



2019 Annual Report



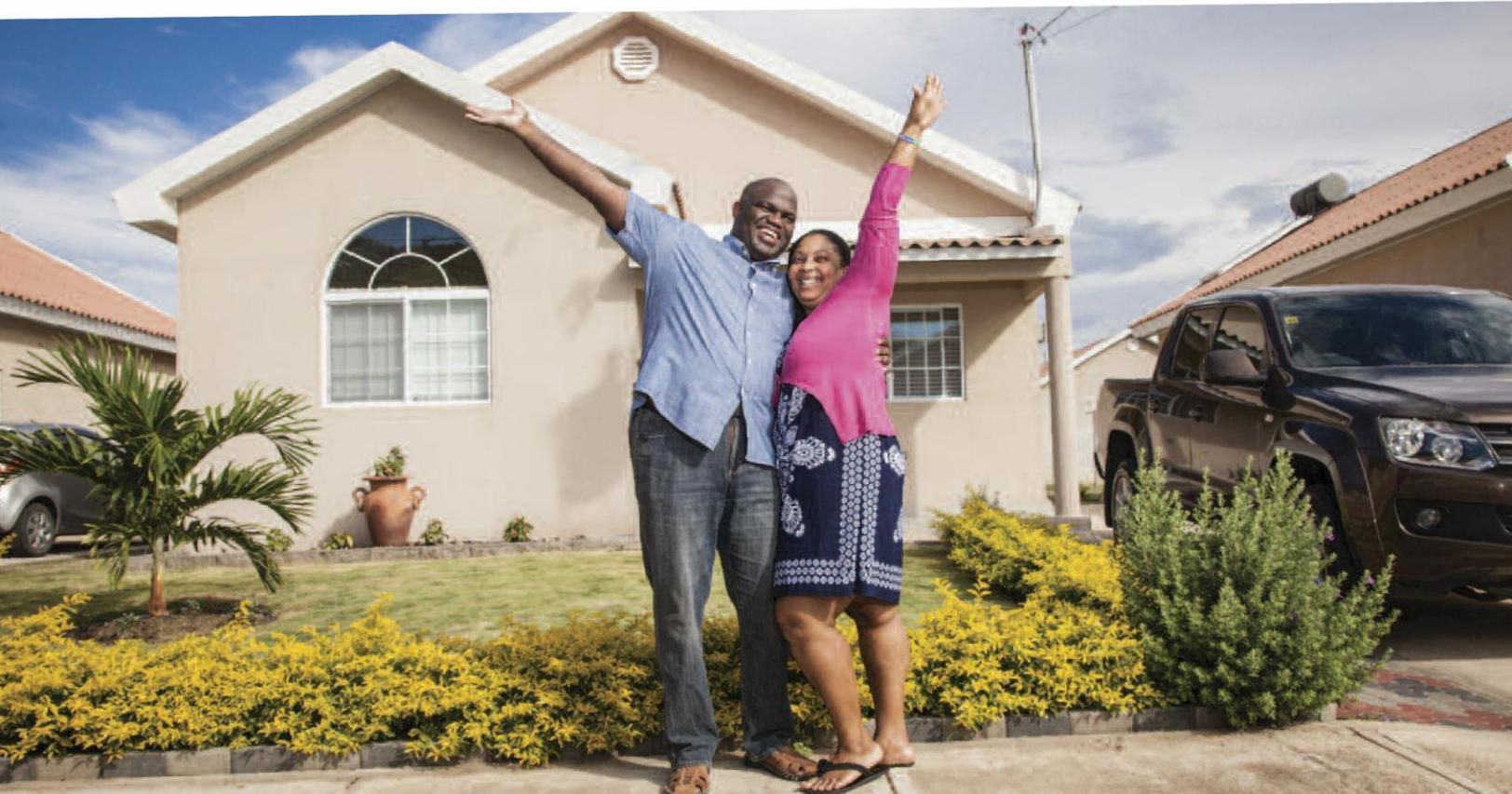
Changing the way we do 'Credit Union' together.



Secure your financial future

Enjoy competitive returns on savings, personalized service and a reservoir of products and services to suit your every financial need.

SAVINGS ACCOUNT • TREASURE CHEST ACCOUNT •
ORDINARY SHARES • PARTNER PLAN • UGAIN
SAVERS ACCOUNT • FIXED DEPOSIT OPTIONS •
SPECIAL DEPOSIT ACCOUNT • LIFE LONG SAVINGS
ACCOUNT • TREASURE CHEST ACCOUNT •
ORDINARY SHARES • PARTNER PLAN • UGAIN



Our Vision

To be our members' premier financial partner for life.

Our Mission

Through a competent and committed team and innovative technology, we provide a wide range of services of the highest quality to meet the financial needs and aspirations of our internal and external stakeholders across Jamaica and the Diaspora; Promote equal opportunity; Foster economic growth and stability while upholding our core values. We care for our members and our community.

Our Core Values

Integrity, Trust, Service, Accountability, Prosperity.



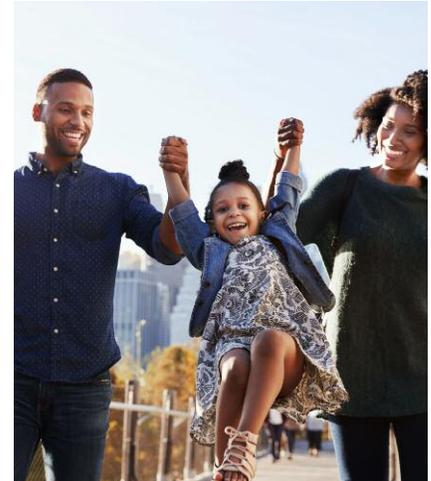
Table of Contents



6	Notice of Meeting
7	Progress Report
8	Minutes - 64 th Annual General Meeting
22	Pictorial Highlights
24	Board of Directors' Report
37	Treasurer's Report
45	Our Managers and Team Members
51	Our Location Representatives

FINANCIALS

53	Letter from the Department of Co-operatives
54	Auditors' Letter
57	Statement of Financial Position
58	Statement of Comprehensive Income
59	Statement of Changes in Equity
64	Statement of Cash Flows
65	Notes to the Financial Statements



COMMITTEE REPORTS

109	Supervisory Committee
112	Credit Committee
114	League Delegates Report
117	Nominating Committee
122	Resolutions

Notice of Meeting

Notice is hereby given that the 65th Annual General Meeting of the JPS & Partners Co-operative Credit Union Limited will be held at The Jamaica Conference Centre, 14-20 Port Royal Street, Kingston on Saturday, September 19, 2020 commencing at 10:00 a.m.

AGENDA

1. ASCERTAIN that a quorum is present

2. APOLOGIES FOR ABSENCE

3. APPROVAL OF THE MINUTES
of the last Annual General Meeting
and discussion of MATTERS arising

4. REPORTS

Board of Directors
Treasurer and Auditor
Supervisory Committee
Credit Committee
League Delegates

5. DISTRIBUTION OF SURPLUS

6. RESOLUTIONS

Fixing of Maximum Liability

7. NOMINATION COMMITTEE REPORT

8. ELECTION

Board of Directors

Credit Committee

Supervisory Committee

9. ANY OTHER BUSINESS

10. ADJOURNMENT



Tricia Robinson

Board Secretary

Progress Report

2010 - 2019

YEARS	MEMBERS	SHARES Balance	DEPOSITS Balance	LOANS Balance	EARNINGS			ASSETS	DIVIDENDS/ INTEREST
					Gross Income	Expenses	Net Income before Honoraria		
		\$M	\$M	\$M	\$M	\$M	\$M	\$M	%
2010	6,807	449,091	1,621,615	1,145,43	341,556	295,048	46.51	2,529,832	6
2011	6,478	469,360	1,591,627	1,194,40	314,219	262,009	52.21	2,581,571	4
2012	6,766	469,167	1,543,397	1,271,85	294,516	263,871	30.64	2,571,858	3
2013	9,851	831,109	2,005,029	1,905,403	344,860	314,390	30.47	3,703,516	3
2014	10,249	893,720	1,901,545	1,957,320	423,447	381,629	41.82	3,675,189	3.25
2015	11,840	947.58	1,858.46	2,071.42	432,853	391,491	41.36	3,700,351	3.4
2016	13,796	1,208.67	1,915.26	2,445.36	440,946	410,337	30.61	4,110,374	3
2017	14,196	1,247.13	1,964.16	2,655.58	458,758	416,797	41.96	4,223,628	2
2018	14,947	1,262.52	1,941.13	2,651.75	460,278	388,659	71.62	4,238,844	1.5
2019	13,946	1,318.62	2,009.06	2,868.74	458,035	400,800	57.24	4,879,825	1.35



WECU

Doing 'Credit Union'
TOGETHER.

