Savings growing by 9% to \$80.58B
- Loans by 12% to \$572.4B

Profitability recorded growth in the ratio of Net Surplus to Average Assets. The ratio increased from 1.37% to 1.86%, an overall increase of 36% over the previous 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 Act was still not passed in 2017 but the Movement was expecting its passage in 2018.

## **The Public Sector Employees Co-operative Credit Union**

The Chairman in continuing his report indicated that the Public Sector Employees Co-

operative Credit Union realized another successful year of operations resulting in Comprehensive Income of \$8.5M and Asset growth of 11%. This was the end effect of vigilant financial steering and proactive actions to changes in the operating environment, while still being able to meet the members' financial needs and delivering superior products to improve their financial wellbeing.

## **Capital Base**

The Chairman pointed out that the Credit Union continued to work closely with the Registrar and the League to ensure preparedness for the passing of the BOJ Credit Union Act. He added that it was necessary for us to know what requirements the new regulators would be looking for and put them in place so that when the Regulations are passed, we would be in a position to obtain the requisite license.

Capital Adequacy was the main requirement for licensing under the BOJ Credit Union Act noted the Chairman and our Institutional Capital stood at 11.95% which was above the minimum requirement set by the Jamaica Co-operative Credit Union League's PEARLS standard and the Bank of Jamaica primary ratio of 8% and 6% respectively. The Fixed Assets to Capital ratio was 33% which was within the BOJ standard of less than 50%

Other key performance indicators were:

- Total Assets moving from \$1.8B to \$2.1B, an increase of \$207M or 11% more than the previous year.
- The Loan Portfolio increased by \$234M or 9% moving from \$1.495B in 2016 to \$1.630B in 2017.
- The Savings portfolio increased by \$159M or 14% moving from \$1.150B in 2016 to \$1.309B in 2017.

In commenting on the performance in the various portfolios especially the Savings portfolio, the Chairman reminded the meeting that it was never about what you earn but what

you save and with the “gigantic moves” being made by the savings portfolio he was imploring everyone not to keep their money under their mattresses but to take it to the Credit Union. He added without any fear of contradiction that the Credit Union offered one of the best returns on investments and spoke glowingly about the 8% offered by the Credit Union on Special Deposits

### **Delinquency**

The Chairman stated that delinquency was still being impacted by the continued increase in the rate of resignation from the Jamaica Constabulary Force. The engagement of two Credit Bureaus, Debt Collection Agencies and the initiating of court actions underscore the fact that we are adamant that delinquency would be kept to a minimum and below the Movement’s standard of 5% of the Loans Portfolio and so he was pleased to report that as at December 31, 2017 delinquency stood at **1.6%** of the Loan Portfolio.

### **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 2017 the Credit Union continued to develop Enterprise Risk Management to ensure that the risks undertaken to increase profitability were adequately identified and managed. This was enabled through the use of the risk register and the consistent updating of policies and procedures to manage the identified risks. Additionally, the Credit Union continued to maintain a high level of compliance with all laws and regulations relating to its operations.

Given the importance of having a sound and effective Enterprise Risk Management framework the Credit Union throughout 2017 continued to take measures geared towards its improvement. These measures 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 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 where members could transfer funds, pay bills and check account balances from the comfort of their homes or from anywhere in the world, Bill Express and the Family Indemnity Plan Insurance. He stressed the importance of the FIP recounting the experiences of persons who had not made that sort of arrangement as against those who had. He mentioned also the Critical Illness Insurance and the Group Life Insurance. He described these as necessary plans during a time when we were beset with accidents, incidents and lifestyle diseases

He also mentioned the three new loan products that were introduced/renewed during the period. They were; the Super Consolidation Loan, Quick ‘N’ Eezee Loan and the Back to School Loan. Additionally, interest rates on Home and Land Acquisition Loans were reduced to **7.99%**, on New Motor Vehicle Loans also to **7.99%** and on Home Equity Loans to **8.99%**. Additional benefits were created for members when the Credit Union

entered into partnership with the National Housing Trust where members earning up to \$30,000.00 per week could access up to \$1.5M to assist with home acquisition deposits, effect repairs, solar panel installation etc.

## 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 2017 had staff complement of 46 serving the head office and three rural branches. Throughout the year eight persons were employed while one resigned and one was dismissed.

## Marketing and Customer Service

The Credit Union throughout 2017 continued with the Customer Relation Management strategies implemented previously. These strategies were aimed at communicating with members and soliciting their opinions and feedbacks on products, services and customer service delivery. To this end, market surveys using questionnaires were utilized to garner feedback on products, services and customer service delivery whilst quarterly newsletters and brochures were used to keep members abreast of products and services. Members were also engaged through the use of text messages, birthday greetings, emails, welcome letters to new members and on various social media platforms.

The member referral program having been a success, 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 continued with its efforts to enhance the social and economic wellbeing of members with the granting of scholarships, bursaries, sponsorships and donations. Several members, their families, charitable organizations and JCF sporting activities benefitted from outreach assistance totaling \$3.7M.

Some of those activities were:

- Police Area Sports day and Chaplaincy Services Domino Tournament
- Police Law Enforcement Torch Run
- Police Federation Conference
- Grants to 76 GSAT Students
- Four Memorial Scholarships of \$200,000.00 each.

## Conclusion

Mr. Allen informed the meeting that the Board being aware of the operating environment had implemented the necessary strategies to achieve expense density, greater income generation and improved productivity to provide a cushion for members against the impact of financial difficulties. It remained committed to developing creative, comprehensive and suitable products and services to meet members' needs while practicing the tenets of prudential financial administration.

## Appreciation

The Chairman on behalf of the Board of Directors expressed gratitude to the following, groups and organizations who gave tremendous support throughout 2017:

- The Jamaica Co-operative Credit Union League
- The Credit Union Fund Management Company
- The Department of Co-operatives and Friendly Societies
- The Bank of Jamaica



- CUNA Caribbean Insurance Jamaica Ltd.
- Central Strategic Services
- National Union of Co-operatives
- The Ministry of National Security Payroll Staff

In addition, special appreciation went out to the Chief Executive Officer, his management team, staff and the Credit and Supervisory Committees for their support and assistance throughout the year. The big expression of appreciation however was to the membership for their trust, their confidence and their support throughout the period. It was a pleasure for the Board to have served and it was looking forward to serving again

#### **Queries/Comments from The Board's Report**

No queries or comments emanated from the Board's report.

#### **TREASURER'S REPORT**

The Treasurer, Mr. George Hunter invited Mr. Dawkins Brown from the auditing firm Crowe Horwath to read the Auditor's report. He then presented the highlights from his report.

The Treasurer gave a brief background of the Jamaican economy mentioning the five consecutive years of growth in gross domestic products; having increased by 0.5 in 2017, the drop in the inflation rate closing the year at 5.2%, the appreciation of the Jamaican Dollar by 2.8% closing the year at J\$125 to US\$1. He mentioned also that the Banking Sector recorded growth in the areas of loans 7.4%, Deposits 11.5%, and Assets 8.9%.

#### **Industry Comparison**

The Treasurer reported that when the comparison was made, the Credit Union outperformed the industry in the areas of Loan growth, Deposit growth and Total Assets growth. Specifically, in the area of Loans the industry was 7.4% compared to the credit

unions 9.03%, Deposits in the industry was 11.5% while the Credit Union was 13.86% and Total Assets was 8.9% for the industry while the Credit Union was 10.93%. These figures reflected differences of 1.63%, 2.16% and 2.03% respectively.

#### **Portfolio Growth**

Growth was recorded in all areas of operations. The Treasurer highlighted:

- Loans increased from \$1,495,138,808 in 2016 to \$1,630,140,104 in 2017, a growth of 9.03%.
- Liquid Assets in 2016 was \$264,803,842, it increased to \$335,711,271 in 2017, a change of 26.7%;
- Total Equity increased by 32.75% from \$256,684,217 to \$340,737,865.00
- Total Savings saw increase of \$159,356,522 or 13.86%, moving from \$1,150,010,408 in 2016 to \$1,309,366,930 in 2017.
- Total Assets in 2016 was \$1,899,020,149 and moved to \$2,106,659,127 in 2017, a percentage increase of 10.93% or \$207,638,978.

#### **Income and Expenditure**

The Treasurer further highlighted that the Credit Union utilized its Assets effectively and was able to achieve growth in all areas of income generation. He went to highlight the following:

- Interest on Loans was \$280.3M in 2016 and \$306M in 2017, a change \$26.3M or 9.3%
- Interest on Investments was \$7.1M in 2016 and \$7.6M in 2017, a growth of 7.37%
- Miscellaneous Income in 2016 was \$13.8M, in 2017 it was \$14.2M, a change of 3.04%
- Total Income moved from \$301M in 2016 to \$327.9M in 2017, a change of 8.84%

The Credit Union realized Gross Income of \$239.6M in 2016, this increased to \$253.7M in 2017, a change of \$14.1M or 5.9%. Operating Expenses were \$217.6M in 2016 compared to \$244.2M in 2017, a monetary change of \$26.5M or 12.21%. Consequently, Net Income in 2016 was \$21.9M and \$9.53M in 2017. The change was -56.57%.

In navigating the schedule of expenses, Mr. Hunter mentioned also that personnel cost and other expenses were either reduced or held to a minimum level. He made mention of the following:

- Personnel cost \$135M in 2016 and \$151.7M in 2017
- Members Security \$13.8M in 2016 moved to \$16M in 2017
- Marketing and Promotions in 2016 was \$4.7M and in 2017 \$3.9M.
- Administration accounted for \$37.7M in 2016 compared to \$48M in 2017
- Affiliation was \$25.6M in 2016 and decreased to \$24.5M in 2017

## Delinquency

The Treasurer reiterated the Registrar's comment on the Credit Union's delinquency being well within the standard of 5%, at 1.6% of the Loans portfolio. He further highlighted that delinquent loans declined from \$32.2M in 2016 to \$26M in 2017, a reduction of \$6.1M or -19.17%. Provisions for Loan Loss in 2016 were \$2.3M while in 2017 it was \$1.34M. Mr. Hunter emphasized that the reduction in delinquency was a move in the right direction and restated the credit unions commitment in ensuring that delinquency was maintained at the very minimum. 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, 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. Michael Farquharson. He spoke to the committee's composition of five persons elected by the general membership. The committee held an average 2 meetings per month and would have participated in quarterly Joint Meetings with the Board of Directors as 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. Finally, he extended gratitude to all those who gave tremendous support to their efforts and contributed significantly to the Committee's success.

## Comments and Queries from Report

In commenting on the Credit Committee's report Mr. Derrick Brown stated his disappointment with the report. He indicated that usually the report would have detailed the number of loans examined by the committee and gave a breakdown of the number approved or refused and state reasons. The fact that this information was not presented he was left disappointed. The concern was noted for future reference.

## SUPERVISORY COMMITTEE

The Chairman of the Supervisory Committee Mr. Nigel Davis began his report by lauding the growth and development of the Credit Union as it celebrated fifty golden years. He spoke also to positive impact it would have had on the lives and livelihood of many. He reiterated the role of the committee which was to maintain oversight of the safety and soundness of the Credit Union and operated independently of all

groupings at the entity. The Committee was also tasked with the constant effort of ensuring that there was overall compliance with the applicable laws and regulations and that the Credit Union constantly sought to maximize benefits to members and the overall operations were in keeping with local and international best practices.

Mr. Davis further reported that along with the Internal Auditors the committee conducted audits and reviews in various areas of the Credit Union's operations and monthly reports were sent to the Board of Directors and Management. The areas reviewed and audited included; Fixed Assets, Delinquent/Charged off Loans and Allowance for Loan Loss, Anti-Money Laundering and Countering of Terrorism Financing Framework, Disbursement Process, Board of Directors' Minutes, Lodgment Process and Surprise Cash Counts were concluded.

Having conducted these reviews and audits the committee found that generally there was adherence to established policies and procedures. Compliance with the related laws and regulations governing the Credit Union's 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. He added that the committee also reviewed the results of and checked with management on any action items identified in reports.

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 Ms. Erica Johnson seconded by Mr. Ivan Bell.

### **ELECTIONS**

Mr. Michael Webb from the Registrar of Co-operatives and Friendly Societies was invited to perform the role of Director of Elections. However, Mr. Andrew Johnson, Chairman of the Nominations Committee was invited to present the committee's report which would set the tone for the Mr. Webb's role.

### **Nomination Committee Report**

The Nomination Committee's report was presented by its chairman Mr. Andrew Johnson. He reminded the meeting of the change in procedure which was adopted at the previous year's Annual General Meeting. Simply put the effect of change was that there would be no nominations from the floor. The chairman reported that the Committee was appointed in accordance with Rule 64. The Committee comprised Mr. Andrew Johnson from the Board as Chairman, Mr. Michael Farquharson from the Credit Committee and Mrs. Tamara Maxwell-Green, Deputy CEO. The status of the various groups was as follows:

### **Board of Directors**

Retiring from the Board of Directors in 2018 were Mr. Calvin Allen, Miss Jeannette Davis, Miss Dacy-Ann Graham, Mr. Eric Wint and Rev. Courtney Faulknor. Retiring in 2019 were Mr. George Hunter, Mr. Christopher Murdock, Mr. Errol Adams and Mr. Andrew Johnson.

As a result of Nominations received and assessment done, the following nominees were put forward for election by the membership to fill five vacancies on the Board of Directors; Mr. Calvin Allen, Miss Jeannette Davis, Miss Dacy-Ann Graham, Mr. Eric Wint,



Rev. Courtney Faulknor, Mr. Jason Rodriques and Mr. Norman Morrison.

## **Credit Committee**

Those retiring from the Credit Committee in 2018 were Mrs. Carlene Allen, Mrs. Patsie Wallen-Lindsay and Mr. Anthony Lewis. Those retiring in 2019 were Mr. Steven Watson and Mr. Michael Farquharson. The Nomination Committee recommended that Mrs. Carlene Allen, Mrs. Patsie Wallen-Lindsay and Mr. Anthony Lewis be elected 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 other nominations were received by the Committee hence all five would be elected to serve for one year.

In concluding his report, the Chairman informed the meeting that a profile on all candidates was included in the annual report for them to peruse as they see fit.

## **Clarity**

Mr. Derrick Brown wanted to know if it was only the Nomination Committee that could nominate persons to serve on the Board and Committees. In responding to him Mr. Webb directed Mr. Brown to page 20 of the AGM booklet where 75% of the membership had voted in favour of the rule change. He explained that was the direction the Registrar was introducing across the Movement, where a fit and proper test is done on persons before they are allowed to sit on any statutory committee, so the Nomination Committee was empowered to carry out that test. He added that no member's right to nominate someone was disenfranchised it's just that those members would have to exercise that right before the AGM. This was endorsed by Miss Y. Watson.

Mr. Andrew Johnson, Chairman of the Nomination Committee, in providing further clarity to Mr. Brown said that a notice for Nomination was sent out to members several weeks before the closing time for nominations via several media to include Force Orders. He then gave him a synopsis of how the entire process worked.

Proceeding with the election activities, Mr. Webb indicated that he would begin with elections to the Board of Directors. He reminded the meeting that there were seven nominees from which members would elect five to fill the five vacancies on the Board. He reminded the meeting also of where in the AGM booklet the profiles of the nominees could be found.