Minutes of the 64th AGM

of the JPS & Partners Co-operative Credit Union Limited,
held on Saturday, May 11, 2019 at the Jamaica
Conference Centre.

Present at the Head Table were:

Mr. David Grey	-	President/Chairman
Mr. David Fleming	-	Vice President
Mr. Devon Wright	-	Treasurer
Miss Deborah Campbell	-	Assistant Treasurer
Mr. Earl Munroe	-	Secretary
Miss Tricia Robinson	-	Assistant Secretary
Mr. Donovan Cunningham	-	Director
Mr. Clive Segree	-	Director
Miss Natalie Sparkes	-	Director
Mr. Dwight Hart	-	Director
Mr. Terrence Knight	-	Director
Miss Joydene Jarrett	-	General Manager

NATIONAL ANTHEM

Chairman Grey invited everyone to stand for the playing of the National Anthem.

INVOCATION

Director Clive Segree offered prayer, which ended with the repeating of the Prayer of St. Francis of Assisi.

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. David Grey called the 64th Annual General Meeting of



Members registering at the 64th AGM

Minutes of the 64th AGM (Continued)



From left) Ms. Joydene Jarrett, General Manager excitedly shares the Financial Statement with Mr. Albert Dawkins (seated), Former Director, and Mr. Earl Munroe, Secretary.

the JPS & Partners Co-operative Credit Union Limited to order at 10:25 a.m. He thereafter invited the Secretary, Mr. Earl Munroe to read the notice convening the meeting.

MOTION FOR ADOPTION OF AGENDA

The Chairman invited a motion for the adoption of the Agenda. The motion was moved by Director Devon Wright and seconded by Director Deborah Campbell.

APOLOGIES FOR ABSENCE

Apologies for absence were tendered for the following persons: Mr. Albert Morris, founding member; Mrs. Margaret Morris, wife of Mr. Albert Morris; Mr. Vernon Lawrence, past Director of the Board; Mrs. Glennamoe McNabb, past Supervisory Committee member; Mr. Elvis King, CEO, EduCom Co-operative Credit Union; Mr. Errol Gallimore, Registrar, Department of Co-operatives and Friendly Societies; Mrs. Bethune Lugg-Banton, CEO, QNET;

Ms. Jennifer Williams, Principal of The Queen's School; Mr. Derrick Tulloch, past President of the Board; Mr. Glendon Johnson, HR Director, Ewarton; Mr. Lloyd Mordecai, founding member and Miss Sonia Smith, member.

BIRTHDAY CELEBRANTS

Mr. Anthony Creary, Ms. Fay McKay, Mr. Winston Wint, Ms. Valerie Mahoney, Mr. Logan Thomas, Mr. Albert Morris and Mr. Lloyd Mordecai were all recognized for celebrating birthday during the month of May.

REMEMBRANCE

The Chairman invited the meeting to stand and share in a moment of silence in honour of the following persons:

Headley Morgan, Isaac Martin, Joseph Lewinson, Isla Henry, Paul O'Connor, Ian Cameron, Clifton Cross, Joyce Murray, Eda Salmon, Vincent Anderson, Winston Whyte, Byron Colquhoun, Patricia Anderson, Udel Fagan-Wright, Erica Oliphant, Julian Reynolds, Tamiann Young, Miguel Grey, Barrington Brown, Wayne Hall, Leonard Hughes, John Pryce, Gladston C. Stewart, Elva Ruddock, Michael Bent, Clifton Morgan, Clifton Walker, Edith Bryan, Ernest Munroe, Joel Wright, Dwight Hines, Sandra Creary, Martin Lawson, Neville Nelson and Sandra Chandler.

INTRODUCTION OF MEMBERS OF THE BOARD AND MANAGEMENT TEAM

The Chairman introduced himself as the President, Mr. David Fleming, Vice President, Mr. Earl Munroe, Secretary, Miss Tricia Robinson, Assistant Secretary, Mr. Devon Wright, Treasurer, Miss Deborah Campbell, Assistant Treasurer, Miss Natalie Sparkes, Director, Mr. Dwight Hart, Director, Mr. Clive Segree, Director and Mr. Donovan Cunningham, Director. He subsequently introduced the Members of the Management Team as Miss Joydene Jarrett, General Manager, Miss Natalie Murray, Mrs. Antoinette Robinson, Mr. David Goodlitt (unavoidably absent) Mrs. Marjorie Richards-Johnson, Mrs. Sandra Robinson-Brown, Mr. Carl Grant, Mr. Kamoy Clarke and Miss Shantel Mitchell.

Minutes of the 64th AGM *(Continued)*

WELCOME

The Chairman extended warm welcome to everyone present. He proceeded to acknowledge some key persons who were visiting from other credit unions and affiliate entities. They were: Mrs. Patricia Tomlinson, General Manager, JDF Co-operative Credit Union; Miss Rosemarie Henry; CUNA Caribbean, Ms. Katrina D’Aguilar; Ms. Kleo-Ann Errar, JCCUL, Mrs. Lisa Cousins from Crowe Horwath, Auditor; Mr. Dennis Richards from Richards and Richards, Attorney-at-Law; Mr. Andre Gooden, COK Sodality, Mr. Noel Smith from Smith and Associates, Internal Auditors, Mr. Carlton Bartley from QNET; Mrs. Sheryl Ramsay-Brown; Miss Nadia Byfield; Department of Co-operatives and Friendly Societies, Mrs. Joan Thompson, JCIA; and Mr. Dennis Brown.

MINUTES OF THE 63RD ANNUAL GENERAL MEETING

The Secretary invited a motion for the Minutes to be taken as read. The motion was moved by Director David Grey and seconded by Mr. Anthony Creary.

CORRECTIONS/OMISSION AND AMENMDMENTS OF MINUTES

Mr. Richard Dunn from the Department of Co-operatives and Friendly Societies queried as to why the Minutes in the book was not signed. The Secretary said that the original was signed and that the signatures are usually at the end of the page. However, he noted that with the printing of the book the signatures were not captured. The Minutes were subsequently confirmed on a motion by Mr. David Fleming, seconded by Mr. Anthony Creary.

MATTERS ARISING FROM THE MINUTES

Mr. Anthony Creary asked the Chairman if the matter of the modification of the caveat was done on the property at Lady Musgrave Road. The Chairman said that the matter was completed and positively addressed. There being no other matter arising from the Minutes, the Secretary invited a motion for the approval of the Minutes. The motion was moved by Mr. Albert Dawkins and seconded by Mr. Gebert Mitchell.



Mr. David Grey, President shares a point with members at the AGM

Minutes of the 64th AGM (Continued)



Ms. Joydene Jarrett, General Manager reviews key points with Mr. David Grey, President before he shares the Board of Directors' report.

REPORT OF THE BOARD OF DIRECTORS FOR YEAR ENDED DECEMBER 31, 2018

Overview of the Jamaican Economy

Commencing his report with an overview, the President reported that the Jamaican economy grew for the fiscal year by 1.8% and that inflation ended the year at 2.4%. He added that Treasury Bills closed the year at 2.05% for 90 days and 2.076% for the 180 days' instrument respectively. The US dollar at the start of 2018 traded at \$124.93 and closed the year at \$127.72, he noted. He highlighted that Net International Reserves closed at US\$3.4 Billion compared with 2017 when it was US\$3.2 Billion; unemployment, as reported by the Statistical Institute of Jamaica, STATIN, was 8.4%, a new low for unemployment.

Movement Financial Performance

Inviting the members to look at the Movement's financial performance, the President noted that there was a 10.6% growth in Savings in 2018, as against 9.4% in 2017 and that Loans grew by 11.13% compared to 12.5% in 2017. Assets grew in 2018 by 8.92% to \$143 Billion in comparison to \$104.1 Billion in 2017, which at the time reflected a growth of 8.8%. He also reported that membership within the Movement stood at 1,020,871 for 2018, a .55% growth as against 2017 when it was 1.01 million, a negative movement in growth of 1.3%.

Regulations

The President said that there were longstanding discussions with the Bank of Jamaica (BOJ) in relation to Credit Union Regulations. He told the members that the newly anticipated Bank of Jamaica Credit Union Act would be enacted shortly. He also noted that the implementation of the Act will result in significant changes in the operating standards of Credit Unions. President Grey went on to say that with regard to the International Financial Reporting Standards, IFRS 9, effective January 1, 2018, the Credit Union Movement, in addition to JPS & Partners Co-operative Credit Union, fully adopted the IFRS 9 standards. The standards, he noted, require that Credit Unions carry out an assessment of their loans and other financial instruments to determine the probability of default and thereafter estimate any credit loss that could occur.

Financial Performance of JPS & Partners Credit Union

Speaking to the financial performance of JPS & Partners Co-operative Credit Union for 2018, President Grey stated that Shares grew from \$1.24 Billion to \$1.262 Billion, a growth of 1.23%. Deposits fell by 1.17% due to redundancies and some amount of dis-savings. He noted that there was a slight decrease in Loan, which reflected a .14% decrease in the loan portfolio to \$2.651 Billion as against 2017 when it was \$2.655 Billion. The President, however, pointed out that Total Assets increased marginally by 0.36% to end the year at \$4.238 Billion as against 2017

Minutes of the 64th AGM (Continued)

figure of \$4.223 Billion. Surplus for 2018 closed the year at \$71.62 Million as against 2017, which was \$41.96 Million, a growth of 70.69% caused by tight liquidity management, tight credit management and overall tight management of expenses, the President stated. He received a resounding applause from the members at this juncture. The President commended the Management Team, the astuteness of the Treasurer and the Directors who presided over the state of affairs of the Credit Union for the achievement in the Surplus.

Institutional Capital

He reported that Institutional Capital grew by 2.1% and gave kudos to the past Directors who paid special focus on the building of Institutional Capital. Membership, he stated, showed a 5.29% growth moving from 14,196 in 2017 to close out 2018 at 14,947. In terms of Delinquency for the Credit Union, the President stated that delinquent loans for 2018 stood at \$40.85M and that the delinquency ratio was at 1.51%, well below the industry standard of 5%.

Volunteers

The Chairman again recognized the Management and their various positions. In providing the composition of the team, he noted that there were eleven (11) management personnel, eighteen (18) permanent and nineteen (19) contract officers. Mr. Cebert Mitchell, at this juncture, asked about the two persons on the Management Team who were acting and whether there were plans to have them appointed. The Chairman said that the Credit Union is undertaking several initiatives and that a contract was entered into with an Industrial Relations (IR) Consultant -Mr. Benthon Hussey to carry out an entire job evaluation exercise. He noted that at the end of the exercise the Credit Union would have regularized the operational structure of the Credit Union with a view to clearing up all matters pertaining to staff.

The Chairman again introduced the members of the Board and outlined their attendances at meetings held during the year. He noted that Mr. Vaughn McDonald was invited to serve in a vacant position on the Board during the year.

Infrastructure and Development

The Chairman stated that the restrictive covenant governing the use of the Lady Musgrave Road property had been

modified. He added that the air conditioning system at the Head Office was replaced and that plans were in place to do ongoing tests to ensure that the air quality remains within acceptable standards. He also noted that with regard to infrastructure, normal building and maintenance work was done at all offices as well as on the Lady Musgrave Road property throughout 2018.

Technology

The Chairman stated that new servers were acquired for both Ewarton and Kirkvine Branches and that these servers would allow for increase operational efficiency in the processing of members' transactions and improvement in communication channel between branches. He subsequently stated that the Board approved the recommendation of Management to commence a full hardware refresh which would see the replacement of servers and the acquisition of additional storage network in the Information Technology Department at Head Office. The Chairman said that the members' future depended heavily on technology and that the Board and the Credit Union had invested heavily in getting a system in place. He pointed out that the website was revamped in 2018 and now has internet banking capabilities. The website was launched in January 2019. He also informed the members that the Credit Union during 2018 commenced work on the setting up of a mobile app. that will allow members to conduct their business using their telephone.

Corporate Social Responsibility

The Credit Union continued to extend its social outreach with the granting of scholarships and bursaries. Fifty-four (54) students received either bursaries or scholarships during the year under review. The Chairman listed the Central Branch All Age, the Queen's School, St Mary the Virgin Basic, Polyground Basic and St. John Bosco Career Advancement Institute as schools that are adopted by the Credit Union.

The Credit Union continue to provide financial assistance to its partnered schools as well as donations to various charitable organizations and associations such as the Salvation Army, the Gallimore McPherson Home, Child Protection and Family Services Agency, the Lupus Foundation of Jamaica and the Jamaica Netball Association.

Minutes of the 64th AGM (Continued)

Care-A-Bit Fund

Members who experienced major illnesses or suffered natural disasters continue to receive assistance from the above fund. The maximum grant is \$30,000.

Member Involvement

The Chairman stated that members' children took part in the annual Creative Writing and Poster Competition. During the year, several activities were undertaken at the various locations. Members also continue to receive free health checks on the first working day of each month at the Head Office.

Donation

The Credit Union made a special donation of \$200,000 to the Lupus Foundation.

Staff Training and Development

President Grey said that the Credit Union focused a lot more on staff training and development in 2018.

Review of Key Policies and Procedures

The Credit Union throughout 2018 reviewed almost all key policies and operating procedures. The Board and Management Team made certain that the policies and



Mr. Earl Munroe, Secretary shares key details with the attendees.

procedures fully adhered to the standard of the impending Credit Union Act.

Acknowledgement

President Grey acknowledged Almighty God and stated that without Him all that the members set about to do would have failed. He thanked the members for their support throughout the year and noted that without them there would be no JPS & Partners Credit Union. Special mention was made of the Board and the Management and Staff of the partner companies to which JPS & Partners Credit Union is associated. In addition, he acknowledged and thanked the Volunteers, the Regulators, Internal and External Auditors for their support over the year. He asked the members to connect with the Credit Union through the various mediums that have been established.

Queries from the Board's Report

Mr. Winston De La Haye expressed concern about the structure of the organization in terms of the number of contract and temporary employees. The Chairman said that the matter in relation to the structure of the organization and the contractual vis-à-vis permanent employment is a long-standing one. He added that an IR Consultant was contracted to review the structure of the organization and that a timeline for the end of September was set when the Credit Union would receive a full report in relation to a new organizational structure. He noted that the job evaluation exercise, the setting up of a salary structure, as well as a review of all policies to ensure the Credit Union maintained good industrial relations climate, would all be addressed in the document. Mr. De La Haye pressed for a timeline to deal with the issue of the temporary and contract workers. The Chairman said that at the meeting a timeline was not disclosed but that a fulsome document was agreed on before the end of September 2019, which would be used to assist in clearing up all staffing matters on or before the 31st day of December 2019.

Mr. De La Haye directed the Chairman to page 24 of the booklet where it stated that 10% was put to Institutional Capital instead of 20% for which the Board sought approval from the Registrar not to put the mandatory 20% but 10%. He asked whether there was a cash flow problem. The Chairman stated that in 2017, the Board came to the membership in relation to addressing IFRS 9 stipulations

Minutes of the 64th AGM (Continued)



Ms. Lisa Cousins from Crowe Horwath, Jamaica takes the meeting through the finances.

and permission was sought from the Registrar in accordance with the Rules of the Credit Union to alter the amount that is to be transferred yearly. He noted that the Registrar agreed and therefore the Credit Union is fully covered in relation to the effect of IFRS 9. Mr. De La Haye asked whether the 10% was a one-off request. The Chairman answered in the affirmative.

There being no further question on the Board's Report, the Chairman asked for a motion for the acceptance of the report. The motion was moved by Mr. Albert Dawkins who thanked the Directors, Management and Staff, in achieving the highest surplus in the history of JPS & Partners Credit Union. The motion was seconded by Mr. Cebert Mitchell.

TREASURER'S REPORT

The Treasurer, Mr. Devon Wright invited Mrs. Lisa Cousins from the auditing firm Crowe Horwath to read the Auditor's Report. He invited a motion to take the Auditor's Report as read. The motion was moved by Ms. Kim Robinson and seconded by Mr. Cebert Mitchell.

Mr. Winston De La Haye pointed to a discrepancy in the report under "provision for impairment". He noted that on page 39 the amount stated was \$13.9M but on page 55, the two items referred to as 'provision' totaled \$16M. The Treasurer promised to look at the discrepancy and get back to Mr. De La Haye. Mr. Glenroy Laing said he was wondering how the Treasurer is asking for a motion for the report to be moved and read and the corrections were not yet completed. The Treasurer said that the Auditor was looking at the issue and in the interest of time, he would go into his presentation and then come back to the issue of the correction. At this point Mr. Cebert Mitchell said he would not want such an important matter to be rushed so he would support going through the presentation and giving the Auditor enough time to deal with the correction. The Treasurer asked Mr. Mitchell whether he was putting a motion on the table. Mr. Mitchell answered in the affirmative. He subsequently moved the motion which was seconded by Ms. Andrea Kelly.

The Treasurer presented the highlights from his report. He stated that the Gross Domestic Product (GDP) in 2018 increased by 3.10% when compared to the 2017 figure of 2.5% and that economic growth in 2018 was at 1%, which is projected to be 2.20% by 2020. Inflation rate decreased from 5.2% in 2017 to 2.4% in 2018. The Treasurer noted that one of the challenges the Credit Union faced in 2018 was the slide in the Jamaican dollar from \$123.16 in 2017 to \$127.72 in 2018. He also noted that the sanction imposed by the United States of America on UC Rusal affected members of the Ewarton and Kirkvine branches from readily accessing loans at the Credit Union.