At the end of the election process the results were:

**Board of Directors:** Elected to serve for two years were; Mr. Calvin Allen, Miss Jeannette Davis, Miss Dacy-Ann Graham, Mr. Eric Wint, Rev. Courtney Faulknor

**Credit Committee:** Elected to serve for two years were; Mrs. Carlene Allen, Mrs. Patsie Wallen-Lindsay and Mr. Anthony Lewis

**Supervisory Committee:** Elected to serve for one year were; Nigel Davis, Omar Drysdale, Julian Oscar, Sancha Miller-McPherson and Juniffer Dixon-Gordon

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 recommendation of the Director of Elections a motion was moved by Mr. Derrick

Brown seconded by Mr. Neville Howard for the Board of Directors to nominate delegates and alternate delegates to the Jamaica Co-operative Credit Union League.

### **DISTRIBUTION OF SURPLUS**

The Treasurer informed the meeting that the Board had recommended that the \$7,565,102 in surplus be distributed as follows:

Dividend on Permanent Shares	-	\$3,117,213.18
Honoraria	-	\$1,500,000.00
Disability Fund	-	\$1,000,000.00
GSAT Grant	-	\$1,000,000.00
Permanent Share Transfer	-	\$1,000,000.00
Memorial Scholarships	-	\$800,000.00
Sponsorships and Donations-		\$147,888.82

Mr. Derrick Brown queried the percentage dividend that the total represented and what exactly was the Permanent Share Transfer for. The Treasurer explained that the figure represented a 2% dividend and that the Permanent Share Transfer would be used to purchase the Permanent Shares of persons who would be resigning from the Credit Union.

A motion was subsequently moved by Mr. Derrick Brown seconded by Mr. Peter Goldson for the acceptance of the distribution of the surplus as recommended by the Board.

The Treasurer further indicated that consistent with the practice over the years 50% of the dividend would be paid in cash and 50% placed on Permanent Shares.

### **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 and reserve and asked for a motion for it to remain. The motion was moved by Mr. Derrick Brown, and seconded by Miss Cynthia Collins.

### **PRESENTATION OF AWARDS**

The Chairman invited the Chief Executive Officer, Mr. Osmond Bromfield to contextualize the presentation of awards. The CEO indicated that over the years it had been part of our calendar activities to recognize past Directors and past Committee members. This time he said, attention would be dedicated to the members who would have supported the Credit Union from day one to the present moment. He added that members would be recognized from two categories, they were: members having account numbers from 1 to 1000 and are still active, 25 would be recognized and 25 members who have account numbers ranging from 1001 to 2000 who were outstanding supporters of the Credit Union in the area of heavy investments or loans. He also indicated that members of staff, Board and committees were exempted.

The persons awarded from the first category were: Mrs. Joyce Banton-Harris, Mr. James Brown, Mr. Clembert Powell, Ms. Elva Clarke, Mr. Ewart James, Mr. Albert Crooks, Mr. Egbert McDonald, Ms. Olga Percy, Mr. Linton Edwards, Mr. Fitzgerald Smythe, Mr. Derrick Brown, Miss Albertha Mitchell, Mrs. Esmine Watt-Worrell, Mr. Newton Peart, Mr. Carlton Sherwood, Mr. Patrick Campbell, Mr. Lindon Kelly, Mr. Evan Banton, Mr. Eric Byfield, Mrs. Yvonne Johnson-Harrison, Mr. Carl McDonald, Mr. Earl Willis, Mr. Gary Hunt and Miss Pearlina Anderson.

The persons awarded for outstanding contribution to the Credit Union were: Mr. Anthony Dobney, Ms. Carol Golding, Mr. Devon Blake, Mr. Patrick McKoy, Mr. Delroy Mitchell, Mr. Anthony Fearon, Mr. Colin Johnson, Mr. Stafford Davis, Mr. Michael Young, Mr. Andrew Phillips, Mr. Merton Howard, Mr. Eugene Osbourne, Mrs. Lurline Williams-Thompson, Mr. Richard Rhule, Mr. Glenroy McDermott, Mr. Sorlen Lawes, Mr. Melbourne Morgan, Mrs. Sylvanny Williams-

Walters, Mrs. Janet Fullerton Farquharson, Mrs. Daphne McCaulsky Johnson, Miss. Brendalyn McFarlane, Mr. Dalbert Bryan, Mr. Glenford Brown, Mr. Douglas Stewart and Ms. Viveca Barnes.

## Special Award

Before inviting Mrs. Joyce Banton-Harris to present a special award to the CEO, Mr. Osmond Bromfield, the Chairman spoke glowingly of his contribution and stewardship which would have led to the institution being where it was. He spoke of the CEO:

- Who in the early 80s took the reins of the Credit Union and in his capacity of Treasurer/Managing Director moved the Assets from \$5M to \$1.2B, while performing his duties as a Police Officer.
- Who based on his performance, productivity and integrity was appointed Chief Executive Officer and whilst in that role moved the institutions' Assets from \$1.2B to \$2.1B
- Who through his leadership and strategic vision, adapting to the changing environment and responding to the need to remain relevant, would have orchestrated changes from the Jamaica Special Constabulary Co-operative Credit Union, to the National Security Employees Co-operative Credit Union and now to the Public Sector Employees Credit Union.
- Who again through his leadership and strategic vision would have led the implementation of four branches across the country, strategically located to cater to the needs of the members.

## PRIZES

The Chairman stated that there were some prizes to give away and would be given to members who could correctly answer questions

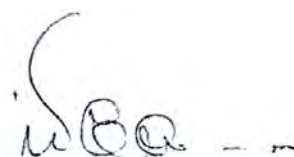
to be given by the Marketing Manager. Prizes were won by Mrs. Yvonne Johnson-Harrison, Ms. Erica Wilson, Ms Latoya Fraser and Ms. Kimone Parkes. Ms. Kimone Parkes also won a cash prize of \$5,000.00 from JCCUL.

Cash prizes were drawn and the following persons were winners:

- First Prize of \$8,000.00 -Ilene McKenzie
- Second Prize of \$6,000.00 -Patrine Jackson
- Third Prize of \$4,000.00 -Valdalee Allen

## VOTE OF THANKS/ADJOURNMENT

Mr. Christopher Murdock delivered the vote of thanks after which the Chairman having exhausted the agenda adjourned the meeting at 11:25pm.



Errol G. Adams  
Secretary



# BOARD OF DIRECTORS



L-R: George Hunter (Treasurer), Calvin Allen (President),  
Jeanette Davis (Vice President), Errol Adams (Secretary)



L-R: Courtney Faulknor (Director), Christopher Murdock (Asst. Treasurer),  
Dacy-Ann Graham (Asst. Secretary), Andrew Johnson (Director),  
Eric Wint (Director)



Calvin Allen MSc. - President

It is with profound pleasure and a sense of accomplishment that I report on behalf of the Board of Directors of the Public Sector Employees Co-operative Credit Union Limited (PSECCU). The PSECCU recorded another successful year of operations, with growth of 18.38% in total asset. This success was through careful fiscal steering and hands-on actions to the dynamic economic environment, at the same time still satisfying our members' financial need.

We continued our mission of empowering the economics of our members by operating efficiently and providing high quality, applicable financial services and prudent counsel, whilst acting with values of integrity, financial prudence, transparency and in conformity with statutory regulations.

### The Jamaica Economy Performance

The Jamaica economy recorded an historical low level of unemployment, improvement in economic growth and continued low inflation rate. Inflation rate for the year was 2.4%; 2.8% lower than prior year (2017) and as a result, inflation projections for the medium-term prospect continued to be anchored in low, single digits. The unemployment rate at October 2018 was 8.7%; compared to 10.4% at October 2017; a reduction by 1.4%. Real Gross Domestic Product (GDP) growth for the calendar year 2018 was estimated at 1.9%, the strongest growth for a calendar year since 2011. The GDP growth for 2018 represents the sixth consecutive year of economic growth. Albeit the exchange rate market experienced series of appreciation and depreciation during 2018 culminating with the local currency depreciated by 2.2%.

### Credit Union Movement Performance

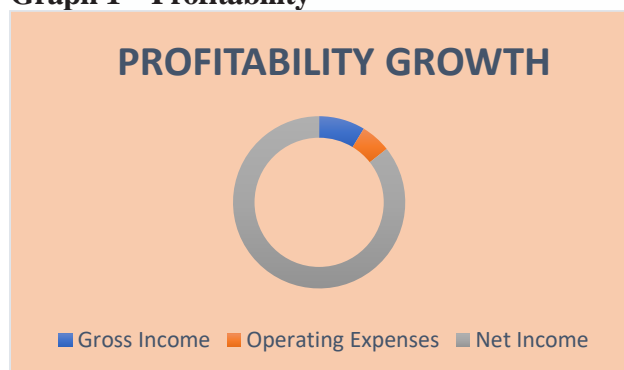
The Jamaica Co-operative Credit Union League reported that against the background of a marginally improving local economy and an increasingly competitive financial services industry, Jamaican Credit Unions performed admirably for 2018. There were overall increases in total assets, net loans, savings,

membership and share of the loans and savings markets. At the end of year there were 26 Credit Unions, compared to 28 at the end of 2017 and 32 at the end of 2016. This was largely as a result of mergers and one Credit Union converted to a Thrift Society.

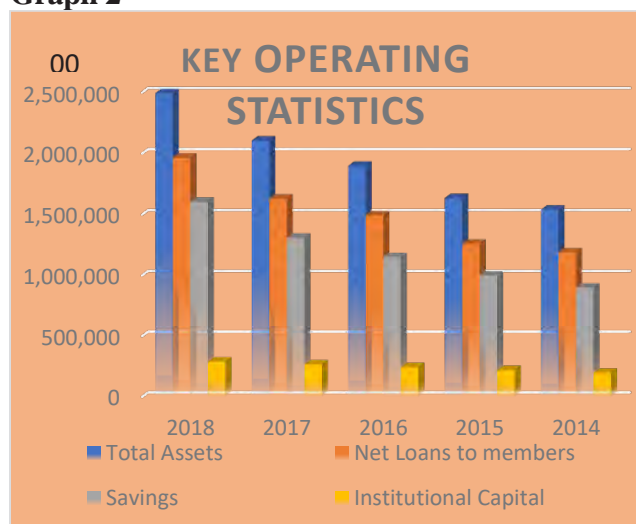
Credit unions' total savings grew by 10.70% from \$80.680 billion in 2017 to \$89.310 billion at the end of 2018. The value of loans increased from \$71.511 billion to \$79.655 billion, an 11.4% increase over 2017. Total assets increased by 10.4% to \$115.034 billion, up from \$104.212 billion. Credit Unions' membership increased in 2018, moving to 1,020,582 from the 1,015,264 recorded at December 31, 2017.

### The Public Sector Employees Co-operative Credit Union Limited Performance

The Public Sector Employees Co-operative Credit Union Limited (PSECCU) achieved another successful year of operations, resulting in gross income of \$294.1million. An increase of 15.9% for 2018 when compared to 2017. Expenses were contained to 10.4% or \$269.6 million resulting in net income of \$24.4 million, or 157% increase for 2018. The increase was due to significant growth in loan interest income and fee income. **(Graph 1).**

**Graph 1 – Profitability****CAPITAL BASE**

We continue to work in readiness for The Bank of Jamaica (BOJ) Credit Union Act. Capital adequacy is the main requirement for licensing under BOJ Credit Union Regulation and our Institutional Capital stands at 12% 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.

**Graph 2****FINANCIAL PERFORMANCE IN KEYS OPERATING AREAS**

The performance of the Credit Union in key areas of operations resulted in total assets moving from \$2.1 billion to \$2.4 billion, an increase of \$387 million or 18.38% for 2018 when compared to the previous year. The loan portfolio increased by \$334.5 million or 20.52% in 2018, moving from \$1.6 billion in 2017 to \$1.9 billion in 2018. The savings portfolio moved from \$1.3 billion in 2017 to \$1.6 billion in 2018; a growth of \$295 million or 22.59% as highlighted in table 2 below:



*Table 1 – Five years Key Operating Statistics*

Key Operating Statistics	2018	2017	2016	2015	2014
Membership growth	9456	8620	8079	7467	6766
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Total Assets	2,493,835	2,106,659	1,899,020	1,635,534	1,540,939
Net Loans to members	1,964,687	1,630,140	1,495,139	1,260,891	1,189,794
Savings	1,605,122	1,309,367	1,150,010	1,000,444	898,818
Institutional Capital	289,267	266,996	243,867	220,062	198,084
Delinquent loans	40,819	26,034	32,209	25,792	33,220
Delinquent loan provision	32,273	16,465	15,101	12,736	12,581

## DELINQUENCY

Effective January 2018 the Credit Union implemented the International Financial Reporting Standard 9 (IFRS9) which impacted significantly on our loan loss provision for delinquent loans.

The loan loss provision increased by \$15.8 million over the prior year as delinquent loans increased by \$14.7million for 2018 over 2017. However, effective delinquency control measures were employed to keep delinquency at minimum such as contracting the services of the two additional Credit Bureaus and as at December 2018 the delinquency stood at 2% 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 the finance of terrorist activities, in compliance with the Jamaica Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) laws. In keeping with this, our Nominated Legal, Risk and

Compliance Manager has the dual role of managing legal matters as well as enterprise risk management. The core function of 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 consistent updating of 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 2018, 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.

### 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 continue to ensure that we provide easy access and convenient business hours to meet your need. Hence, we have opened a new branch in St. Catherine at shop #6 Caribbean Estate Plaza and we have relocated our Montego Bay Branch to a more comfortable and convenient location at shop #10 Icon Mall, Fairview, Montego Bay.

We continue to offer supplementary services such as the Bill Express facility and Family Indemnity Plan Insurance (FIP), Critical Illness Insurance and Group Life Insurance. Our products feature secured and unsecured loans for all purposes and saving accounts that attract the most competitive rate of returns in the market. We have reduced interest rates on Home Acquisition Loan, Home Equity Loan and New Motor Car purchase loans to 7.99%, 8.99% and 7.99% respectively. We've also partnered with NHT to be able to offer up to \$1.5M to members earning less than \$42,000.00 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 the 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 Procedures 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 2018, the Credit Union had a total staff complement of forty-nine (49) employees operating from the head office and four other branches. Throughout the year nine (9) new staff members were employed and four (4) employees resigned.

### MARKETING & COMMUNICATIONS

The year 2018 was the period for the evolution of digital marketing as the Marketing Department engaged in several digital campaigns on the google platform to advertise

our products and services online. The focus of the Marketing and Communications Department was to position the Credit Union's brand to achieve desired goals through strategic marketing activities which included, product promotions among others. Special emphasis was placed on the Special Deposit Investment account, which has seen tremendous growth for the year ended December 31, 2018.

In keeping with the Credit Union's value statement to manage its relationships and interactions with its members; quarterly newsletters, welcome letters to new members and text messages were sent to the members to keep them abreast of new and updated product via brochures as well as our website and social media pages. The Credit Union increased its brand presence online through Instagram and Facebook and we forged partnerships with several radio stations namely; IRIE FM, Power 106 FM and Zip 103 FM.

## 50<sup>th</sup> Anniversary Celebrations

In recognition of the Credit Union's 50<sup>th</sup> anniversary, a special logo was developed to highlight the Credit Union's golden anniversary which was captured on all promotional materials and correspondences. A special anniversary supplement was published in the Jamaica Gleaner to highlight the Credit Union's history and successes over the years. To commemorate the milestone a church service was held at the Emmanuel Apostolic Church to kickstart a week of activities in recognition of the 50<sup>th</sup> anniversary.

## Credit Union Week

Credit Union week was celebrated from October 14-20, 2018 under the theme 'Find your platinum lining'. Member Appreciation Day activities were held at all branches and some of our members received movie tickets to

the Carib Theatre on behalf of the Credit Union League

## Online Banking

The Credit Union introduced **Online Banking in 2014**. The introduction of online banking allowed members to access their accounts 24/7 from anywhere in the world as well as make bill payments, transfer funds between their accounts, perform inter-member transfers, request withdrawals, request statement letters and view their accounts while on the go or from the comfort of their homes/offices.

## CORPORATE SOCIAL RESPONSIBILITY

As good corporate citizens the Public Sector Employees Credit Union contributed to its members wellbeing and the wider community by engaging in activities to the tune of \$4.7million listed below;

- The Credit Union repainted the St. Stephens United Church Basic School's bathroom and installed new washtubs for the children as part of Labour Day Project.
- Contribution to the Police Federation Conference
- Donation to the Law Enforcement Torch Run
- Contribution to the Island Special Constabulary Force Retirees Luncheon
- Sponsored Chaplaincy Services Domino Tournament
- Former ISCF members Loran Walcott and Ruby Steer were given walkers and Nicholas Harding was provided with a wheelchair.
- 74 students received GSAT grants valued at \$1million
- Four (4) memorial scholarships were awarded valuing \$800,000.



# BOARD REPORT

## Conclusion

We are aware of the operating environment and have implemented the necessary strategies to achieve reduction in operating expenses, greater income generation and improved productivity to provide a cushion that would assist our members against the impact of the economic difficulties. We remain committed to developing creative, comprehensive and suitable products and services to meet our members need, while practicing all tenets of prudential financial administration.

## Board of Directors Attendance Report

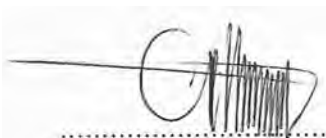
Attendance at the Directors' Meeting for the period January to December 2018 shown below.

NAMES	ATTEN DANCE	MEETING S HELD	EXCUSED
Calvin Allen	13	13	-
Jeanette Davis	12	13	1
Errol Adams	13	13	-
George Hunter	9	13	4
Christopher Murdock	13	13	-
Dacy-Ann Graham	12	13	1
Eric Wint	13	13	-
Courtney Faulknor	9	13	4
Andrew Johnson	13	13	-

## APPRECIATION

On behalf of the Board of Directors, I wish to thank the many individuals and organizations who partnered with us throughout the year 2018. Namely the Department of Co-operatives & Friendly Societies, Jamaica Co-op Credit Union League, Credit Union Fund Management Company, Centralized Strategic Services, CUNA Caribbean Insurance Jamaica Ltd, Jamaica Co-operative Insurance Agency National Union of Co-operatives.

We could not have done it on our own and so special appreciation 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. It has been our honor to serve you throughout 2018 and we look forward to serving you again.



Calvin Allen (Mr.)  
PRESIDENT



**George Hunter BSc., Asc.  
(Treasurer)**

Jamaica's Economy continues to rebound as it recorded growth for the sixth consecutive year with gross domestic product (GDP) increasing by 1.9% for the year ended December 31, 2018. This was in line with the expected growth of 1.5% to 2.5%, however a good indication of the positive direction of the country. The inflation rate remained low and closed the year at just 2.40% compared to 5.2% for 2017. The realized inflation rate was below the projected range of 4% to 6%. The Jamaican Dollar depreciated for the year reaching as high as \$136.90 during August 2018. The Dollar closed the year at \$128.53 compared to \$125 for the previous year. Interest rates on investments continue to trend down and closed the year at 1.75% after it had opened the year at 3.00%. This is a strategy

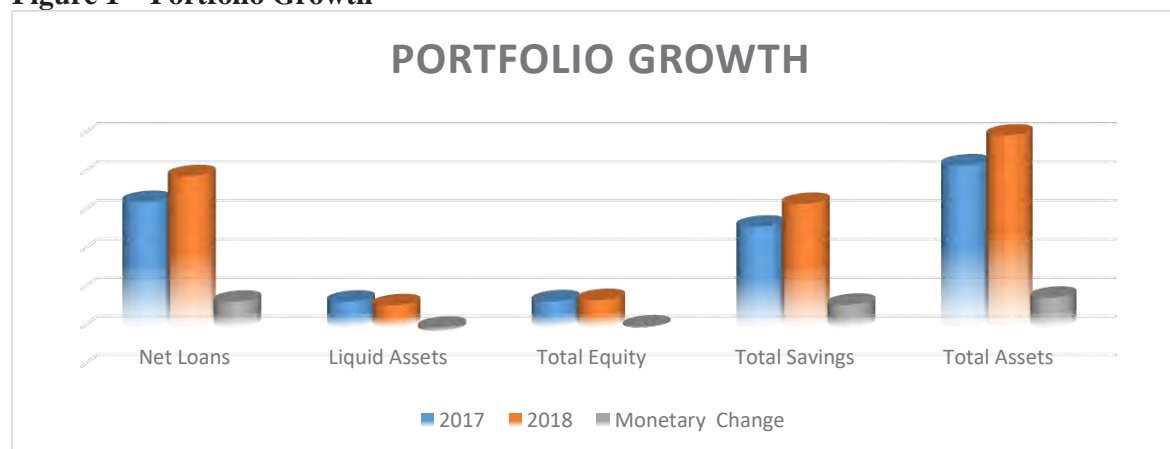
of the government and as such further cuts in rates are expected.

PSECCU had another admirable year as it achieved growth in all major areas, there was one exception, liquid assets which declined by 13.79%. The decline in liquid assets was as a result of the financing of the significant growth in loans of 20.52%. When compared to the other entities within the Financial Sector, namely the commercial banks, building societies and other credit unions, we grew at a faster rate in all key areas, namely loans, deposits and total assets. The industry recorded growth rates of 7.4%, 11.5% and 8.9% respectively, while the PSECCU performed well above average with loans growth of 20.52%, savings growth of 22.59% and asset growth of 18.38%.

**Table 1 – Portfolio Growth**

	2018	2017	Monetary Change	Change %
<b>Loans</b>	1,964,686,556.00	1,630,140,104.00	334,546,452.00	20.52%
<b>Liquid Assets</b>	289,421,554.00	335,711,271.00	(46,289,717.00)	-13.79%
<b>Total Equity</b>	356,636,600.00	340,737,865.00	15,898,735.00	4.67%
<b>Total Savings/Deposits</b>	1,605,122,081.00	1,309,366,930.00	295,755,151.00	22.59%
<b>Total Assets</b>	2,493,834,756.00	2,106,659,127.00	387,175,629.00	18.38%

**Figure 1 – Portfolio Growth**



# TREASURER'S REPORT

The growth recorded for 2018 was significantly higher than the growth recorded in 2017 which ended with loans growth of 9.03%, liquid assets growth of 26.78%, equity growth of 32.75%, savings growth of by 13.86% and total assets of 10.93%.

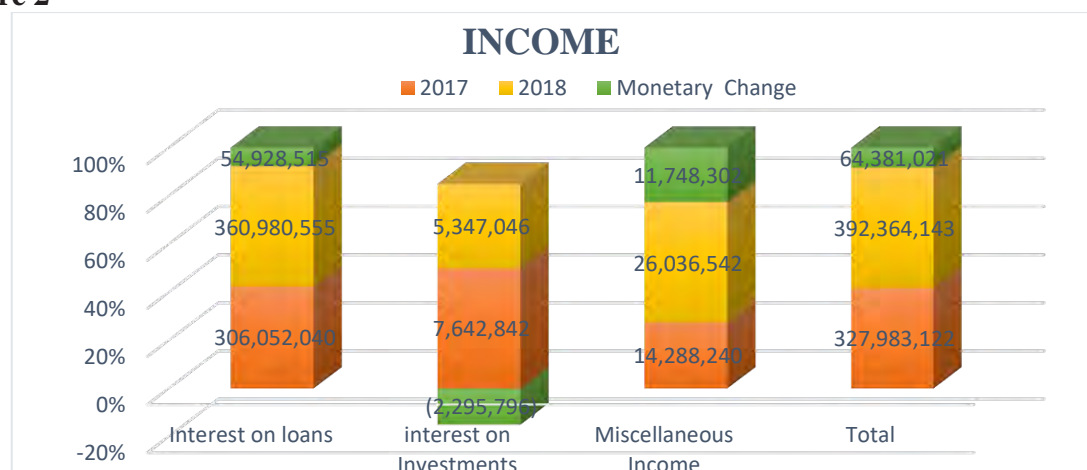
## Income

Table 2 shows that the Credit Union improved in all its income generating areas during 2018 except for Investment Income when compared to 2017. Total income increased by 19.63% or \$64,381,021 which was fueled mainly by the increase in Loans Interest Income of 17.95% or \$54,928,515 and Miscellaneous Income of \$11,748,302 or 82.22%. Interest Income declines by 30.04% or \$2,295,796, this was due to falling interest rates offered by investment partners.

**Table 2 – Income**

	2018	2017	Monetary Change	Change %
Interest on loans	360,980,555	306,052,040	54,928,515	17.95%
Interest on Investments	5,347,046	7,642,842	(2,295,796)	-30.04%
Miscellaneous Income	26,036,542	14,288,240	11,748,302	82.22%
<b>Total</b>	<b>392,364,143</b>	<b>327,983,122</b>	<b>64,381,021</b>	<b>19.63%</b>

**Figure 2**



## Cost of Funds

Cost of Funds growth for the year 2018 increased by \$7,600,238 or 10.44%, which was significantly better compared to 2017 when cost of funds increased by \$13,519,348 or 22.80%. The increase in 2018 was due mainly to the additional amounts paid to Savings Deposits of \$9,006,839 or 33.32%. The increase in Savings Deposits was offset by the reduction in Deferred Shares interest payments of \$2,348,696. The Credit Union had developed a strategic initiative to increase Savings Deposits and reduce External Credit with the aim of switching to lower cost funds. The result was a small increase in External Credit costs of \$837,623 or 2.05%. The unavoidable activity bank charges increased by 8.11% or \$104,471 for the year ended December 31, 2018.



# TREASURER'S REPORT

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**Table 3 – Cost of Funds**

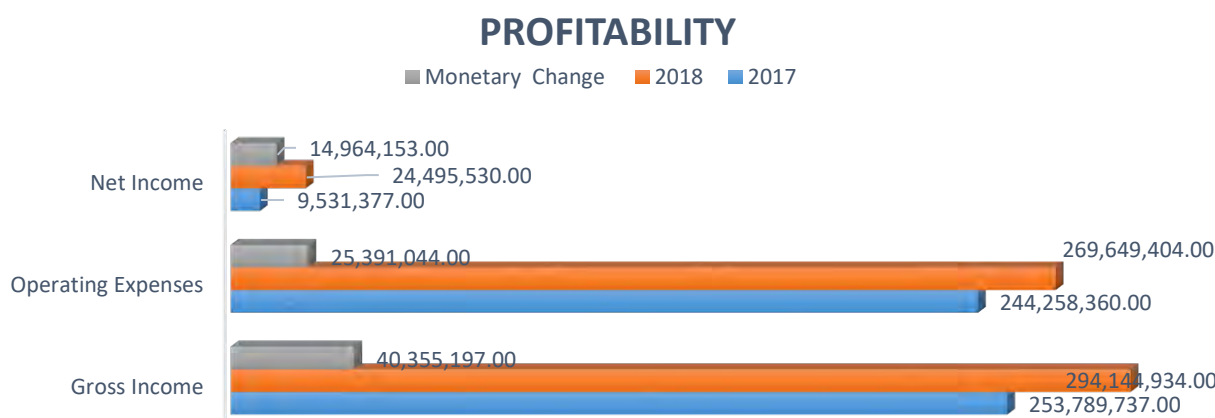
	2018	2017	Monetary Change	Change %
<b>Savings Deposits</b>	36,037,023.00	27,030,184.00	9,006,839.00	33.32%
<b>External Credit</b>	41,724,938.00	40,887,314.64	837,623.36	2.05%
<b>Bank Charge</b>	1,392,309.00	1,287,837.85	104,471.15	8.11%
<b>Total</b>	80,426,991.00	72,826,753.49	7,600,237.51	10.44%

Table 4 shows the comparative analysis between income and expenditure for 2018 and 2017. The Credit Union recorded net income of \$24,495,530 compared with \$9,531,377 a change of \$14,964,153 or 157.00%. The increase was due to significant growth in loan interest income and miscellaneous income of 17.95% and 82.22% respectively. In addition to the growth in Gross Income of 15.90% or \$40,335,197.00, Operating expense was limited to a growth of only 10.40% or \$25,391,044, resulting in the increase in net profit of \$14,964,153.

**Table 4 - Profitability**

	2018	2017	Monetary Change	Change %
<b>Gross Income</b>	294,144,934.00	253,789,737.00	40,355,197.00	15.90%
<b>Operating Expenses</b>	269,649,404.00	244,258,360.00	25,391,044.00	10.40%
<b>Net Income</b>	24,495,530.00	9,531,377.00	14,964,153.00	157.00%

**Figure 3**



## Expenditure

As shown in table 5 total expenditure increased by \$25,391,044 or 10.40% during 2018 compared to \$26,575,446 or 12.21% for 2017. Despite the 2.40% 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. PSECCU cost containment initiatives resulted in a reduction in administrative cost of \$4,298,257.00 or 8.95%. The growth in marketing expenses of 117.24% or \$4,576,985.00 was required as the Credit Union embarked on programs to increase its visibility. The growth in loans of 20.52% and savings of 22.59% are testaments of the results from the increased marketing spend.