JPS & Partners Performance for 2018

The Treasurer reported that Interest Expenses stood at \$93.5M down from \$120M in 2017. Net interest income for 2018 stood at \$322M as against \$295M in 2017. Provision for loan loss was at \$14M compared to \$5M in 2017, while Net Interest Income after provision was \$308M compared to \$290M in 2017. Non-Interest Income was \$45M in 2018 compared to \$44M in 2017. The Treasurer reported that because of prudent management, Operating Expenses was reduced to \$281M in 2018 compared to \$292M in 2017. He noted that the Credit Union achieved a Surplus of \$71M in 2018 as against \$41M in 2017. He thanked the Staff, Management Team and the Board of Directors for the

Minutes of the 64th AGM (Continued)

strategic moves the Credit Union made in 2018 which helped in the achievement of the reported surplus. Total Assets for 2018 was \$4,238,844,656, compared to \$4,400,224,000 in 2017, while Voluntary Shares for members stood at \$1,263,000,000 in 2018 compared to \$1,247,000,000 in 2017. Permanent Shares, he reported, stood at \$75M while loans to members moved from \$2,655,578,278 to \$2,651,747,116.

Continuing, the Treasurer reported that there was a reduction in members' savings in 2018 as some of the partner companies experienced redundancy, which saw some members using their savings to clear some of their loans. The Credit Union's Financial Investment moved to \$1.381B up from \$1.227B in 2017. Institutional Capital moved from \$677M to \$691M in 2018.

At this point, the Treasurer invited a motion to have the Auditor clarify the variances in the figures previously reported in the provision for loan impairment. The motion was moved by Mr. Cebert Mitchell and seconded by Mr. Albert Dawkins.

Mrs. Lisa Cousins invited the members to turn to page 55 of the Report where she pointed out that in the middle of the page "Increase in provision for Loan Impairment" \$15.119M and the figure below it of \$1.160M, the figure of \$1.160M should be placed in brackets and therefore it would be \$15.119M less \$1.160M which would leave \$13.959M as indicated on the previous Report. A member pointed out that the narration would be incorrect since an increase was reported in the provision. Mrs. Cousins stated that it should read "a decrease" in the provision.

The Treasurer invited a motion to resume his report. The motion was moved by Mrs. Diedre Codner-Campbell and seconded by Mr. Goulbourne Tucker.

Surplus

The Treasurer pointed out that the Surplus for 2018 was \$71.62M, which represented the largest surplus ever made by the Credit Union. He thanked the Management and Staff of the Credit Union for achieving the reported surplus.

Expenses

The Credit Union allocated 30.4% of revenue to Personnel Cost while 20.82% was allocated to Financial Cost. Provision for impairment was 3.03%, Surplus 15.15%, Administrative Expense 24.77% and Representation 5.93%.

Revenue Source

The Treasurer stated that the largest revenue source was from loan interest, which represented 76.88%. Fees contributed 4.4%, Rental Income 1.7% and Other Income 3.6%. He added that Operating Expenses declined in 2018 from \$292M to \$281M, Administrative Expenses reduced by \$10.38M, Representation and Affiliation Expenses reduced by \$1.89M while Marketing and Promotion Expenses increased by \$5.6M



(From left) Mr. Devon Wright, Treasurer listens intently as Ms. Joydene Jarrett, General Manager highlights a point ahead of the Treasurer's report.

Minutes of the 64th AGM (Continued)

Interest on Investment

The Treasurer said that the Interest on Investment for the Credit Union went down by \$5,802,208.00. However, he pointed out that Total Income increased by \$1,520,000.00. Personnel Expenses decreased by \$4.3M, Marketing and Promotion by \$5.675M. Total Income and Expenditure stood at \$58.38M.

PEARLS Ratio

The Treasurer noted that the standard for net loan was in the range of 60% to 80% and that the Credit Union was at 62%. Savings and Deposits over Total Assets, the standard allows for 70% to 80% and the Credit Union was at 75.8%. For Institutional Capital over Total Assets, he noted that the standard allows for greater than or equal to 10% and the Credit Union was at 18%. For Delinquency over Gross Loan Portfolio, the standard allows for between 5% or less than 5%. The Credit Union was at 1.5%. Operating Expenses over Average Assets should be less than 8%, the Credit Union was at 6.57%. For Gross Margin over Average Cost, the standard allows for greater than or equal to 10%. The Credit Union was at 7.2%. For Non-Earning Liquidity Asset over Total Assets, the standard allows for 0 to 1% and the Credit Union was at 0.73%.

At this juncture Mr. Ceibert Mitchell said he noted that the Credit Union failed to meet the PEARLS Ratio in the area of Gross Margin over Average Assets, as the standard should be greater than or equal to 10% and the Credit Union was at 7.28%. The Treasurer said that over the years the Credit Union had been in that category from as far back as 2015/2016 and that achieving the target have proved to be a challenge for the Credit Union. Mr. Winston De La Haye suggested that funds should be moved from investment as well as getting a Marketing Manager to grow the business. He added that the Credit Union's primary business is selling loans to its members and therefore the Credit Union should try to increase this area which would improve the standings in the PEARLS Ratio.

Mr. De La Haye also pointed out to the Treasurer that he made an error in reporting on the 'Provision for Impairment' where he reported a decrease instead of an increase. The Treasurer agreed that it was an increase. Mr. De La Haye, referring to IFRS 9 Standard, noted that delinquency was at

1.51% and asked the Treasurer what other factors caused the provision to move. The response was provided by the Assistant Treasurer, Miss Deborah Campbell. Miss Campbell told Mr. De La Haye that the movement was really because of the IFRS 9 provisioning that the Credit Union had to make.

Mr. De La Haye asked the Treasurer to go back to page 37 of the Treasurer's Report and referred to the dividend declaration where he said that the Treasurer had not spent enough time talking about two line items. He referred to the \$20M to do with the organizational realignment and technological improvement and asked the Treasurer about the realignment process. The Treasurer noted that the President made mention of the item in his report and that there were a number of activities that the Credit Union wanted the Industrial Relations (IR) Consultant to do in addition to the job evaluation exercise.

The Treasurer asked whether there were any other questions. Mr. De La Haye said that he had two observations. He told the Treasurer that he noted that the Auditor's Report had about seven errors in it and that the report should be vetted properly before it is published in the AGM book report. Vice Chairman Mr. David Fleming told Mr. De La Haye that his observation was noted.



A member reading through the annual report

Minutes of the 64th AGM (Continued)



Ms. Christal Henderson (left), Delinquency Officer and Ms. Natalie Murray, Credit Manager happily share a moment with members at the registration table.

Mr. De La Haye asked about honoraria and why there was a blank for 2018. The Treasurer pointed out that no honoraria was paid in 2018.

Miss Andrea Thomas asked about the \$740,000 for the Automated Teller Machine (ATM) fraud and how the Credit Union planned to resolve the matter. The Treasurer said that the fraud took place about five years ago and the amount had been carrying on the Credit Union's book since that time. He went further to say that he was a member of the Supervisory Committee at the time of the incident and that measures were put in place to prevent a recurrence. In addition, he stated that the matter went to Court, the Court had ruled in favour of the Credit Union, and that the Credit Union attempted to collect but was unable to do so. The Treasurer said that at the end of 2019 the Credit Union would write-off the amount.

The President stated that a submission should be made to the Board. Miss Corine McCalla asked how many persons were involved in the fraud as the \$740,000 stated was for the three persons against whom a judgment was made. The General Manager, in her response, said that there was an ATM glitch in 2014, where persons were able to withdraw funds in excess of their balance. However, she said that the amount of \$740,000 was for the three persons

who have not paid in full. Miss Kim Robinson recommended that before consideration is done by the Board to remove the amount from the books an enforcement order should be sought, as sometimes the bailiffs are better at collecting than the Credit Union.

MOTION TO RESUME TREASURER'S REPORT

The Treasurer asked for a motion from the floor to return to his report. The motion was moved by Mr. David Grey and seconded by Mr. Earl Munroe.

The Treasurer asked for approval of the report. The motion was moved by Miss Kim Robinson and seconded by Mr. Glenroy Laing.

MOTION TO ADOPT THE TREASURER'S AND AUDITOR'S REPORT

The motion was moved by Mr. Cebert Mitchell and seconded by Miss Kim Robinson.

ACKNOWLEDGEMENT

The Treasurer thanked God for continued guidance and blessings, Management and Staff of the Credit Union for their hard work and dedication and expressed gratitude to the Board Members and Volunteers, as well as to the Internal Auditors Smith & Associates, External Auditors Crowe Horwath, the Department of Co-operatives and Friendly Societies, the Jamaica Co-operative Credit Union League and partner companies.