# TREASURER'S REPORT

**Table 5 - Expenditure**

	2018	2017	Monetary Change	Change %
<b>Personnel Cost</b>	167,923,421	151,792,867	16,130,554	10.63%
<b>Members' Insurance</b>	19,590,090	16,009,911	3,580,179	22.36%
<b>Marketing &amp; Promotions</b>	8,481,075	3,904,090	4,576,985	117.24%
<b>Administrative Expenditure</b>	43,738,175	48,036,432	(4,298,257)	-8.95%
<b>Affiliation Expenditure</b>	29,916,643	24,515,060	5,401,583	22.03%
<b>Total</b>	269,649,404	244,258,360	25,391,044	10.40%

**Delinquency**

The Financial Sector is now challenged by the recently introduced IFRS9 standard which requires a provision to be placed on all loans. The result of the new standard is a significant increase in Loan Loss Provisioning of \$15,962,411 for 2018. Beyond the new provisioning delinquency continues to be the greatest risk affecting the Credit Union with total delinquent loans increasing to \$40,819,330 during 2018 from \$26,034,754 at the end of 2017. The increase of \$14,784,576 is significant and represents a percentage increase of 56.79% and as such we remain resolute and will make all efforts to curtail its growth in the future. We will continue to ensure delinquency is maintained at the minimum possible level by taking action against delinquent members to include filing suit in court and engagement of debt collection agencies. 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**


	2018	2017	Monetary Change	Change %
<b>Total Delinquent Loans</b>	40,819,330	26,034,754	14,784,576	56.79%
<b>Loan Loss Allowance</b>	32,273,735	16,465,949	15,807,786	96.00%

**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

## MANAGEMENT TEAM



Seated L-R: Osmond Bromfield OD, JP  
(Chief Executive Officer)

Tamara Maxwell-Green JP, MBA, B.Sc  
(Deputy Chief Executive Officer)

Standing Front Row L-R: KellyAnn Dixon CDMP, MBA, BA (Marketing and Communications Manager), Charles Tam MBA, B.Sc (Chief Operations Officer), Lisa Harry Dip. Bus.Ad (Administration and Support Services Manager), Tracey-Ann Francis-Phillips MBA, B.Sc, Dip. Ed (Credit Administration Manager)

Standing Back Row L-R: Chezray Rodney B.Sc (Information Technology Manager), Yanique Watson LLB (Hons) (Legal Risk and Compliance Manager)

Missing : Simonne Hunter B.Sc (Accounts Manager)



## CREDIT DEPARTMENT



Standing Front Row L-R: Charles Tam (Chief Operations Officer), Sharon Linton (Delinquency Officer), Jodi-Ann McBean (Jnr. Loans Clerk), Tracey-Ann Francis-Phillips (Credit Administration Manager)

Standing Back Row L-R: Patricia McLawrence (Snr. Loans Clerk), Shanika Murdock (Jnr. Loans Clerk), Davia Thawe (Loans Officer), Deandra Williams-Bygrave (Jnr. Loans Clerk)

## ACCOUNTS DEPARTMENT



Standing Front Row L-R: Kerry-Ann Smith (Jnr. Clerk), Jodi-Ann Smith (Jnr. Clerk), Kadene Saunders (Jnr. Clerk), Kimone Cameron (Accounts Officer)

Standing Back Row L-R: Pete Morse (Accounts Officer), Shanique Beckford (Snr. Accounts Clerk), Gavin Mighty (Jnr. Clerk), Alaine Williams (Snr. Accounts Clerk)  
Missing : Simonne Hunter (Accounts Manager)

ANNUAL REPORT 2018 | PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED

ADMINISTRATION DEPARTMENT



L-R: Tamara Barrett (Executive Assistant), Lisa Harry (Administration and Support Services Manager), Tamara Taylor-Fuller (Junior Clerk)

MARKETING DEPARTMENT



L-R: KellyAnn Dixon (Marketing and Communications Manager) and Denecia Facey (Junior Clerk)



## PORTMORE BRANCH



L-R: Racquel Walters (Branch Officer), Kimberley McDonald (Junior Clerk), Theo Richards (Junior Clerk), Crystal Scarlett (Loans Clerk), Kimoi Page (Junior Clerk), Monica Foster (Office Attendant)

## MONTEGO BAY BRANCH



L-R: Tanya Dawkins (Office Attendant), Saneisha Thompson (Jnr. Loans Clerk), Neloresa Palmer (Junior Clerk), Sheldon Francis (Branch Officer)



## ST. MARY BRANCH



L-R: Michelle James (Office Attendant), David Clarke ( Junior Clerk),  
Shavelle Edwards (Junior Clerk)

## MANDEVILLE BRANCH



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

## SUPPORT STAFF



L-R: Ceibert Taylor (Company Driver), Denton McKoy (Company Security),  
Beverly Nembhard (Office Attendant), Donovan Buchanan (Groundsman)



**DEPARTMENT OF CO-OPERATIVES  
& FRIENDLY SOCIETIES**

(Agency of the Ministry of Industry, Commerce,  
Agriculture and Fisheries)  
2 MUSGRAVE AVENUE  
Kingston 10  
Tel: 927-4912/927-6572 or 978-1946  
Fax: 927-5832  
E-mail: [dcfs@cwjamaica.com](mailto:dcfs@cwjamaica.com)



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

**S1**  
**R 335/-699/04/19**

April 4, 2019

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, 2018.

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



**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 2018, 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 2018, 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.

**LOCATIONS:**

**KINGSTON**  
Oxford House,  
5 Oxford Road,  
Kingston 5

T: +876-926-3562  
F: +876-929-1300

**MANDEVILLE**  
3rd Floor,  
14 Caledonia Road,  
Mandeville,  
Manchester

T: +876-627-9048 / 630-2011

**RUNAWAY BAY**  
Lot 33 & 34,  
Cardiff Hall,  
Runaway Bay,  
St. Ann

T: +876-627-9048 / 630-2011

**MONTEGO BAY**  
Unit 22, Block C,  
Fairview Office Park 11,  
Montego Bay,  
St. James

T: +876-627-9048 / 630-2011



**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



Crowe Horwath Jamaica

**March 29, 2019**

ANNUAL REPORT 2018 | PUBLIC SECTOR EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED



**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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
<b><u>NON-CURRENT ASSETS</u></b>			
<b>Earning:</b>			
Loans to Members - Net of Provision for Loan Impairment	5	1,964,686,556	1,630,140,104
Financial Investments	7	13,100,906	5,500,245
		<u>1,977,787,462</u>	<u>1,635,640,349</u>
<b>Non-Earning:</b>			
Property, Plant & Equipment	8	116,786,328	87,856,440
Retirement Benefit Asset	9	10,059,000	12,718,000
		<u>126,845,328</u>	<u>100,574,440</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>2,104,632,790</u>	<u>1,736,214,789</u>
<b><u>CURRENT ASSETS</u></b>			
<b>Earning:</b>			
Liquid Assets	10	223,711,703	278,282,185
Financial Investments	10	45,789,951	45,185,431
		<u>269,501,654</u>	<u>323,467,616</u>
<b>Non-Earning:</b>			
Liquid Assets	11	19,919,900	12,243,655
Receivables & Prepayments	11	99,780,412	34,733,067
		<u>119,700,312</u>	<u>46,976,722</u>
<b>TOTAL CURRENT ASSETS</b>		<u>389,201,966</u>	<u>370,444,338</u>
<b>TOTAL ASSETS</b>		<u>2,493,834,756</u>	<u>2,106,659,127</u>
<b><u>CAPITAL AND LIABILITIES</u></b>			
Members' Permanent Shares	12	155,860,659	155,860,659
Non-Institutional Capital	13	99,342,447	89,010,344
Institutional Capital	14	101,433,494	95,866,862
<b>Total Equity</b>		<u>356,636,600</u>	<u>340,737,865</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
<b>Interest Bearing:</b>			
Savings Deposits	16	485,186,954	339,183,272
Members' Voluntary Shares	17	941,367,094	862,089,812
Members' Deferred Shares	17	31,957,549	15,268,114
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,458,511,597</u>	<u>1,216,541,198</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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Note</u>	2018 \$	2017 \$
<b><u>CURRENT LIABILITIES</u></b>			
<b>Interest Bearing:</b>			
External Credits	18	442,418,387	394,090,484
Savings Deposits	16	178,568,033	108,093,846
		<u>620,986,420</u>	<u>502,184,330</u>
<b>Non-Interest Bearing:</b>			
Payables and Accruals	19	54,393,785	47,195,734
Deferred Income	20	3,306,354	-
		<u>57,700,139</u>	<u>47,195,734</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>678,686,559</u>	<u>549,380,064</u>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u>2,493,834,756</u>	<u>2,106,659,127</u>

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

APPROVED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON March 29, 2019  
 AND SIGNED ON ITS BEHALF BY:

  
 CALVIN ALLEN  
 PRESIDENT

  
 GEORGE HUNTER  
 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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Note</u>	<b>2018</b> \$	<b>2017</b> \$
<b>INTEREST INCOME:</b>			
Loans to Members		360,980,555	306,052,040
Liquid Assets	21	5,276,080	7,478,276
Financial Investments	21	68,948	162,549
		<u>366,325,583</u>	<u>313,692,865</u>
<b>INTEREST EXPENSE:</b>			
Saving Deposits		36,037,023	27,030,184
External Credits		41,724,938	40,887,315
Members' Deferred Shares		1,272,721	3,621,417
Other Financial Costs	22	1,392,309	1,287,838
		<u>80,426,991</u>	<u>72,826,754</u>
<b>NET INTEREST INCOME</b>		285,898,592	240,866,111
Increase in Investment Provision		(463,175)	-
Increase in Provision for Loan Losses		<u>(17,327,025)</u>	<u>(1,364,614)</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS</b>		<u>268,108,392</u>	<u>239,501,497</u>
<b>NON-INTEREST INCOME</b>			
Miscellaneous Income	23	<u>26,036,542</u>	<u>14,288,240</u>
<b>GROSS INCOME</b>		294,144,934	253,789,737
Less: Operating Expenses	24	<u>269,649,404</u>	<u>244,258,360</u>
<b>NET INCOME BEFORE HONORARIA</b>		24,495,530	9,531,377
Honoraria		<u>(1,500,000)</u>	<u>(2,000,000)</u>
<b>NET INCOME AFTER HONORARIA</b>		22,995,530	7,531,377
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that will or may be reclassified to profit or loss:</b>			
Gain on Revaluation of Shares		598,080	1,078,035
<b>Items that will not be reclassified to profit or loss:</b>			
Minimum Business Tax		(60,000)	(60,000)
Pension Expense		<u>(2,659,000)</u>	<u>(70,000)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>20,874,610</u>	<u>8,479,412</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**  
**8 YEAR ENDED 31ST DECEMBER 2017**  
**SUMMARY**  
(Expressed in Jamaican Dollars unless otherwise indicated)

	Permanent Shares	Non- Institutional Capital	Institutional Capital	Total
	\$	\$	\$	\$
<b>Balance at 31st December 2016</b>	66,607,416	96,343,714	93,697,087	256,648,217
<b>Total Comprehensive Income for the Year</b>	-	8,479,412	-	8,479,412
Transfer - 20% of Net Income for the year 2017 before				
Honoraria	-		1,906,275	-
Subscription	89,253,243	-	-	89,253,243
Entrance Fee	-	-	263,500	263,500
<b>Appropriation of Net Surplus for 2017</b>				
Donations	-	(123,147)	-	(123,147)
Education	-	(1,000,000)	-	(1,000,000)
Dividend on Permanent Shares	-	(12,000,000)	-	(12,000,000)
Memorial Scholarship	-	(800,000)	-	(800,000)
Disaster Relief Fund	-	(1,000,000)	-	(1,000,000)
Transfers from Current Year Surplus				
Increase in Share Transfer Fund	-	1,016,640	-	1,016,640
	89,253,243	(15,812,782)	2,169,775	75,610,236
<b>Balance at 31st December 2017</b>				
<b>carried forward</b>	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 2018**  
**SUMMARY (CONT'D)**  
(Expressed in Jamaican Dollars unless otherwise indicated)

	Permanent Shares \$	Non- Institutional Capital \$	Institutional Capital \$	Total \$
<b>Balance at 31st December 2017</b>				
brought forward	155,860,659	89,010,344	95,866,862	340,737,865
Impact on Transition to IFRS 9 (see note 4 (xv))	-	1,519,239	-	1,519,239
<b>Balance at 31st December 2017 as restated</b>	155,860,659	90,529,583	95,866,862	342,257,104
<b>Total Comprehensive Income for the Year</b>	-	20,874,610	-	20,874,610
Transfer - 20% of Net Income for the year 2018 before Honoraria	-	(4,899,106)	4,899,106	-
Subscription for Permanent Shares	-	-	-	-
Entrance Fees	-	-	667,526	667,526
<b>Appropriation of Net Surplus for 2018</b>				
Dividend on Permanent Share	-	(3,117,213)	-	(3,117,213)
Donations	-	(147,889)	-	(147,889)
GSAT Grant	-	(1,000,000)	-	(1,000,000)
Memorial Scholarship	-	(800,000)	-	(800,000)
Injection to Stabilisation Reserve	-	-	-	-
Adjustment to Permanent Share Transfer Fund	-	(2,097,538)	-	(2,097,538)
<b>Balance at 31st December 2018</b>	155,860,659	78,467,837	101,433,494	335,761,990

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 2018**

**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	Stabilisation Reserve	Undistributed Surplus	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 31st December 2016 carried forward</b>	385,200	65,729,466	12,788,000	1,554	16,347	-	-	17,423,147	96,343,714
<b>Other Comprehensive Income</b>									
Pension Income	-	-	(70,000)	-	-	-	-	-	(70,000)
Minimum Business Tax	-	-	-	-	-	-	-	(60,000)	(60,000)
Increase in Fair Value of Quoted Shares	1,078,035	-	-	-	-	-	-	-	1,078,035
Net Income After Honoraria	-	-	-	-	-	-	-	7,531,377	7,531,377
<b>Total Comprehensive Income of the year</b>	<b>1,078,035</b>	<b>-</b>	<b>(70,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,471,377</b>	<b>8,479,412</b>
<b>Transactions with Owners</b>									
Appropriation of Net Surplus for 2016									
Dividend Paid on Permanent Shares	-	-	-	-	-	-	-	(12,000,000)	(12,000,000)
Donations	-	-	-	-	-	-	-	(123,147)	(123,147)
Education	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Memorial Scholarship	-	-	-	-	-	-	-	(800,000)	(800,000)
Disaster Relief 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)
Transfers from Current Year Surplus:									
Increase in Share Transfer Fund	-	-	-	-	-	1,016,640	-	-	1,016,640
<b>Total Transactions with Owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,516,640</b>	<b>-</b>	<b>(17,329,422)</b>	<b>(15,812,782)</b>
<b>Balance at 31st December 2017 carried forward</b>	<b>1,463,235</b>	<b>65,729,466</b>	<b>12,718,000</b>	<b>1,554</b>	<b>16,347</b>	<b>1,516,640</b>	<b>-</b>	<b>7,565,102</b>	<b>89,010,344</b>

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 2018**

**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	Stabilisation Reserve	Undistributed Surplus	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 31st December 2017 brought forward</b>	1,463,235	65,729,466	12,718,000	1,554	16,347	1,516,640	-	7,565,102	89,010,344
Impact on Transition to IFRS 9 (see note 4 (xv))	-	-	-	-	-	-	-	1,519,239	1,519,239
<b>Balance at 31st December 2017 as restated</b>	1,463,235	65,729,466	12,718,000	1,554	16,347	1,516,640	-	9,084,341	90,529,583
<b>Other Comprehensive Income</b>									
Pension Income	-	-	(2,659,000)	-	-	-	-	-	(2,659,000)
Minimum Business Tax	-	-	-	-	-	-	-	(60,000)	(60,000)
Increase in Fair Value of Shares	598,080	-	-	-	-	-	-	-	598,080
Net Income After Honoraria	-	-	-	-	-	-	-	22,995,530	22,995,530
<b>Total Comprehensive Income for the Year</b>	598,080	-	(2,659,000)	-	-	-	-	22,935,530	20,874,610
<b>Transactions with Owners</b>									
Appropriation of Net Surplus for 2017	-	-	-	-	-	-	-	(3,117,213)	(3,117,213)
Dividend on Permanent Share	-	-	-	-	-	-	-	(147,889)	(147,889)
Donations	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
GSAT Grant	-	-	-	-	-	-	-	(800,000)	(800,000)
Memorial Scholarship	-	-	-	-	-	-	-	(1,000,000)	-
Permanent Share Reserve Transfer	-	-	-	-	-	1,000,000	-	-	-
Transfer - 20% of Net Income for the year 2018 before Honoraria	-	-	-	-	-	-	-	(4,899,106)	(4,899,106)
Adjustment to Permanent Share Transfer Fund	-	-	-	-	-	(2,097,538)	-	-	(2,097,538)
<b>Total Transactions with Owners</b>	-	-	-	-	-	(1,097,538)	-	(10,964,208)	(12,061,746)
<b>Balance at 31st December 2018</b>	2,061,315	65,729,466	10,059,000	1,554	16,347	419,102	-	21,055,663	99,342,447

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 2018**  
**INSTITUTIONAL CAPITAL**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

	<b>Legal &amp; Statutory Reserves \$</b>	<b>Retained Earnings Reserve \$</b>	<b>TOTAL \$</b>
<b>Balance at 31st December 2016</b>	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>
<b>Balance at 31st December 2017</b>	85,866,862	10,000,000	95,866,862
Entrance Fees	667,526	-	667,526
Transfer - 20% of Net Income for the year 2018 before Honoraria	<u>4,899,106</u>	<u>-</u>	<u>4,899,106</u>
<b>Balance at 31st December 2018</b>	<u><b>91,433,494</b></u>	<u><b>10,000,000</b></u>	<u><b>101,433,494</b></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 2018**  
(Expressed in Jamaican Dollars unless otherwise indicated)

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Total Comprehensive Income for year</b>	20,874,610	8,479,412
<b>Non - Cash items included in Comprehensive Income</b>		
Depreciation	9,605,910	8,778,656
Provision for Loan Losses	17,327,025	1,364,614
Revaluation of Quoted Shares	(598,080)	(1,078,035)
Pension Income	2,659,000	70,000
	49,868,465	17,614,647
<b>(Increase)/ Decrease in Operating Assets</b>		
Accounts Receivable & Prepayments	(65,047,345)	(3,257,747)
<b>Increase/ (Decrease) in Operating Liabilities</b>		
Payables and Accruals	7,198,050	5,869,324
Deferred Income	3,306,354	-
<b>Cash (Used in)/Provided by Operating Activities</b>	<u>(4,674,476)</u>	<u>20,226,224</u>
<b>Cash Flows from Investing Activities</b>		
Loans to Members	(350,354,238)	(136,365,910)
Financial Investments	(8,205,181)	(1,967,201)
Purchase of Property, Plant & Equipment	<u>(38,535,797)</u>	<u>(6,240,565)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(397,095,216)</u>	<u>(144,573,676)</u>
<b>Cash Flows from Financing Activities</b>		
Savings Deposits	216,477,869	81,096,532
External Credits	48,327,903	26,617,737
Members' Voluntary Shares	79,277,282	78,259,990
Members' Deferred Shares	16,689,435	( 68,294,251)
Members' Permanent Shares	-	89,253,243
Entrance Fees	667,526	263,500
Donations	(147,889)	(123,147)
Share Transfer Fund	(2,097,538)	-
Dividend Paid on Permanent Shares	(3,117,213)	(12,000,000)
Transfer to/(from) Undistributed Surplus	(1,000,000)	1,016,640
Fair Value Reserve	598,080	1,078,035
Disability Fund	-	(1,000,000)
Education & Scholarship Fund	<u>(800,000)</u>	<u>(1,800,000)</u>
<b>Net Cash Provided by Financing Activities</b>	<u>354,875,455</u>	<u>194,368,279</u>
<b>(Decrease)/Increase in Liquid assets</b>	(46,894,237)	70,020,827
<b>Liquid Assets at beginning of year</b>	290,525,840	220,505,013
<b>Liquid Assets at end of year</b>	<u>243,631,603</u>	<u>290,525,840</u>
<b>Liquid Assets</b>		
<b>Cash and Bank Balances: Non-Earning</b>	19,919,900	12,243,655
<b>Cash and Bank Balances: Earning</b>	<u>223,711,703</u>	<u>278,282,185</u>
	<u>243,631,603</u>	<u>290,525,840</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 2018**

(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 2018**  
 (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:

**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.

**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 2018**

(Expressed in Jamaican Dollars unless otherwise indicated)

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

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

**IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers.) (Effective January 2018)**

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 ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- 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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

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

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

**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 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.

- (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 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.

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

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.



**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 2018**  
 (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:

*Annual Improvements to IFRS Standards 2015–2017 Cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 2019*

Makes amendments to the following standards:

- **IFRS 3: Business Combinations and IFRS 11: Joint Arrangements (Effective January 2019)**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 23: Borrowing Costs (Effective January 2019)**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Effective January 2019)**

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

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

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.

**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.

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

**(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.

**Critical Accounting Estimate and judgement applied**

**i) Classification of Financial Asset**

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

**ii) Impairment of Financial Assets**

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

**Risk of Estimation uncertainty**

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

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

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

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

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**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.**

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

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

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

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

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

**Loan Staging**

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

**Stage 1**

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

**Stage 2**

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

**Stage 3**

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

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 of 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 9 "Financial Instruments" are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.



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

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

**(iii) Investments**

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

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

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

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

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

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

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

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

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

**(iv) Property, plant and equipment (Cont'd)**

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.

**(v) Impairment**

The Credit Union recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments that are not measured at Fair Value Through Profit & Loss (FVTPL).

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

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

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

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

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

**(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.

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**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) Deferred Income**

Donations or contributions received for capital or recurring expenditure is recognised in deferred income at amortised cost. An amount equivalent to the depreciation charge on capital assets acquired from the funds is recognised as income in profit or loss. Amounts used for recurring expenses are recognised in profit or loss as the expenses are incurred

**(xii) 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.



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

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

**(xii) 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.

**(xiii) 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.

**(xiv) 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.

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

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

**(xv) League fees and stabilization dues**

Jamaica Co-operative Credit Union League (JCCUL) has fixed the rate of league fees at 0.2% (2017 - 0.02%) of total assets. Stabilization dues are fixed at a rate of 0.15% (2017 - 0.15%) of total savings.

**(xvi) 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.

**IFRS 9- Expected Credit Loss (ECL)**

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

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

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

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

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

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

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

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

**(xvi) Provisions (Cont'd)**

The impact of transition to IFRS9 is as follows;

<b>Initial Recognition:</b>		\$
Balance as at December 31, 2017		7,565,102
Impairment provision as at December 31, 2017 under IAS 39:		
On Loans to Members	16,465,949	
Expected Credit Loss as at January 1, 2018 under IFRS 9		
On Loans to Members	(14,946,710)	
Recognition of expected credit loss in Non-Institutional Capital under IFRS 9		1,519,239
Balance as at a December 31, 2017 as restated		<u>9,084,341</u>

**(xvii) 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.

**(xviii) Expenses**

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

**(xix) 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.

**(xx) 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.

**(xxi) Comparative information**

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



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

(b) (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 10.32% (2017 - 11.95%) which is in compliance with the requirements.

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

**5. Loans to Members:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at Beginning of Year	1,646,606,053	1,510,240,143
Add: Loans Granted	<u>2,222,388,230</u>	<u>1,209,962,218</u>
	3,868,994,283	2,720,202,361
Less: Repayments and Transfers	<u>(1,872,033,992)</u>	<u>(1,073,596,308)</u>
	1,996,960,291	1,646,606,053
Less: Provision for Loan Impairment	<u>(32,273,735)</u>	<u>(16,465,949)</u>
	<u>1,964,686,556</u>	<u>1,630,140,104</u>
Loans are classified as follows:		
- Personal	1,996,890,932	1,646,134,510
- Educational	<u>69,360</u>	<u>471,543</u>
	<u>1,996,960,292</u>	<u>1,646,606,053</u>

**6. Provision for Loan Impairment:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at Beginning of Year	16,465,949	15,101,335
Increase in Provision for the Year	<u>49,589,642</u>	<u>18,256,322</u>
	66,055,591	33,357,657
Less Provision for write-off	<u>(33,781,857)</u>	<u>(16,891,708)</u>
Balance at End of Year	<u>32,273,735</u>	<u>16,465,949</u>

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

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

	<b>Total Delinquent Loans</b>	<b>Standard Rate</b>	<b>Loan Loss Provision 2018</b>	<b>Loan Loss Provision 2017</b>
	<b>\$</b>	<b>%</b>	<b>\$</b>	<b>\$</b>
1-30 Days	-	Nil	-	-
31-60 Days	4,163,275	Nil	-	-
61-90 Days	3,055,302	10	305,530	294,625
91-180 Days	8,068,314	30	2,420,494	861,817
181-364 Days	10,080,413	60	6,048,248	4,195,402
Over 365 Days	15,452,025	100	15,452,025	8,860,276
	<u>40,819,330</u>		<u>24,226,297</u>	<u>14,212,120</u>
			<b>2018</b>	<b>2017</b>
			<b>\$</b>	<b>\$</b>
Regulatory Loan Loss Provision			24,226,297	14,212,120
Less Provision based on IFRS 9/IAS 39			<u>32,273,735</u>	<u>16,465,949</u>
Excess over IFRS 9/IAS 39 Provision Transferred to Loan Loss Reserve			<u>-</u>	<u>-</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 2018:

	<b>Number in Arrears</b>	<b>Total Delinquent Loans</b>	<b>Savings held against Loans</b>	<b>Portion not covered by Savings</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
1 - 30 Days	-	-	-	-
31 - 60 Days	19	4,163,275	2,206,373	1,956,902
61 - 90 Days	13	3,055,302	2,476,571	578,732
91 - 180 Days	34	8,068,314	3,027,541	5,040,773
181 - 364 Days	41	10,080,413	3,917,780	6,162,633
Over 365 Days	<u>75</u>	<u>15,452,025</u>	<u>894,056</u>	<u>14,557,969</u>
	<u>182</u>	<u>40,819,330</u>	<u>12,522,320</u>	<u>28,297,009</u>

**7. Non-Current Assets - Financial Investments:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Available-for-Sale</b>		
NCB - Quoted Shares	1,790,640	1,192,560
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	970,950
Mortgage Fund	68,062	65,481
Barita Investment	<u>7,000,000</u>	<u>-</u>
	<u>13,100,906</u>	<u>5,500,245</u>

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**8. Property, Plant & Equipment**

	Freehold Land \$	Freehold Building \$	Furniture & Fixture \$	Motor Vehicle \$	Computer & Equipment \$	Total \$
<u>At Cost or Valuation</u>						
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
Additions	4,000,000	18,495,000	6,997,649	1	9,043,147	38,535,797
31st December 2018	17,500,000	90,995,000	25,873,215	10,916,681	49,746,290	195,031,186
<u>Depreciation</u>						
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
Charge for the year	-	3,086,440	1,131,476	988,154	4,399,839	9,605,909
31st December 2018	-	18,063,652	14,775,665	10,259,884	35,145,657	78,244,858
<u>Net Book Values</u>						
31st December 2016	17,500,000	72,931,348	11,097,550	656,797	14,600,633	116,786,328
31st December 2017	13,500,000	57,522,788	5,231,377	1,644,950	9,957,325	87,856,440
31st December 2018	13,500,000	60,422,789	5,500,316	3,205,507	7,765,921	90,394,533

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.



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**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, 2018.

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Present Value of funded obligations	56,511,000	42,391,000
Fair Value of plan assets	<u>(66,570,000)</u>	<u>(55,109,000)</u>
<b>Asset recognised in the Statement of Financial Position</b>	<b><u>(10,059,000)</u></b>	<b><u>(12,718,000)</u></b>

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Employer's Current Service Cost	3,310,000	2,643,000
Interest Cost on Obligation	3,481,000	2,793,000
Interest Income on Plan Assets	(4,725,000)	(4,110,000)
Past Service Cost	-	897,000
Administrative Expenses	<u>414,000</u>	<u>359,000</u>
<b>Net Pension Expense recognised</b>	<b><u>2,480,000</u></b>	<b><u>2,582,000</u></b>
Actuarial Gain on Obligation	(5,096,000)	(2,976,000)
Actuarial Loss on Plan Assets	<u>(766,000)</u>	<u>910,000</u>
<b>Remeasurement Income</b>	<b><u>(5,862,000)</u></b>	<b><u>(2,066,000)</u></b>

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net Asset at beginning of year	(12,718,000)	(12,788,000)
Adjustment to Net Asset as reflected in revised Actuarial Valuation	<u>-</u>	<u>893,000</u>
	(12,718,000)	(11,895,000)
Pension Expense recognised	2,480,000	2,582,000
Remeasurements	5,862,000	2,066,000
Contributions Paid	<u>(5,683,000)</u>	<u>(5,471,000)</u>
Closing Net Asset at end of year	<b><u>(10,059,000)</u></b>	<b><u>(12,718,000)</u></b>

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**9. Retirement Benefit Asset (cont'd):**

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

	<u>2018</u>	<u>2017</u>
Discount rate	7.0%	8.0%
Expected rate of return on plan assets	N/A	N/A
Expected future salary increases	5.0%	6.0%
Price Inflation	5.0%	5.0%
Pension Increases	2.5%	2.5%

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>2018</u> <u>'000</u>	<u>2017</u> <u>'000</u>	<u>2016</u> <u>'000</u>	<u>2015</u> <u>'000</u>	<u>2014</u> <u>'000</u>
Fair Value of Plan Assets as previously reported	66,570	55,109	36,862	29,203	21,393
Adjustment as reflected in revised Actuarial Valuation	-	-	4,015	-	-
<b>Revised Fair Value of Plan Assets</b>	<b>66,570</b>	<b>55,109</b>	<b>40,877</b>	<b>29,203</b>	<b>21,393</b>
Defined Benefit Obligation as previously reported	56,511	42,391	24,073	20,877	13,922
Adjustment as reflected in revised Actuarial Valuation	-	-	4,909	-	-
<b>Revised Defined Benefit Obligation</b>	<b>56,511</b>	<b>42,391</b>	<b>28,982</b>	<b>20,877</b>	<b>13,922</b>
<b>Surplus</b>	<b>10,059</b>	<b>12,718</b>	<b>11,895</b>	<b>8,326</b>	<b>7,471</b>

**Experience Adjustments**

Fair Value of Plan Assets as previously reported	(766)	910	(2,023)	(732)	(3,335)
Adjustment as reflected in revised Actuarial Valuation	-	-	4,031	-	-
<b>Revised Fair Value of Plan Assets</b>	<b>(766)</b>	<b>910</b>	<b>2,008</b>	<b>(732)</b>	<b>(3,335)</b>
<b>Defined Benefit Obligation</b>	<b>(1,226)</b>	<b>540</b>	<b>451</b>	<b>(151)</b>	<b>528</b>

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**10. Current Assets - Earning:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<u>Liquid Assets:</u>		
JCCUL - Certificates of Deposits	75,355,706	123,875,480
JCCUL - CU Cash Deposits	140,178,589	128,961,382
JCCUL - CU Premium	957,169	924,644
BNS (DBG) Investment	1,568,787	1,539,245
JMMB Investment	-	10,346,832
Sagcor Investment	-	5,137,980
NCB Capital Market	-	1,998,851
Money Masters Ltd.	5,651,452	5,497,771
	<u>223,711,703</u>	<u>278,282,185</u>

Financial Investments:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Held-to-maturity - C.U.E.T.S. Deposit	<u>45,789,951</u>	<u>45,185,431</u>

**11. Current Assets - Non-Earning:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<u>Liquid Assets</u>		
<u>Cash and Bank Balances</u>		
Savings Account	651,208	651,208
Current Account	18,368,003	11,492,445
Cash on Hand	900,689	100,002
	<u>19,919,900</u>	<u>12,243,655</u>

Receivables & Prepayments

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Interest Receivable - Loans	96,332,605	31,010,540
Other Receivables & Prepayments	3,447,807	3,722,527
	<u>99,780,412</u>	<u>34,733,067</u>



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**12. Members' Permanent Shares:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	155,860,659	66,607,416
Net Subscriptions & Transfers	-	89,253,243
Balance at end of year	<u>155,860,659</u>	<u>155,860,659</u>

**13. Non-Institutional Capital:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
i) Revaluation & Building Reserve	65,729,466	65,729,466
ii) Retirement Benefit Asset Reserve	10,059,000	12,718,000
iii) General Reserve	1,554	1,554
iv) Special Reserve	16,347	16,347
v) Fair Value Reserve	2,061,315	1,463,235
vi) Share Transfer Fund	419,102	1,516,640
vii) Loan Loss Reserve	-	-
viii) Undistributed Surplus	<u>21,055,663</u>	<u>7,565,102</u>
	<u>99,342,447</u>	<u>89,010,344</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.