SUPERVISORY COMMITTEE REPORT

The Chairman of the Supervisory Committee Miss Caphanne March began her report by pointing to a correction on page 106 where it stated that Stacey Samuels worked with Tax Administration Jamaica (TAJ) and said that it should read "Jamaica Public Service (JPS)". She subsequently invited a motion for the report to be taken as read. The motion was moved by Mr. Clive Segree and

Minutes of the 64th AGM (Continued)

seconded by Ms. Andrea Thomas. She told the meeting that the members of the Committee were like ‘watchdogs’ for the Credit Union as they pay a little more attention to what is said and done. She added that the Committee was governed by the Cooperative Societies Act of 1950.

Miss March listed her team members and their positions on the Committee. She noted that the Committee had its first meeting on October 8, 2019, where persons were appointed to serve. She also noted that Janet Plummer from Tax Administration Jamaica replaced Stacey Samuels who retired.

She reported that the members attended a number of training sessions in HR, Audit Techniques, Financial Management Techniques, Proceeds of Crime Act, Meeting Protocol and Analyzing and Improving Business Processes held at the League and some at the Credit Union. She also reported that the members participated in a number of meetings held by the Management Team and stakeholders.

Miss March stated that the current contract with the Internal Auditors Smith & Associates was coming to an end in October and that the Credit Union was in the process of preparing a Request for Proposal at the expiration of the contract. She advised that the reports submitted by the Risk and Compliance Manager are reviewed by the Supervisory Committee. The Chairman noted that in October 2018 when the new members convened, they took the opportunity to invite a member of the Credit Union League to make a presentation on the Committee members’ roles and responsibilities, as well as to prepare them for the work they had volunteered to do in the interest of the members.

She said that audits for the branches were done at Ewarton, Kirkvine, Ocean Boulevard as well as Head Office. However, she noted that except for the Head Office that is audited on a monthly basis, the other branches are audited every two months. Miss March added that the Committee reviewed the audits and whatever concerns the members have they would report to the Board or consult with the members of the Credit Union. She told the meeting that in 2018 a special audit was done on the Family Indemnity Plan (FIP) and that the Committee would continue to review the report.

Miss March further reported that the Ccommittee forged close relationship with the Location Representatives since

they have direct link with the members in all the branches. She added that the members planned to do a little more in that regard for 2019.

Comments and Queries from the Report

Ms. Andrea Thomas asked about the investigations or audits done by the members of the Committee and whether they follow through on the recommendations on the action items to completion or implementation. Miss March said that whatever concerns the members received if they could not handle the concerns, they report it to the Board. She went on to explain that with regard to the business process the members would not tell anyone what process to follow, they only check to make sure that the policies and procedures are being complied with. Mr. Noel Smith, the Internal Auditor, assisting the process, said the question the member was asking is whenever recommendations are made if those recommendations are implemented. Mr. Smith said that the answer to the question is yes. Miss March apologized for the misinterpretation of the question.

Mr. Winston De La Haye said he would love to see some of the adverse findings and the actions taken to resolve it. He said Miss March only reported on training and visits, FIP issue but there was no adverse finding and actions, which



Sueann McAnuff, Marketing Administrative Assistant assists a young member with registration at the Kiddie's Village.

Minutes of the 64th AGM (Continued)

took place to resolve it. Miss March explain that she was only reporting for a year and that the members of the Committee were learning in the process. Miss Corine McCalla, past Chairman of the Supervisory Committee, pointed out that one of the challenges the members have is that the members are only appointed for one year and that from time to time when the members come to a Committee they are learning and trying to improve themselves. She agreed with Mr. De La Haye and said that if there is something to be highlighted then the members should highlight it. Miss McCalla informed the members that at the end of the report an email address would be left for members of the Credit Union to make contact with the Committee Members as they were making themselves accessible. She asked the members to bear with the Committee as they are learning. Miss Kim Robinson said she wanted the record to reflect that at page 107 of the Annual Report the Supervisory Committee provided a list of the audit actions that were taken at the Head Office and Kirkvine Branches, as well as an overall statement as to the findings in relation to the items presented.

There being no more questions on the report Miss March invited a motion for the adoption of the report. The motion was moved by Mr. Conrad Howard and seconded by Mr. Ceibert Mitchell.

CREDIT COMMITTEE REPORT

Mr. Ceibert Mitchell – Chairman, presented the Report of the Credit Committee. Before commencing the report, he asked for a motion to take the report as read. The motion was moved by Mr. Albert Dawkins and seconded by Mr. Delroy Redway. He spoke to the composition of the Credit Committee and highlighted the fact that the numbers had to be adjusted based on the Memorandum of Understanding that existed. He stated that with the approval of the Board. Fifty one (51) loans totaling \$289M were approved by the Committee for the period. He said that the loans approved comprised mainly of Motor Vehicle and Home Equity Loans. The total loan portfolio representing 13,812 loans stood at \$2.7 Billion. He reported that training for the members included Anti-Money Laundering, Financing of Terrorism Seminars and Proceeds of Crime Act (POCA) Training. He concluded by stating that the Committee is dedicated to serving the members of the Credit Union and that the members of the Committee take their role seriously, especially the role they play in ensuring that the delinquency rate remained within acceptable standard and pledged to continue to be vigilant in that regard.

A motion for the adoption of the report was moved by Miss Kim Robinson and seconded by Miss Corine McCalla.



Cotton Candy Kraze with our Kiddies from Kiddies Village.

Minutes of the 64th AGM *(Continued)*

DELEGATES REPORT

Mr. David Fleming presented the Delegates Report. Before commencing the report, Mr. Fleming invited a motion for the League Delegates Report to be taken as read. The motion was moved by Mr. Cebert Mitchell and seconded by Mr. Albert Dawkins. He asked whether there were any questions arising from the report, after which he invited a motion for the adoption of the report. The motion was moved by Mr. Cebert Mitchell and seconded by Mr. Clive Segree.

DISTRIBUTION OF SURPLUS

The Treasurer moved a motion for the approval of the surplus. Mr. Delroy Redway seconded the motion. He informed the meeting that the surplus for distribution for 2018 was \$16,390,550.00 A motion was subsequently moved by Mr. Delroy Redway and seconded by Miss Kim Robinson for the approval of the distribution of surplus.

FIXING OF MAXIMUM LIABILITY

The Treasurer invited a motion for the acceptance of the Fixing of the Maximum Liability as recommended by the Board. The motion was moved by Mr. Cebert Mitchell and seconded by Ms. Maxine Gardner.

NOMINATING COMMITTEE REPORT

Miss Tricia Robinson invited a motion for the report to be taken as read. The motion was moved by Mr. Cebert Mitchell and seconded by Mr. Glenroy Laing. She pointed out that the President's name was incorrectly spelt and made the necessary correction. Mrs. Diedre Codner-Campbell pointed out that on page 114 her name is incorrectly spelt and that the information attributed to her regarding seeking reelection, she was only made aware of same at the meeting today (May 11, 2019) when she read the book. Miss Robinson told her that there was a particular time line within which to invite applications and that the information was sent to the Gleaner, as well as posted in the relevant offices and by text messages to all members and therefore she would have had the opportunity to participate in the process. Mrs. Codner -Campbell said that she was not so aware and that she was not contacted at all.

Mr. Albert Dawkins asked whether Mrs. Codner-Campbell could be voted for from the floor. Mr. Robin Levy, from the League, said she could be nominated from the floor. Miss Robinson subsequently invited a motion for the reported to be adopted. The motion was moved by Mr. Clive Segree and seconded by Miss Andrea Thomas.

NOMINEES TO THE BOARD

The President announced the persons nominated to the Board as David Grey, Donovan Cunningham, Terrence Knight and Deborah Campbell. He subsequently asked for a motion for the approval of the nominated members. The motion was moved by Ms. Andrea Thomas and seconded by Ms. Caphanne March.

NOMINEES TO THE SUPERVISORY COMMITTEE

The President announced the persons nominated to the Supervisory Committee as Ann-Marie Raymond, Caphanne March, Corine McCalla, Janet Morrison-Plummer and Viris Reece-Jones. A motion was moved by Mr. Conrad Howard and seconded by Miss Deborah Campbell.

CREDIT COMMITTEE

The President announced Mr. Cebert Mitchell as being nominated to the Credit Committee. Miss Kim Robinson moved the motion.

The President invited a motion for the Board Members to select the Delegates and Alternate Delegates to the League. The motion was moved by Mr. Delroy Redway and seconded by Miss Kim Robinson.

At this juncture a member noted that she came to the meeting late and that she was told that the tokens were finished. She asked the Chairman to cater for all the members attending the meeting with regard to the tokens. The Chairman told the member that her concern was noted. Mr. Laing asked about the members who were unable to be at the meeting such as the Seventh-Day Adventists. The President said that their names would be added to the list and the office would address the matter.

Minutes of the 64th AGM (Continued)



This could be your winning ticket.

Ms. Claudette Dixon from Montego Bay said that the members in the west felt ‘unspecial’ because of the treatment they received year after year. She pointed out that October is celebrated worldwide as Credit Union Month and that last October (2018) the members in the west received no tokens, no visits. She said while the members were not asking for cake and sandwich they would love to be appreciated during the month of October. Miss Dixon said that a roving officer would visit the west from time to time and stated that there was no mention of that anymore in the Minutes. She mentioned that the Credit Union promised to have an office at Bay West to serve the members in the west. However, she noted that the office is inoperable and questioned whether the Credit Union was interested in the business from the members in the west as the Power Station people have money and wanted to invest in the Credit Union. She stated that the banks came to the location and offered their services and hence they are taking away the members of the Credit Union. She stated that the members only stayed with the Credit Union because they are loyal. The President said that her concerns were noted and would be positively actioned.

Diana Tomlinson, a disgruntled member, complained about the poor treatment she received from the Credit Union. She explained that she was refurbishing a house and that she sought assistance from the Credit Union, but was turned down at the time. She said that she came to the Credit

Union for a Home Rescue Loan and she was told that her debt ratio is too high. Mr. Laing was of the views that something should have been said to Ms. Tomlinson before she left the room. The President said that, based on information received from the General Manager, there was an intervention. However, he noted that Miss Tomlinson had not availed herself of any of the other processes that would have caused the matter to be elevated for there to be further discussions on the matter.

The President invited Mr. Robin Levy, Chief Executive Officer of the Jamaica Cooperative Credit Union League to make a brief intervention. Mr. Levy commended the Credit Union and said that in every family not everybody can be happy. He said it was unfortunate that Miss Tomlinson left the meeting in that way. Mr. Levy told the members that not many persons in the room know what the precise circumstances are and therefore they are unable to try the case at the meeting. He said they should leave management to go and intervene in the handling of the matter. Mr. Levy implored the members to keep the criticisms going especially if they are constructive and positive as the Credit Union moves forward.

DRAWING OF GATE PRIZE AND SPOT PRIZES

Mrs. Sandra Robinson-Brown, marshalled the process. The Gate Prize – dinner for two at the Knutsford Court Hotel was won by Andrea Robinson with ticket #787795. Mr. David Grey made the presentation to Ms. Andrea Robinson. Ticket numbers 787790, 787937, 787884, 787877, 787924, 787765, 787951, 787747, 787811, 787684, 787819, 787721, 787837, 787746, 787682, 787916, 787752, 787860, 787664 all won prizes.

ADJOURNMENT

The motion for the adjournment of the meeting was moved by Mrs. Latoya Mighty-Smith and seconded by Mr. Delroy Redway. The meeting adjourned at 3:30 pm.

David Grey
President

Pictorial Highlights

A Retrospective



1999 • 44th AGM



2002 • Members enjoy drinks & conversation at the 47th AGM of the Credit Union by the JPSco Sports Club.



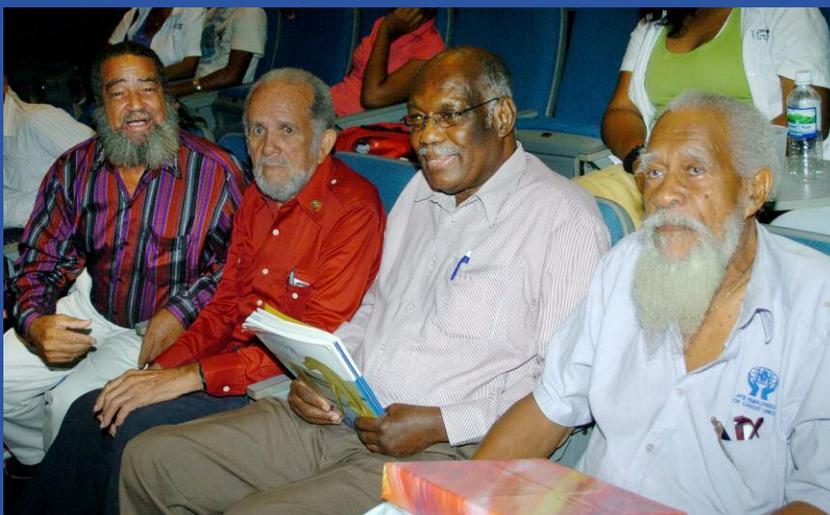
2004 • 49th AGM



2005 • 50th AGM



2008 • President, Derrick Tulloch addressing the meeting at the Credit Union's 53rd AGM.



2010 • Founding Members of the Credit Union share camera time at the 55th AGM.



2012 • Youth Savers share a warm hug with Sammy in the Children's Village of the 57th AGM

Pictorial Highlights - A Retrospective (Continued)



2013 • A panoramic view of the 58th AGM



2014 • Members Voting at the 59th AGM.



2015 • Vasle Wilson collecting the main gate prize at the 60th AGM



2018 • President, Natalie Sparkes thumbs through the Annual Report while Treasurer, Deborah Campbell engages her in conversation at the 63rd AGM.

Board Of Directors Report



David Grey, President

Fellow Co-operators,

WE C•U•... **CHANGING THE WAY WE DO** **“CREDIT UNION” TOGETHER.**

“Changing the Way we do ‘Credit Union’ together.” This is a broader look at our operations as we continue to improve and expand our relevance in a constantly changing financial environment. We recognize that we must continue to embrace change if we are to meet the ever changing demands of our members. This will require us to become more creative in how we target, serve and maintain both our new and existing members.

People are the reason JPS & Partners was started. Our founding fathers envisioned that the lives of the members would be improved by the pooling of resources to help them better their lives through the attainment of financial goals. JPS&Partners has always lived by the Credit Union Movement mantra “People helping people succeed.” Today, we continue to live by this within the context of the global economy.

WE C•U•... **IN THE GLOBAL ECONOMIC** **ENVIRONMENT**

The pace of global economic activity saw little or no improvement in 2019. Infact global growth in 2019 recorded its weakest pace since the financial crisis a decade ago. This low level of growth affected many advance economies to include China where rising trade barriers and uncertainty weighed heavily on business activities globally. Other activities such as the worsening macroeconomic activities in Argentina, social unrest in Venezuela, and the geopolitical tensions in Iran all contributed to this weak pace of growth. Given the economic situation, we saw where the wallets of many countries became tighter. Household demand for durable goods also saw a reduction.

The International Monetary Fund in its World Economic Outlook Reports of 2019 projects that there should be an improvement in 2020 of world economic growth to 3.4% over the 3.0% reported in 2019.

The effects of natural disasters also had a major impact on the global economy. Closer to home we saw the devastating effects of Hurricane Dorian on the Bahamas. The damage there was estimated at US \$3.4 billion dollars.

WE C•U•... **IN THE JAMAICAN FINANCIAL** **ENVIRONMENT**

The Economy and more in particular the financial arena was predicted by many to be one filled with positive and negative financial outturns and ongoing competition among the major players. Economic growth which was projected to end the year 2019 at 3.6% was 1.7%. Growth was facilitated by an increased external demand for Jamaica's

Board Of Directors Report (Continued)

export industries especially Hotels and Restaurants and increased domestic demand, underpinned by increased levels of employment. The country's fiscal performance was deemed by some economists to be strong. The in-depth analysis on the country's financial sector conducted jointly by the International Monetary Fund and the World Bank in 2018 but released in 2019 also had an impact on the financial decision/strategies put forward by the Finance Ministry and the Bank of Jamaica.

The year 2019 also saw the country successfully completing its economic reform program supported by the International Monetary Fund's Stand-By Arrangement. The program's implementation has resulted in a stronger economy with significant reduction in vulnerabilities, and increased job creation.

UNEMPLOYMENT RATE

There was a reduction in the unemployment rate, with the numbers seeing a recorded historic low of 7.2% in October 2019. The average percentage for the year 2019 stands at 9.52%. This is credited mostly to the growth of the Business Process Outsourcing (BPO) market.

INFLATION RATE

Inflation rate measures the average percentage increase in general prices in the economy over a specific period. Low and stable rates tend to encourage savings investments and growth. The goal of the Bank of Jamaica (BOJ) is to keep inflation between 4-6% up to the year 2020/2022. Inflation target for the fiscal year 2019/2020 was estimated to be 5%. Inflation started the year at 2.3% and closed at 6.2%. This is the highest recorded rate in the last five (5) years. Prices for food, beverages and health accounted for the increase.

INTEREST RATES

Interest rates for the most part continued on its downward trajectory. Rates on Treasury Bills were last reduced in August 2019 by .25 basis point to .50%. This decision was strategically aimed at mitigating against inflation going below the target set at various projected points in time.