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**14. Institutional Capital:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Retained Earnings Reserve	10,000,000	10,000,000
Legal & Statutory Reserves (Note 15)	91,433,494	85,866,862
	<u>101,433,494</u>	<u>95,866,862</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:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	85,866,862	83,697,087
Add: 20% of Net Income	4,899,106	1,906,275
Entrance Fees	667,526	263,500
Balance at end of year	<u>91,433,494</u>	<u>85,866,862</u>

**16. Interest Bearing Liabilities - Savings Deposits:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b><u>Non-Current</u></b>		
Special Deposits	457,901,847	317,071,128
Youth Savings Deposits	27,285,107	22,112,144
	<u>485,186,954</u>	<u>339,183,272</u>
<b><u>Current</u></b>		
Regular Savings and Deposits	136,775,982	62,433,392
Fixed Deposits	1,281,877	979,422
Christmas Savings Club	2,279,428	2,099,305
Golden Harvest Savings	5,773,860	9,848,811
Golden Harvest (7%)	18,357,186	17,102,125
Partner Plan	590,000	-
Standing Orders (Delinquent)	2,427,577	4,110,680
Standing Orders	11,082,123	11,520,111
	<u>178,568,033</u>	<u>108,093,846</u>
	<b><u>663,754,987</u></b>	<b><u>447,277,118</u></b>

**17. Members' Voluntary Shares/Deferred Shares:**

**Voluntary Shares**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	862,089,812	783,829,822
Add : Subscription/Dividends Paid	302,200,847	291,859,914
	<u>1,164,290,659</u>	<u>1,075,689,736</u>
Less: Transfers	<u>(222,923,565)</u>	<u>(213,599,924)</u>
Balance at end of year	<b><u>941,367,094</u></b>	<b><u>862,089,812</u></b>

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

<b>Deferred Shares</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year	15,268,114	83,562,365
Additions/(Withdrawals) for the year	<u>16,689,435</u>	<u>(68,294,251)</u>
Balance at end of year	<u>31,957,549</u>	<u>15,268,114</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:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loans - JCCUL & Money Masters	<u>442,418,387</u>	<u>394,090,484</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 Forty Eight Million dollars (\$148m) was taken in the current year. The purposes are for liquidity support and building. The interest rates on these loans ranged between 8.5% and 13% 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:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b><u>Accounts Payable &amp; Accruals</u></b>		
Deceased Estate Accounts	10,012,098	8,905,354
ATM Payable/(Receivable)	9,217,294	11,150,747
Bill Express Payable	339,562	169,166
Withheld Tax Payable	9,173,139	7,596,003
Interest Charges Payable	214,103	164,391
Dividend Payable	1,778,226	1,649,568
Accruals	1,338,663	398,258
Audit Fees Accrued	1,257,501	845,790
Conec Mobile Wallet	80,505	80,505
Staff Expenses Accrued	12,755,884	7,399,101
Other	<u>5,591,422</u>	<u>5,871,804</u>
	<u>51,758,397</u>	<u>44,230,687</u>
<b><u>Other Provisions</u></b>		
Restoration Reserve	420,033	441,753
Donation Provision	12,035	58,145
Disaster Relief Fund	1,423,654	1,477,243
Disability Fund	766,161	985,401
Scholarship Reserve / Education Provision	1,180	1,180
Building Improvement Reserve	1,325	1,325
Education Provision	<u>11,000</u>	<u>-</u>
	<u>2,635,388</u>	<u>2,965,047</u>
	<u>54,393,785</u>	<u>47,195,734</u>

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**20. Deferred Income:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Injection for IFRS 9 Implementation	4,023,178	-
Depreciation charge for Upgrade to Computer Software	(382,499)	-
Current year Cost of Implementation of IFRS9	(334,325)	-
	<u>3,306,354</u>	<u>-</u>

This represents an injection by JCCUL to offset the costs of IFRS 9 implementation.

**21. Liquid Asset and Financial Investment Income:**

<b>(i) Liquid Assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Term Deposits	<u>5,276,080</u>	<u>7,478,276</u>
<b>(ii) Financial Investments</b>		
Shares-JCCUL	40,388	138,069
NCB Shares	<u>28,560</u>	<u>24,480</u>
	<u>68,948</u>	<u>162,549</u>

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>22. Financial Costs</b>		
Bank Charges	<u>1,392,309</u>	<u>1,287,838</u>

**23. Miscellaneous Income**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Fees and Commission	6,386,660	4,264,223
Loan Administration Fee	16,284,249	5,341,850
Internet Banking Income	15,125	-
ATM Fee Income	1,143,896	3,084,140
Recovered Income	1,297,976	1,390,848
Miscellaneous Income	122,407	162,869
Sale of Rule Books	69,405	44,310
Injection from JCCUL Stabilisation re Implementation of IFRS9	<u>716,824</u>	<u>-</u>
	<u>26,036,542</u>	<u>14,288,240</u>

**24. Operating Expenses:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Personnel Expenses:</b>		
Salaries & Wages	130,769,583	119,000,440
Employer's Statutory Contribution	13,543,971	12,713,910
Staff Training & Welfare	6,408,104	5,588,179
Staff Travel & Subsistence	10,322,911	7,683,988
Group Life Insurance	404,866	982,118
Pension	<u>6,473,986</u>	<u>5,824,232</u>
	<u>167,923,421</u>	<u>151,792,867</u>



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**23. Operating Expenses (cont'd):**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Members Security:</b>		
Golden Harvest Insurance	159,518	90,692
Life Saving & Loan Protection Insurance	18,834,227	15,442,377
Cumis Bond	596,345	476,842
	<u>19,590,090</u>	<u>16,009,911</u>

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Marketing &amp; Promotion:</b>		
Advertising & Public Relations	5,008,966	1,378,322
Promotion	2,329,501	1,569,425
Christmas Gifts	1,142,608	956,343
	<u>8,481,075</u>	<u>3,904,090</u>

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Administrative Expenses:</b>		
Travel & Entertainment	-	136,238
Repairs & Maintenance	4,307,980	2,490,996
Depreciation	9,605,910	8,778,656
Rent	2,747,404	2,450,633
Audit Fees - Current Year	1,270,500	1,409,650
Internal Audit	866,110	1,687,358
Professional & Consulting Fees	4,225,003	2,115,430
Security	2,167,757	1,973,979
Stationery	2,368,879	3,148,230
Office Supplies	1,550,127	1,224,822
Insurance - Premises & Assets	1,359,135	1,343,290
Electricity	5,024,771	4,209,244
Telephone	4,289,683	4,538,600
Water Rates & Taxes	814,857	536,933
Cable Television Charges	641,876	475,306
Donations	1,902,309	1,906,400
Bad Debt Written Off	-	8,843,302
Miscellaneous	595,874	767,365
	<u>43,738,175</u>	<u>48,036,432</u>

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**24. Operating Expenses (cont'd):**

	2018 \$	2017 \$
<b>Representation &amp; Affiliation:</b>		
League Fees	4,053,497	3,640,235
Stabilization Dues	1,964,050	1,725,016
Annual General Meeting - League	1,628,890	1,383,848
Annual General Meeting - Members	6,506,355	2,457,505
Funeral Aid (Staff & Committee)	500,000	50,000
Travel and Subsistence - Volunteers	7,859,061	6,636,603
Meetings and Seminars - Volunteers	3,117,236	3,002,555
Members' Welfare	841,287	819,340
ATM Participation Fee	2,816,827	1,672,655
ATM Fee	629,440	3,084,140
Training & Education - Volunteers	-	43,163
	<u>29,916,643</u>	<u>24,515,060</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>269,649,404</u></u>	<u><u>244,258,360</u></u>

**25. Appropriations:**

	2018 \$	2017 \$
<b>Previous Year's Surplus:</b>		
Education/Scholarship Reserve	800,000	1,800,000
GSAT Reserve	1,000,000	-
Donation	147,889	123,147
Dividends Paid on Permanent Shares	3,117,213	12,000,000
Disability Fund	-	1,000,000
Increase in Share Transfer Fund	1,000,000	500,000
	<u>6,065,102</u>	<u>15,423,147</u>

**26. Comparison of Ledger Balances:**

	Permanent Shares \$	Voluntary Shares \$	Loans \$	Savings Deposits \$
General Ledger	155,860,659	941,367,094	1,996,960,291	663,754,987
Personal Ledger	<u>155,860,659</u>	<u>941,367,094</u>	<u>1,996,960,291</u>	<u>663,754,987</u>
Differences 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Differences 2017	<u>-</u>	<u>-</u>	<u>2</u>	<u>(1)</u>

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**27. Staff and Volunteer Balances:**

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

Number	48		
Total Shares	49,595,667		
Total Loans	103,553,531		
	<u>Amount</u>	<u>Loans</u>	<u>Shares</u>
	<u>#</u>	<u>\$</u>	<u>\$</u>
Staff	29	50,927,566	25,256,329
Directors	9	37,302,747	17,027,070
Supervisory & Credit Committee	<u>10</u>	<u>15,323,218</u>	<u>7,312,268</u>
	<u>48</u>	<u>103,553,531</u>	<u>49,595,667</u>

No waiver was granted on the above loans. As at 31st December 2018 all loans were being repaid in accordance with the loan agreements.

**28. 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 \$596,345 ( 2017: \$476,842 ).

**(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 18,834,227 (2017: \$15,442,377)

**(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 \$1,359,135 (2017: \$1,343,290).

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**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

	Within 1 month \$	1 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	No Specific maturity \$	Total \$
	-	7,825,676	54,711,304	605,738,199	1,053,773,766	242,637,611	1,964,686,556
	-	-	-	-	-	13,100,906	13,100,906

**Non-Earning:**

Property, Plant & Equipment  
Retirement Benefit Asset

	-	-	-	-	-	116,786,328	116,786,328
	-	-	-	-	-	10,059,000	10,059,000

**CURRENT ASSETS**

**Earning:**

Liquid Assets  
Financial Investments

	-	223,711,703	-	-	-	-	223,711,703
	-	45,789,951	-	-	-	-	45,789,951

**Non-Earning:**

Liquid Assets  
Receivables & Prepayments

	19,919,900	-	-	-	-	-	19,919,900
	99,780,412	-	-	-	-	-	99,780,412

**TOTAL ASSETS**

	119,700,312	277,327,330	54,711,304	605,738,199	1,053,773,766	382,583,845	2,493,834,756
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**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 \$
<b><u>EQUITY AND LIABILITIES</u></b>							
Members' Permanent Shares	-	-	-	-	-	155,860,659	155,860,659
Non-Institutional Capital	-	-	-	-	-	99,342,447	99,342,447
Institutional Capital	-	-	-	-	-	101,433,494	101,433,494
<b>Total Equity</b>							
<b><u>NON-CURRENT LIABILITIES</u></b>							
<b>Interest Bearing:</b>							
Savings Deposits	-	-	-	457,901,847	27,285,107	-	485,186,954
Members' Voluntary Shares	-	-	-	-	941,367,094	-	941,367,094
Members' Deferred Shares	-	-	-	31,957,549	-	-	31,957,549
<b><u>CURRENT LIABILITIES</u></b>							
<b>Interest Bearing:</b>							
External Credit	-	-	-	442,418,387	-	-	442,418,387
Savings Deposits	11,082,123	-	3,561,305	18,357,186	140,434,738	5,132,681	178,568,033
<b>Non-Interest Bearing:</b>							
Payables and Accruals	-	-	-	-	-	-	54,393,785
Deferred Income	-	-	-	-	-	3,306,354	3,306,354
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>11,082,123</b>	<b>-</b>	<b>57,955,090</b>	<b>950,634,969</b>	<b>1,109,086,939</b>	<b>365,075,635</b>	<b>2,490,528,402</b>
<b>TOTAL LIQUIDITY GAP</b>	<b>108,618,189</b>	<b>277,327,330</b>	<b>( 3,243,786)</b>	<b>(344,896,770)</b>	<b>( 55,313,172)</b>	<b>17,508,209</b>	<b>-</b>
<b>CUMULATIVE GAP</b>	<b>108,618,189</b>	<b>385,945,519</b>	<b>382,701,733</b>	<b>37,804,963</b>	<b>(17,508,209)</b>	<b>-</b>	<b>-</b>
<b>2017</b>							
<b>TOTAL ASSETS</b>	<b>46,976,722</b>	<b>332,971,748</b>	<b>30,000,093</b>	<b>497,732,920</b>	<b>874,312,792</b>	<b>324,664,852</b>	<b>2,106,659,127</b>
<b>TOTAL LIABILITIES</b>	<b>17,152,205</b>	<b>-</b>	<b>48,175,155</b>	<b>743,531,851</b>	<b>892,529,354</b>	<b>405,270,562</b>	<b>2,106,659,127</b>
<b>TOTAL LIQUIDITY GAP</b>	<b>29,824,517</b>	<b>332,971,748</b>	<b>(18,175,062)</b>	<b>(245,798,931)</b>	<b>( 18,216,562)</b>	<b>( 80,605,710)</b>	<b>-</b>
<b>CUMULATIVE GAP</b>	<b>29,824,517</b>	<b>362,796,265</b>	<b>344,621,203</b>	<b>98,822,272</b>	<b>80,605,710</b>	<b>-</b>	<b>-</b>

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**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.

<b>NON-CURRENT ASSETS</b>							
<b>Earning:</b>							
Loans to Members - Net of Provision for Loan Impairment	-	-	-	-	-	-	1,964,686,556
Financial Investments	-	-	-	-	13,100,906	-	13,100,906
<b>Non-Earning:</b>							
Property, Plant & Equipment	-	-	-	-	-	116,786,328	116,786,328
Retirement Benefit Asset	-	-	-	-	-	10,059,000	10,059,000
<b>CURRENT ASSETS</b>							
<b>Earning:</b>							
Liquid Assets	223,711,703	-	-	-	-	-	223,711,703
Financial Investments	-	45,789,951	-	-	-	-	45,789,951
<b>Non-Earning:</b>							
Liquid Assets	-	-	-	-	-	19,919,900	19,919,900
Receivables & Prepayments	-	-	-	-	-	99,780,412	99,780,412
<b>TOTAL ASSETS</b>	<b>223,711,703</b>	<b>45,789,951</b>	<b>1,964,686,556</b>	<b>-</b>	<b>13,100,906</b>	<b>246,545,640</b>	<b>2,493,834,756</b>

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**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 \$
<b><u>EQUITY AND LIABILITIES</u></b>							
Members' Permanent Shares	-	-	-	-	-	155,860,659	155,860,659
Non-Institutional Capital	-	-	-	-	-	99,342,447	99,342,447
Institutional Capital	-	-	-	-	-	101,433,494	101,433,494
<b>Total Equity</b>							
<b><u>NON-CURRENT LIABILITIES</u></b>							
<b>Interest Bearing:</b>							
Savings Deposits	-	27,285,107	457,901,847	-	-	-	485,186,954
Members' Voluntary Shares	-	-	941,367,094	-	-	-	941,367,094
Members' Deferred Shares	-	-	-	31,957,549	-	-	31,957,549
<b><u>CURRENT LIABILITIES</u></b>							
<b>Interest Bearing:</b>							
External Credit	-	-	442,418,387	-	-	-	442,418,387
Savings Deposits	-	-	-	-	-	178,568,033	178,568,033
<b>Non-Interest Bearing:</b>							
Payables and Accruals	-	-	-	-	-	54,393,785	54,393,785
Deferred Income	-	-	-	-	-	3,306,354	3,306,354
<b>TOTAL CAPITAL AND LIABILITIES</b>	-	27,285,107	1,841,687,328	31,957,549	-	592,904,772	2,493,834,756
<b>TOTAL LIQUIDITY GAP</b>	223,711,703	18,504,844	122,999,228	(31,957,549)	13,100,906	( 346,359,132)	-
<b>CUMULATIVE GAP</b>	223,711,703	242,216,547	365,215,775	333,258,226	346,359,132	-	-
<b>2017</b>							
<b>TOTAL ASSETS</b>	278,282,185	45,185,431	1,630,140,104	-	5,500,245	147,551,162	2,106,659,127
<b>TOTAL LIABILITIES</b>	-	22,112,144	1,573,251,424	15,268,114	-	496,027,445	2,106,659,127
<b>TOTAL LIQUIDITY GAP</b>	278,282,185	23,073,287	56,888,680	(15,268,114)	5,500,245	( 348,476,283)	-
<b>CUMULATIVE GAP</b>	278,282,185	301,355,472	358,244,152	342,976,038	348,476,283	-	-

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**29. 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.



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**29. 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	84 months
2)	3 : 1	Demand Loan	18 months
3)	5 : 1	Personal Loan	180 months
4)		Easy Access Loan	24 months

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.

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**29. Financial Instruments Risk Management (cont'd):**

**(a) Credit Risk (cont'd)**

**(i) Loans to members (cont'd)**

*Allowances for Impairment*

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

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

Management remedies fluctuations in the ECL through the Statement of Profit and Loss and the ECL Reserve account on a monthly basis.

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.

**Maximum Exposure under IFRS 9**

	<b><u>Stage 1</u></b>	<b><u>Stage 2</u></b>	<b><u>Stage 3</u></b>	<b><u>Total</u></b>
Loans to Members	<u>1,960,304,236</u>	<u>3,055,302</u>	<u>33,600,753</u>	<u>1,996,960,291</u>

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**29. 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 ninety-six percent (96%) (2017-89%) 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:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loans to members, (net)	1,964,686,556	1,765,141,400
Liquid assets-earning	223,711,703	278,282,185
Financial investments	58,890,857	50,685,676
Liquid assets-non-earning	19,919,900	12,243,655
Receivables and prepayments	<u>99,780,412</u>	<u>34,733,067</u>
	<u>2,366,989,428</u>	<u>2,141,085,983</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.

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**29. 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 (2017: 0.73 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.



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**29. 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 2018 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 50% or \$598,080 movement for the year 2018 (2017 - \$592,560 or 99%). 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 \$59,808 (2017 - \$11,926).

**(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.

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**29. 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>2018</u>		<u>2017</u>	
	Interest Rate %	\$	Interest Rate %	\$
<b>Financial Assets</b>				
Loans to Members after Provision	7.99 - 20	1,964,686,556	10.0 - 20.0	1,630,140,104
Liquid Assets - HTM				
JCCUL - Certificates of Deposits	1.05	75,355,706	4.2-5.5	123,875,480
JCCUL - CU Cash Deposits	1.05	140,178,589	1.9 - 2	128,961,382
JCCUL - CU Premium	2.4	957,169	4.5 - 5.5	924,644
BNS(DB&G)	0.4	1,568,787	2.1 - 4.5	1,539,245
JMMB	-	-	2.85- 5.7	10,346,832
NCB Capital Market	-	-	2.6 - 3.85	1,998,851
Sagicor Investment	-	-	3.5 - 5.5	5,137,980.00
Money Masters Ltd	2	5,651,452	4.2 - 5	5,497,771
Financial Investments -				
AFS Securities	4.0	68,062	4.0	65,481
HTM Securities	1.9 - 2	45,789,951	1.9 - 2	45,185,431
		2,234,256,272		1,953,673,201
<b>Financial Liabilities</b>				
Savings Deposits	3.0 - 8.0	663,754,987	3.0 - 8.0	447,277,118
External Credits	10.75 - 13.0	442,418,387	10.75 - 13.0	394,090,484
		1,106,173,374		841,367,602
		1,128,082,898		1,112,305,599

**Sensitivity Analysis**

During the period January 2018 to November 2018, interest rates have moved downwards, with the BOJ 3-6 months deposit rates moving by approximately 208 basis points from 4.57% to 2.49%. 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 2018.

**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 2018**

(Expressed in Jamaican Dollars unless otherwise indicated)

**29. 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>2018</u>		<u>2017</u>	
	Interest Rate %	\$	Interest Rate %	\$
<b>Financial Assets</b>				
Loans to Members after Provision	-	-	-	-
Liquid Assets - HTM				
JCCUL - Certificates of Deposits	-0.8	(602,846)	-0.8	(991,004)
JCCUL - CU Cash Deposits	-1.25	(1,752,232)	-1.25	(1,612,017)
JCCUL - CU Premium	-1.45	(13,879)	-1.45	(13,407)
BNS(DB&G)	-0.575	(9,021)	-0.575	(8,851)
JMMB	-	-	-0.3	(31,040)
NCB Capital Market	-	-	-0.975	(19,489)
Sagicor Investment	-	-	0.65	33,397
Money Masters Ltd	4.6	259,967	5	252,897
Financial Investments -				
AFS Securities	-3.2	(2,178)	-3.2	(2,095)
HTM Securities	1.95	892,904	2	881,116
		(1,227,285)		(1,510,494)
<b>Financial Liabilities</b>				
Savings Deposits	-6	(39,825,299)	-6	(26,836,627)
		(39,825,299)		(26,836,627)
		<u>38,598,015</u>		<u>25,326,134</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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

**29. 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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

**29. 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 2018 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	-	4,310,266	-	4,310,266
Quoted Investments at Fair Value	1,790,640	-	-	1,790,640
	<u>1,790,640</u>	<u>4,310,266</u>	<u>-</u>	<u>6,100,906</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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

**29. 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:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial Assets:</b>				
<u>Earning</u>				
Loans to Members	1,964,686,556	1,964,686,556	1,765,141,400	1,765,141,400
Financial Investments	58,890,857	58,890,857	50,685,676	50,685,676
Liquid Assets	223,711,703	223,711,703	278,282,185	278,282,185
<u>Non-Earning</u>				
Liquid Assets	19,919,900	19,919,900	12,243,655	12,243,655
Receivables & Prepayments	99,780,412	99,780,412	34,733,067	34,733,067

**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 2018**  
 (Expressed in Jamaican Dollars unless otherwise indicated)

**29. Financial Instrument Risk Management (cont'd):**

**(d) Fair Value (cont'd):**

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
<b>Financial Liabilities:</b>				
<u>Interest Bearing</u>				
Savings Deposits	663,754,987	663,754,987	447,277,118	447,277,118
Members' Voluntary Shares	941,367,094	941,367,094	940,349,802	940,349,802
Members' Deferred Shares	31,957,549	31,957,549	15,268,114	15,268,114
External Credit	442,418,387	442,418,387	394,090,484	394,090,484
<u>Non - Interest Bearing</u>				
Payables & Accruals	<u>54,393,785</u>	<u>54,393,785</u>	<u>47,195,734</u>	<u>47,195,734</u>

**DISTRIBUTION OF SURPLUS**

Your Board of Directors recommends for your approval the appropriation of the undistributed surplus of Twenty One Million and Fifty Five Thousand Six Hundred and Sixty Three Dollars (JA\$21,055,663.00) to be apportioned as follows:

DETAIL	AMOUNT (\$)
Dividend (on Permanent Shares)	\$12 000 000.00
Permanent Share Transfer Reserve	\$ 1 000 000.00
Disaster Relief Provision	\$ 629 936.00
Disability Assistance Provision	\$ 248 839.00
ATM Defrauded Provision	\$ 1 000 000.00
PEP Grant	\$ 1 000 000.00
Honoraria	\$ 3 500 000.00
Memorial Scholarship	\$ 800 000.00
Donations	\$ 876 888.00
Total	\$21 055 663.00

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





L - R : Steven Watson, Patsie Wallen-Lindsay, Carlene Allen (Secretary)  
and Michael Farquharson (Chairman)

Missing: Anthony Lewis

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 loan above share 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: Mesdames Patsie Wallen-Lindsay, Carlene Allen and Mr. Anthony Lewis. At our last Annual General Meeting held on Saturday, June 9, 2018 at the Spanish Court Hotel, 1 St. Lucia Avenue, Kingston 10, they were selected and return to serve for two (2) years.

On Tuesday, June 19, 2018, 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.

During the year 2018 the following loans were re-introduced: Supreme Loan of One Million Dollars (\$1,000,000) at 18% p.a. two (2) co-maker, twenty-four (24) months repayment and the Demand Loan of Five Hundred Thousand Dollars (\$500,000.00) at 18% p.a. one (1) co-maker 18 months repayment.

Also, a new component was added to the loan for ordinary purpose in which a member wishes to purchase a motor vehicle can combine existing loans.

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

# CREDIT COMMITTEE REPORT

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## ATTENDANCE REPORT JANUARY – DECEMBER 2018

For the year under review a total of twenty-six (26) meetings were held.

Names	Scheduled Meetings	Present	Excused	Absent
Michael Farquharson, Chairman	26	26	Nil	Nil
Carlene Allen, Secretary	26	25	1	Nil
Patsie Wallen-Lindsay, Member	26	25	1	Nil
Anthony Lewis, Member	26	23	3	Nil
Steven Watson, Member	26	26	Nil	Nil

## ACKNOWLEDGEMENT

We take this opportunity to thank you our membership for your vote of confidence in selecting us to serve you during 2018 and look forward for continuing service to you. Thanks also to the Board of Directors, staff and other Committees, for your support during 2018 and we look forward to your support going forth.

  
Michael Farquharson  
Chairman

  
Carlene Allen  
Secretary



L-R : Juniffer Dixon-Gordon, Julian Oscar, Omar Drysdale (Chairman), Sancha Miller-McPherson

Missing: Nigel Davis (Secretary)

The Supervisory 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 50th Annual General Meeting (AGM) held on June 9, 2018 at the Spanish Court Hotel, 1 St. Lucia Avenue, Kingston 5, the following members were duly elected and served on the Supervisory Committee in the following capacities.

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

<b>Attendance Record</b>	<b>Scheduled Meetings</b>	<b>Present</b>	<b>Excused</b>	<b>Absent</b>
<b>Names</b>				
Omar Drysdale	12	11	1	Nil
Nigel Davis	12	12	Nil	Nil
Juniffer Dixon-Gordon	12	9	3	Nil
Sancha Miller-McPherson	12	11	1	Nil
Julian Oscar	12	11	1	Nil



The Internal Auditor and the Supervisory Committee conducted audits and reviews in the following areas of the Credit Union's operation of which, subsequent monthly reports were sent to the Board and Management.

- Dormant Members' Account
- Deceased Members' Accounts
- Disbursement Process
- Delinquent Loans / Charged - Off Loans and Allowance for Loan Loss
- Know your Employees (KYE)
- Financial Statements for year ending 2017
- Surprise Cash Count
- Lodgment Process
- Board of Director's Minutes

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 Committee reviewed the results and periodically checked with management on any action items identified in the report.

The Committee can report with 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.

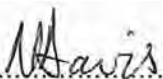
As an independent body, the Supervisory Committee also investigates members' complaints not resolved to their satisfaction by Management.

Members can report perceived Credit Union rule or policy violations, unethical behaviour, and complaints not resolved by Management directly to the Supervisory Committee by dropping off your confidential correspondence at any of our branches or by mail or e-mail to the following address:

*Public Sector Employees Co-operative Credit Union Ltd.*  
*C/o Supervisory Committee*  
*7-9 Union Square*  
*Cross Roads*  
*Kingston 5*  
*E-mail: [supervisorycommittee@psecreditunionja.com](mailto:supervisorycommittee@psecreditunionja.com)*

All member communications are handled with the utmost confidentiality.

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, A. Sc. (Hons.)  
 Secretary

  
 Omar Drysdale  
 Chairman



### DELEGATES' REPORT ON THE JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE'S 78<sup>TH</sup> ANNUAL GENERAL MEETING



**Tamara Maxwell-Green**



**Andrew Johnson**

The Public Sector Employees Co-operative Credit Union Ltd. (PSECCU) Board of Directors elected Mr. Andrew Johnson (Director) and Mrs. Tamara Maxwell-Green, (Deputy CEO), as Delegates to the JCCUL AGM whilst Mr. Errol Adams and Christopher Murdock were respectively elected as alternate delegate to The Jamaica Co-operative Credit Union League's (JCCUL) 78<sup>th</sup> Annual General Meeting which was held at the Hilton Rose Hall Hotel and Spa, Montego Bay from May 30 to June 2, 2019.

#### The Report on the Jamaica Co-operative Credit Union League's 78<sup>th</sup> AGM

The JCCUL 78<sup>th</sup> AGM was held under the theme **“People Helping People Achieve”** and had an attendance of approximately one hundred and seventy-three (173) as Delegates, Alternate Delegates and Observers.

**The daily activities are outlined as follows:**

#### **Thursday, May 30, 2019**

- **INAUGURAL CARIBDE's OF JAMAICA FORUM**  
Theme - “Transforming Lives “One Person, One Community at a Time”
- **MANAGERS' ASSOCIATION MEETING**
- **WORKSHOP: “The Healing Power of Jamaican Herbs”**  
*Presenter: Dr Sylvia Adioa Mitchell, Senior Lecturer, Medicinal Plant Research Group, The Biotechnology Centre, UWI*

The Conference was formally opened on Thursday afternoon with Mr. Donovan White, Director of Tourism being the Keynote speaker. The programme was chaired by Mrs. Marline Stephenson-Dalley

## Friday, May 31, 2019

- **BREAKFAST MEETING:** WOCCU Global Women Network, Jamaica Chapter
- **JCCUL Plenary Session**
- **WORKSHOP: “Due Process in Dispute Resolution”**  
*Speaker: Gillian Corrodus*  
Ministry of Labour & Social Security
- **WORKSHOP: “Handling Grievances and Separations”**  
**Speaker: Kwame Gordon**, Attorney-at-law, Director, JDF Credit Union
- **WORKSHOP: “How to Provide and Measure your Value to your Members”**  
*Speaker: Hank Halter*, CEO, Delta Credit Union
- **WORKSHOP “The Art of Dealing with Non Performing Loans**  
*Speaker: Tim Paulsen*, International Training Specialist

## Saturday June 1, 2019

### **Annual General Meeting**

The JCCUL Board reported on the economy background highlighting the improvement in the country’s macro-economic performance in 2018, delineated by low levels of unemployment, low inflation rate and Real GDP Growth of approximately 1.9%, the Credit Unions in Jamaica, which were reduced to twenty six (26) from twenty eight (28) in 2017, performed creditably. There were overall increases in total assets, net loans, savings, membership and share of the loans and savings markets. Total savings grew by 10.70% from \$80.7 billion in 2017 to \$89.3 billion at the end of 2018. The value of loans increased from \$71.5 billion to \$79.7 billion, an 11.4% increase over 2017. Total assets increased by 10.4% to \$115 billion, up from \$104 billion. Credit Unions’ membership increased marginally by 5,318 (0.5%) in 2018, moving to 1,020,582 from the 1,015,264

Twenty five of the 26 credit unions recorded increases in total savings relative to 2017; and 14 recorded double-digit growth. Core business performed creditably. Growth in loans in 2018 was achieved by 22 of the 26 (85%) credit unions. Of the 26 credit unions, 23 or 88.5% achieved assets growth which was above the recorded calendar year inflation of 2.4%. One credit union had positive movement in assets, but with a growth rate below that of the 2018 calendar year inflation, while two credit unions reported a decline in their total assets.