EXCHANGE RATE

Exchange rates represents the cost of one unit of one currency in another currency. The US dollar is the most common exchange rate utilized by the financial services sector. The weighted average selling rate of the Jamaican dollar to the US Dollar closed 2019 at US\$1:00 = J\$132.60. The exchange rate depreciated by 3.8% when compared with the year 2018 when the rate of depreciation was 2.2%. Periods of appreciation were also experienced during 2019. Such fluctuations will continue over time as local and international demands and supply conditions change from time to time.

TREASURY BILLS

Treasury Bills closed the year at 1.32% and 1.60% for 90 days and 180 days instruments respectively.

NET INTERNATIONAL RESERVES (NIR)

Net International Reserves as measured by the Bank of Jamaica (the Central Bank) stood at US \$3,162.53B in December 2019 compared to US \$3,005.41B in December 2018. This indicates a change of US \$157.12 M.

This in a nutshell is the arena within which the Credit Union strive to remain competitive with our products and services, and achieve targets set for 2019.

WE C•U•...

A PART OF A DYNAMIC MOVEMENT

THE CREDIT UNION MOVEMENT

League's Financial Performance

	2019 \$B	2018 \$B	Growth %
Savings	96.31	89.31	7.91%
Loans	88.67	78.80	12.53%
Assets	123.97	114.16	8.59%
Membership	1,006,557	1,021,267	(1.44%)

Board Of Directors Report (Continued)

The League continues to engage in discussions with the Bank of Jamaica regarding the implementation of the Credit Union Regulations. To assist Credit Unions in the preparation for regulations, the League commenced a programme of providing independent assessment of Credit Unions Internal control system regarding the Anti-money laundering/Counter Financing of Terrorism framework as it relates to; Regulations adherence, continuous review and our groundwork for a risk-based framework. A review of our policy documents to ensure that they were in full compliance with the regulatory and international standards was also undertaken.

WE C•U•... AS OUR FINANCIAL PARTNER

JPS & Partners Co-operative Credit Union Limited Financial Performance

	2019 \$M	2018 \$M	Growth %
Shares	1,318.62	1,262.52	4.44
Deposits	2,009.07	1,941.13	3.50
Loans	2,868.74	2,651.75	8.20
Total Assets	4,879.83	4,238.84	15.12
Surplus	57.24	71.62	(20.08%)
Institutional Capital	712.74	691.29	3.10%
Membership	13,946	14,947	(6.70%)

Throughout the year, your Credit Union strive to remain relevant and competitive in all products and services, achieve targets set for the year and more importantly continue to live the vision of being our members' "Primary financial Partner for Life".

The 2019 financial and operational goals and objectives of the Credit Union were set based on the financial information provided by financial analysts, the BOJ and self-styled gurus via the various communication mediums. The primary financial goals of the Credit Union were to grow the loans portfolio while ensuring that delinquency remained in single digit and to improve on our shares and deposit balances ultimately resulting in an improved asset base.

Operational goals were focussed on technological improvement in member services.

Save and except for surplus and membership, our operational results reflected a marked improvement over 2018. Surplus recorded a decrease of \$17.38M when compared with prior year's performance. The government's continued low interest rate policy has seen a significant decline in interest income from our investments. Rates paid in the market during the year were as low as 1.4%. Vigorous bargaining had to be employed to gain a percentage point on matured funds to be reinvested. Early repayment of loans due to redundancy exercises at some of our partnering companies and the several loan promotions throughout the year which saw the Credit Union reducing loan rates also contributed to the reported surplus.

Despite the economic conditions and continued competition in the financial market, shares and deposits recorded modest growth. Growth was achieved not only through our members' continued confidence in our ability to manage their investments but also through the attractive interest rates paid on our various investment products. The compulsory share savings attached to our several loan promotions also contributed to the growth. Our loyalty rewards programme which allows our members to benefit from a 1% increase in interest rates earned on some investment products continues.

Our Loans portfolio experienced growth of 8.20%. Growth was achieved mainly through our several promotions and marketing initiatives. The major promotions included:

- A Whole Bag a Love,
- Revolution 360
- Beyond Ownership Loan sales.

These initiatives allowed our members to benefit from reduced interest rates, increased loan limits and longer repayment terms. Lifting of the sanctions imposed on UC Rusal parent company located in Russia in the first quarter of 2019 saw our members employed to the company and based at our Ewarton and Kirkvine branches being able to once again access our loan products. Our Loyalty Rewards programme which allows our members to benefit from an additional 1% reduction in interest rates on some loan products continues.

Board Of Directors Report (Continued)

Total assets recorded a growth of 15.12%. Revaluation of our Lady Musgrave Road and Half Way Tree Road properties contributed to the growth. Growth in other areas of our operations also contributed to the reported performance.

Our Institutional Capital serves as a buffer in tight economic conditions. Institutional Capital inclusive of Permanent Shares now stands at of \$788.15M or 16.15% of total assets.

WE C•U•... MEMBERS AS A TOWER OF STRENGTH

Our target was to increase our membership portfolio with the addition of 520 new members. As at December 31st, a total of 492 members was added to the portfolio. Despite the addition of new members, the membership base recorded a decline of 6.70% when compared with the 2018 membership base. The closure of accounts due to continued culling of the database is a contributory factor to the non-achievement of the target. Our current technologically driven marketing activities to include our online presence via the several social media platforms and the availability of services electronically are all strategies geared at improvement in this area of our operations.

WE C•U•... PARTNERING WITH US FOR DELINQUENCY CONTROL

DELINQUENCY MANAGEMENT

Year Ending	Gross Loan Portfolio	Delinquent Loans	Delinquency Ratio
2019	\$2.92B	\$38M	1.30%
2018	\$2.70B	\$40.85M	1.51%

Comparison of Delinquent Loans 2018/2019

Prudent management of our delinquency portfolio is one of the critical strategic goals of the Credit Union. The level of prudence employed, allowed the Credit Union to achieve a delinquency rate of 1.30% at the end of 2019 – a ratio well below the target set of 3% and the industry standard of 5%. Financial counselling as a part of the interviewing and lending process contributed significantly to the achievement of the ratio. Members were always reminded of the importance of having and maintaining a good credit report and that they were the owners of the Credit Union. Notwithstanding, during 2019 we continue to see where some members migrated without making arrangements to repay their debt. Other strategies employed throughout the year included but were not limited to:

- Sound lending policies and detailed assessment of potential borrowers' financial obligations and their ability to repay the loans.
- Debt consolidation which gave the members the relief that results from lower monthly payments and longer repayment terms.
- Continued use of effective delinquency collection techniques.
- Engagement of debt collection agencies and attorneys.

While we continue to provide financial counselling to our members, we had to institute legal actions or repossess collaterals used as security for loans granted to some of our members. We repossessed a total of three (3) motor vehicles, two (2) were returned to the members. The remaining vehicle was sold. Six (6) properties were repossessed. Five (5) of these members either settled their arrears or voluntarily sold the collateral. The Credit Union has only one property in its possession (land only). Same is being advertised for sale.

IFRS 9 – EXPECTED CREDIT LOSS (ECL)

Throughout 2019, the Credit Union maintained an ECL provision below 2% of the loan portfolio of \$2.92B (before provisioning). This ratio equates to an average provision of \$45.85M.

Board Of Directors Report *(Continued)*

WE C•U•...

PARTNERING IN THE MAINTENANCE OF OUR COMPETITIVE EDGE

COMPREHENSIVE PRODUCT LINE

During the financial year, we continued our focus on enhancing the overall quality of the products and services we provide to our members. Our focus on the provision of attractive returns to our members was achieved through effective controlling and monitoring of our expenditures and maximization of our income.

Income was achieved primarily from our loans and investments portfolios. Our loan income was achieved through close monitoring of our loan products, constant review of market interest rates to ensure we remain relevant, and loan promotions/enhancements. Loan repayments and security monitoring were all critical ingredients utilized.

Competition from micro lending institutions, financial institutions, new players entering the lending market, high dollar value in unsecured lending especially in the credit card market saw the Credit Union having to strategically reduce rates on our loan product offerings.

Loan Products

We continue to offer a wide variety of loans all geared towards the satisfaction of our members' needs. Loans for acquisition purposes such as motor vehicles, mortgages, home repairs and education are available at very competitive rates. Unsecured loans to commemorate special events and other provident and productive purposes are available to qualified members at very attractive rates.

During 2019 we had several promotions geared at increasing our motor vehicle, mortgage, home equity and salary enhancer loans portfolios. Special incentives were given to all members who availed of these loans during the promotional periods.

Partner Plan

This product provides our members with the option of savings towards short term goals. Members are able to save weekly, fortnightly, or monthly depending on their goals.

This product was one of our most popular savings product during the year. We ended the year with a portfolio balance of \$40.11M compared to \$19.45M at the beginning of the year. This is a 206% increase. For the year we were able to open 628 Partner Plan accounts.

UGAIN Savers Account

This investment vehicle provides our members with the option of saving towards their goals be it financial, educational, dream home, or otherwise. This product carries an insurance component where the member's savings goal is insured at no cost to the member.