- **Credit Unions Awards Banquette**  
The day culminated with the Awards Banquette with guest speaker Mrs. Nadine Seaga. The Public Sector Employees Co-operative Credit Union received the Jamaica Co-operatives Insurance Agency, Hector Dietrich Trophy for the highest volume of business overall in 2018.

# DELEGATES REPORT

## AWARDS

Credit Union of the year were awarded in the four categories as follows;

CATEGORIES	WINNER	RUNNER UP
<b>Mega (Asset &gt; \$7B)</b>	First Regional Co-op	Educom Credit Union
<b>Large (Asset&gt;\$2.5-\$7B)</b>	JDF Co-op	Palisadoes Co-op
<b>Medium(Asset&gt;\$700M-\$2.5B)</b>	Postal Credit Union	Grace Credit Union
<b>Small-sized (Asset&lt;\$700M)</b>	PWD Credit Union	

## Sunday, June 2, 2019

- **Ecumenical Service**

Speaker: Rev. Paul Robinson, Mount Salem Open Bible Church

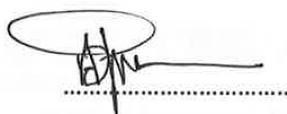
## The 2019-2020 JCCUL Board members are as follows:

Winston Fletcher	President
Lambert Johnson	1 <sup>st</sup> Vice President
Andrea Messam	2 <sup>nd</sup> Vice President
Norris Gilbert	Treasurer
Patrick Smith	Asst. Treasurer
Jerry Hamilton	Secretary
Brenda Cuthbert	Asst. Secretary
Clide Nesbeth	Director
O'Neil Grant	Director
Carol Anglin	Director
Ryan Muir	Director
Martin Blackwood	Director
Michael Anglin	Director
Carlton Barclay	Director
Maxine Wilson	Director

Your delegates are honored to have been elected to represent the PSECCU's interest at the JCCUL's AGM.

Signed:

  
 Tamara Maxwell Green  
 JCCUL Delegate

  
 Andrew Johnson  
 JCCUL Delegate

## DELEGATES' REPORT ON THE LEAGUE'S 77<sup>TH</sup> ANNUAL GENERAL MEETING JAMAICA CO-OPERATIVE CREDIT UNION LEAGUE'S 77<sup>TH</sup> AGM HELD FROM MAY 17-20, 2018 AT THE HILTON ROSE HALL RESORT & SPA IN MONTEGO BAY



**Tamara Maxwell- Green**



**Errol Adams**

The Board of Directors elected Mr. Errol Adams, Board Secretary and Mrs. Tamara Maxwell-Green, Deputy Chief Executive Officer as delegates to the Jamaica Co-operative Credit Union League (JCCUL) 77<sup>th</sup> Annual General Meeting (AGM), as well as Ms. Jeanette Davis, Vice President and Mr. Andrew Johnson Director, as alternate delegate. The delegates report is as follows;

**The 77<sup>th</sup> AGM was held under the theme: “RE-IMAGINING AND MOVING FORWARD TOGATHER”** and approximately one hundred and forty (140) Delegates, Alternate Delegates and Observer were in attendance. A trade show of suppliers and affiliates of credit unions were incorporated in the daily activities as well as other activities as outlined below:

### **Thursday, May 17, 2018**

- ❖ The Credit Union Manager's Association AGM
- ❖ A presentation was made on “Workplace Wellness and impact on productivity” by Mr. Donovan James, CEO of DHL Jamaica

### **Friday, May 18, 2018**

The conference was formally opened on Friday afternoon with the Honorable Bishop Conrod Peterkin, Custos of St. James Brown, Ombudsman as the keynote speaker.

Two workshops were held as follows:

1. Competing in the new IFRS9 Environment and Facing the Reality of New Paradigm
2. Risk Here, Risk There, Risk Everywhere

### **AWARDS**

The day was completed by the annual awards dinner with guest speaker the Honorable Audley Shaw Minister of Industry, Commerce, Agriculture and Fisheries.



# DELEGATES REPORT

Credit Union of the year awards went to the following recipients:

CATEGORIES	WINNER	RUNNER UP
<b>Mega (Asset &gt; \$2B)</b>	First Regional Co-op	C&WJ Credit Union
<b>Large (&gt;\$1B - \$2B)</b>	JDF Co-op	Palisadoes Co-op
<b>Medium (&gt;\$300M - \$1B)</b>	Grace Co-op	Postal Credit Union
<b>Small-sized (&lt;\$300M)</b>	BJ Staff Co-op	PWD Credit Union

## **Saturday, May 19, 2018 – Annual General Meeting (AGM)**

The 77<sup>th</sup> AGM commenced at 9am with twenty-seven (27) credit unions being in attendance. The meeting was chaired by Mr. Winston Fletcher, JCCUL Board President. Reports were presented and discussed.

### **JCCUL Financial Status**

The Group recorded gross profit before tax of \$82 million, a 70% reduction over 2016. Tax amounted to \$71 million, resulting in a net profit of \$11 million. The decrease in profitability was driven mainly by expenses and foreign exchange losses. There was a \$31 million gain from the pension valuation. Total comprehensive income for the Group was \$42 million. There was no distribution of surplus.

### **ELECTION OF OFFICERS**

The below listed persons were elected to the **Board of JCCUL**:

- Mr. Clide Nesbeth
- Mr. Norris Gilbert
- Mr. Anthony Young
- Mr. O'Neil Grant
- Mr. Lambert Johnson
- Mr. Ryan Muir

Persons elected to the **Supervisory Committee**:

- Mrs. Ivy Lawrence – Lascelles Credit Union
- Mrs. Tamara Baugh-Brissett - Educom
- Ms. Nicola Reid – Palisadoes Credit Union
- Mr. Delroy James – First Heritage Credit Union
- Mr. Michael Sutherland – C&WJ Credit Union

### **RESOLUTIONS**

**Maximum liability** – the delegates voted for a maximum liability of JCCUL to be set at \$5million

**Congratulatory and condolence resolutions include:**

Congratulatory resolutions were:

- Public Sector Employees Co-operative Credit Union Limited 50th Anniversary

- Lascelles Employees & Partners Co-operative Credit Union Limited 50th Anniversary
- Trelawny Co-operative Credit Union Limited 50th Anniversary
- Correctional Services Co-operative Credit Union 60th Anniversary
- Palisadoes Co-operative Credit Union Limited 65th Anniversary
- PWD Co-operative Credit Union Limited 70th Anniversary

## Condolence resolutions

The Late Larchin Astley Buchanan of Jamaica Police Co-operative Credit Union Limited January 6, 1927 – March 12, 2018

## **The 2018-2019 JCCUL Board members are as follows:**

Mr. Winston Fletcher	President
Mr. Clide Nesbeth	1 <sup>st</sup> Vice President
Mr. Lambert Johnson	2 <sup>nd</sup> Vice President
Ms. Andrea Messam	Treasurer
Mr. Jerry Hamilton	Assistant Treasurer
Mr. Norris Gilbert	Secretary
Mr. Patrick Smith	Asst. Secretary
Mr. Martin Blackwood	Director
Mr. O'Neil Grant	Director
Mr. Ryan Muir	Director
Mr. Pete Smith	Director
Ms. Brenda Cuthbert	Director
Mr. Anthony Young	Director
Mr. Michael Anglin	Director
Ms. Carol Anglin	Director

## **Financial Status of the Movement at December 2017**

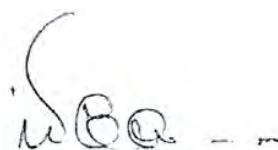
Total savings grew by 9.83% to \$80.7 billion at the end of 2017. The value of loans increased from \$63.7 billion to \$71.7 billion over 2016. Total assets increased by 8.8% to \$104.1 billion. Credit unions' membership however declined by 1.25% in 2017 largely due to the cleaning up of dormant accounts to 1, 015 M. The growth in savings and loans had contributed to increases in the Movement's market share in 2017.

The delegates are delighted to have been afforded the honor of representing the Credit Union at the JCCUL AGM.

Signed:



.....  
Tamara Maxwell Green



.....  
Errol Adams

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 Nominations 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 Nominations Committee to nominate at the vacancy for which elections are being held.

The Nominations Committee was appointed by the Board of Directors at its meeting held on February 21, 2019 and in keeping with Rule 64, the Committee comprised of the persons named below:

1. Ms. Jeanette Davis – Chairperson (Board of Director)
2. Mrs. Carlene Allen - (Credit Committee)
3. Mrs. Tamara Maxwell Green - Deputy Chief Executive Officer

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

**The Board of Directors current status is as follows:**

<b>Board of Directors Retiring at 2019 Annual General Meeting are:</b>	<b>Board of Directors Retiring at 2020 Annual General Meeting</b>
<b>George Hunter</b>	Calvin Allen
<b>Christopher Murdock</b>	Jeanette Davis
<b>Errol Adams</b>	Dacy-Ann Graham
<b>Andrew Johnson</b>	Eric Wint
	Courtney Faulknor

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

**Nominees for Board of Directors to serve for 2 years:**

**George Hunter**

**Christopher Murdock**

**Errol Adams**

**Andrew Johnson**

**The Credit Committee current status is as follows:**

<b>Credit Committee Retiring at 2019 Annual General Meeting are:</b>	<b>Credit Committee Retiring at 2020 Annual General Meeting</b>
<b>Michael Farquharson</b>	Carlene Allen
<b>Steven Watson</b>	Patsie Wallen-Lindsay
	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**

**Michael Farquharson**

**Steven Watson**

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 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

#### 1. George Hunter:

Mr. Hunter is a Deputy Superintendent of Police, Officer in charge of Yallahs Sub-Division in St. Thomas and has served the Jamaica Constabulary Force for over twenty-eight (28) years. He served as a voluntary staff member at the Public Sector Employees Co-op. Credit Union for over 18 years, serving in various capacities to include Branch Manager for Region 2. He also served as a Board of Director for over six (6) years. Mr. Hunter holds a Bachelor's Degree in Human Resource Management, an Associate Degree in Business Studies, a Diploma in Computer Repairs & Technology and he is currently pursuing his Masters in Human Relation at the University College of the Caribbean (UCC).

#### 2. Errol Adams:

Mr. Adams is a Deputy Superintendent of Police, serving the Jamaica Constabulary Force for twenty-eight (28) years. Mr. Adams has been a volunteer at the Public Sector Employees Co-op. Credit Union for over 25 years, serving in various capacities, such as Supervisory Committee member for 13 years (1994-2006) and Board of Director Secretary

for 12 years since 2007. Mr. Adams is certified in Credit Union Risk Management.

#### 3. Christopher Murdock:

Mr. Murdock is a Deputy Superintendent of Police, serving the Jamaica Constabulary Force for over twenty-eight (28) years. He has served as a volunteer in various capacities of the Credit Union since 2003, namely Credit Committee Chairman in 2004 and as a Board of Director since 2015. Mr. Murdock is a trained Teacher, holding a Diploma in Education from Mico Teachers College.

#### 4. Andrew Johnson:

Mr. Johnson is an Assistant Superintendent of Police, serving the Jamaica Constabulary Force for over sixteen (16) years. Mr. Johnson has served as General Secretary and Chairman of the Special Constabulary Force Association during the period 2008-2014. He became a member of the Board of Directors at the Public Sector Employees Co-op. Credit Union in 2015. Mr. Johnson holds a Diploma in Hardware Maintenance & Repair from Vector Technology Institution (VTI), Certificates in Junior Command Course and Officer Field Command Course.

### CREDIT COMMITTEE

#### 1. Michael Farquharson:

Mr. Farquharson is a retired Sergeant of Police and has been a member of the Public Sector Employees Co-op. Credit Union since 1993. He has served as a volunteer in various capacities of the Credit Union for the past 20 years such as Credit Committee member and also as Chairman. Mr. Farquharson holds Certificates in Credit Management and Risk Management.

#### 2. Steven Watson:

Mr. Watson is an Inspector of Police and has been employed to the Jamaica Constabulary Force for over twenty (20) years. He has been



a member of the Public Sector Employees Co-op. Credit Union since 1999 and has served on the Credit Committee since 2013, in the capacities of Credit Committee member and Credit Committee Chairman.

### **SUPERVISORY COMMITTEE**

#### **1. Sancha Miller-McPherson:**

Mrs. McPherson is employed to the Jamaica Constabulary Force (JCF) for over 14 years and has served as a Supervisory Committee member at the Public Sector Employees Co-op. Credit Union since 2005. She holds Certificates in Supervisory Management, Credit Risk Assessment and Proceeds of Crime Act

#### **2. Nigel Davis:**

Mr. Davis is a member of the Jamaica Constabulary Force for approximately eighteen (18) 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 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.

#### **3. Juniffer Dixon-Gordon:**

Mrs. Gordon is a Sergeant of Police with eighteen (18) years of service in the Jamaica Constabulary Force and is currently assigned to the Personnel Division. 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, Audit Techniques for Internal Auditors & Supervisory Committee.

#### **4. Omar Drysdale:**

Mr. Drysdale has been employed to the Jamaica Constabulary Force for the past eleven (11) years. He is currently stationed at Kingston Central Police Station but was re-assigned to the St. Catherine North Enhanced Security Measures. Mr. Drysdale has served on the Supervisory Committee for the past five (5) years in various capacities such as member, Secretary and Chairman. He has also performed duties as a Loans Clerk for over two (2) years at the Public Sector Employees Co-op. Credit Union. He holds a Certificates in Customer Relation, Proceeds of Crime Act and Corporal Development Course.

#### **5. Julian Oscar:**

Ms. Oscar is a Corporal of Police, attached to the Kingston & St. Andrew Parish Court. She was a former staff of the Public Sector Employees Co-op. Credit Union and has served on the Supervisory Committee. She holds a Certificates in Credit Administration, Proceeds of Crime Act, Anti-money Laundering Act and Customer Service

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



Ms. Jeanette Davis  
Chairperson



# 2018 AGM HIGHLIGHTS

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# 108 2018 SOCIAL OUTREACH ACTIVITIES



# OBITUARY

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**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
Samuel Brown	February 8, 2018
Lascelles Fuller	February 14, 2018
Hecteco Bramwell	March 2, 2018
Richard Nelson	July 5, 2018
Courtney Johnson	July 11, 2018
Errol Jeffery	July 25, 2018
Rohan Bucknor	August 20, 2018
John Nairne	October 22, 2018
Shudney Cassanova	Novmber 13, 2018
Maxwell Rose	December 19, 2018
Jennifer McDonald	December 24, 2018
Annmarie Lawrence	December 26, 2018



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CREDIT UNION LIMITED**

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**Cross Roads**  
**Kingston 5**  
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**Portmore Branch**  
**Lot 1, Shop 6**  
**Caribbean Estate**  
**Shopping Plaza**  
**Greater Portmore**  
876-631-0335 or 632-6424

**Manchester Branch**  
**9 Ward Avenue**  
**Mandeville**  
876-962-7555  
876-625-8583

**Montego Bay Branch**  
**Shop 10, Icon Mall**  
**12 Crane Boulevard**  
**Fairview, St. James**  
876-971-2306  
876-979-3046

**St. Mary Branch**  
**Shop 10 F,**  
**Pompano Shopping**  
**Complex**  
**Tower Isle, St. Mary**  
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