Standing Order

This service is offered to our members at a very minimal cost. Members use this service to pay their external fixed regular payments at various financial and other entities (e.g NHT, insurance co's).

Family Indemnity Plan

We continue to provide our members with access to this economical insurance product, through which they gain financial benefits for the funeral expenses of their loved ones. The policy which is offered through CUNA Caribbean Insurance Jamaica Ltd covers the member and five (5) other relatives for one low monthly premium.

Internet Banking

The Credit Union in keeping with our mission to remain current as well as provide our members with alternate ways of doing business with us launched our mobile app. This App allows our members to conduct their business with us anywhere using mobile devices, such as smartphones and or tablet all from the comfort of their home.

This is part of a much larger plan to use technology to improve the efficiency of our service.

The financial market is highly competitive and dynamic and the way of doing business is constantly changing as new ways of thinking and new technologies emerge daily. We are constantly evaluating and working to ensure we have the best resources available to serve our members.

Board Of Directors Report *(Continued)*

WE C•U•...

WORKING WITH A COMPETENT WORKFORCE IN PLACE

Our competent and dedicated workforce continues to uphold the vision of being “Your Financial Partner for Life”. The Core values of the Credit Union are always at the forefront of the team. They ensure that this is achieved through the provision of excellent member service and products geared towards the achievement of your financial goals and other set objectives.

Our wellness activities geared at promoting a healthy lifestyle which commenced in 2018 continued into 2019. Gym services was provided free of cost for all team members for the first quarter of the year. Employees also participated in the annual ICWI Pink Run for cancer treatment.

Our annual staff trip which is geared towards team building and camaraderie was held October 18-21, 2020. Activities during the period included quiz competitions which tested the history and product knowledge of employees, Lime Fridays and several games all geared at team building. Team members also got the option of showcasing their creativity with the creation of videos depicting the talents of employees in each of the four houses which gave them points for the sports day competition among the four (4) houses.

Team members continue to benefit from training and developmental courses covering a variety of disciplines. Training was facilitated by the League and other external training institutions. The Credit Union’s staff education loan continues to be available to employees wishing to pursue a degree at any of our local recognised tertiary institutions.

All staff sat and were successful in all six (6) required examinations administered in the areas of Proceeds of Crime (POCA) and Anti-Money Laundering ACT and the Terrorism and Prevention Act by the League through the CPD online Platform. Staff loans and other benefits continue to be available to employees.

MANAGEMENT TEAM:

Joydene Jarrett, MBA	General Manager
Antoinette Robinson, MBA	Chief Accountant
David Goodlitt, BSc	Operations Manager
Natalie Murray, MBA	Credit Manager
Pierre-Anthony Wright, MBA	Marketing Manager
Sandra Robinson-Brown, BSc	Risk & Compliance Manager
Kamoy Clarke, BSc	IT & Communications Manager
Marjorie Richards-Johnson, MBA	Branch Manager, Ewarton
Carl Grant, MBA	Branch Manager, Kirkvine
Shantell Mitchell (Diploma, Accounting and Business)	Branch Supervisor, Ocean Blvd. (Resigned Aug. 2019)

CORPORATE GOVERNANCE

The Board of Directors recognizes that one of its most important corporate responsibility is that of providing direction and implementing growth strategies that will ensure that the Credit Union proactively and positively responds to the ever emerging challenges both financial and operational if it is to remain viable for years to come. The Board of Directors also has the responsibility of ensuring that the strategies put forward in the annual Tactical Plan for the Credit Union will contribute to achieving targets set.

During the year The Board achieved the following:

- Approval of the annual budget and targets, annual financial statements and monitoring of financial performance.
- Approval of the strategic directions and related objectives of the Credit Union.
- Approval of policies regarding the operation and functioning of the Credit Union.
- Approval of the vision, goals and strategies detailed in the Annual Tactical Plan proposed by Management.
- Review and approve Management’s short and long-term strategies and performance objectives and ensuring that appropriate resources are approved to facilitate their achievement.

Board Of Directors Report (Continued)

All Board Members, Volunteers and Staff are required to sign the Credit Union Code of Ethics and Conflict of Interest and Confidentiality Agreements annually. Board members are also required to annually complete a Board Evaluation Questionnaire. The overall objective of the Questionnaire is to gain insight on how well the Board member has performed in the opinion of its peers. Background checks are undertaken prior to staff engagement. New employees are also required to provide the Credit Union with a Police Report.

FRAMEWORK FOR CORPORATE GOVERNANCE

As a Board, it is their duty to drive policies that will help the Credit Union to improve its services and strengthen member relationships. This role can only be accomplished if the Board is appropriately staffed. The Board accomplished this role by ensuring that it is strategically diversified and comprises the requisite required skills. The cadre is comprised of persons with finance, budgeting, legal, entrepreneurship, human resource management and engineering skills.

The Board of Directors and also Committee members are required to be trained annually in both the Proceeds of Crime and Anti-Money Laundering Act and the Counter Financing of Terrorism Act. Not all our directors were able to attend training in these areas. Plans are in place to have them complete this training in the year 2020.

BOARD TENURE AND COMPOSITION

A committed and dedicated team of nine (9) persons serve as Directors on the Board of the Credit Union. Based on

the rules of the Credit Union, Board directors must retire once they have served three (3) terms or six (6) years in office. The Board is responsible to guide the strategic direction of the Credit Union. In order to do so, the Board has established several committees to monitor, evaluate and make recommendations to improve and advance various aspects of the Credit Union's operations. The following Committees were approved subsequent to the holding of the last Annual General Meeting: Finance & Planning, Delinquency, Human Resource, Infrastructure, Member Relations, Information Technology & Development, and Risk & Compliance.

In keeping with term limits for Board members ie three (3) consecutive terms in office, both Messrs Earl Munroe and Dwight Hart demitted office at the 64th Annual General Meeting held May 11, 2019. Also, in keeping with the Memorandum of Understanding (MOU) signed by the merger parties, the membership of the Board revert to its original complement of nine (9) volunteers. We express our gratitude to both directors who provided yeoman service to the Credit Union during their tenure.

ATTENDANCE AT BOARD OF DIRECTORS MEETINGS

The Board of Directors meet on a monthly basis to discuss the business of the Credit Union. Attendance at Board meetings serve as an indicator of the commitment of each Director to serve.

<i>Directors</i>	<i>Position</i>	<i>Possible</i>	<i>Actual</i>	<i>Excused</i>
David Grey	President	12	11	1
David Fleming	Vice President	12	11	1
Devon Wright	Treasurer	12	11	1
Deborah Campbell	Asst. Treasurer	12	9	3
Tricia Robinson	Secretary	12	11	1
Clive Segree	Asst. Secretary	12	12	-
Donovan Cunningham	Director	12	11	1
Natalie Sparkes	Director	12	12	-
Terrence Knight	Director	12	9	3
Dwight Hart	Director	4	3	1
Earl Munroe	Director	4	4	-

Board Of Directors Report *(Continued)*

WE C•U•...

IN OUR COMMITMENT TO GOOD GOVERNANCE AND RISK MANAGEMENT

OPERATIONAL HIGHLIGHTS

During the year, the Risk and Compliance Committee provided guidance to management to ensure that mechanisms were in place to prevent, detect, and/or mitigate all levels of risk in the Credit Union. Through its objectives, the Credit Union ensured legal and regulatory compliance, review business policies and procedures, oversee the internal controls and risk management systems, assist the Credit Union in fulfilling its responsibilities relating to compliance, and also to promote a culture of compliance.

During the year, several policies were reviewed and approved by the Board of Directors. The associated procedures relating to these policies were also developed.

Enterprise Risk Management (ERM) Framework

In ensuring that all significant risks were covered, Risk Registers which documents all significant risks across branches and departments were developed. The Risk Registers also facilitates continuous monitoring and assessment of all documented risks. Management was also able to use the information to determine the appropriate mitigating actions against the risks identified. Quarterly reports on high and extremely high risks and measures to effectively manage these risks were submitted to the Board of Directors.

AML/CFT Framework

The Credit Union AML/CFT Policies and Procedures seeks to ensure that:

- Transaction monitoring was on-going.
- AML/CFT reports were submitted timely and as per regulatory requirements.
- Know Your Employees requirements were fully adhered to.
- Know your Members requirements were fully adhered to.
- Proper records keeping and retention procedures were in place.

To ensure that the above framework complies fully with international standards and practices, plans are in place for the Credit Union to procure a Transaction Monitoring Software in 2020. The procurement of this software will serve to remove the current manual operation from this critical area.

REVIEW OF INTERNAL AND EXTERNAL AUDIT REPORTS

Internal audits were conducted throughout the year by our contracted Internal auditors – Smith and Associates. These audits serve to ensure that the Credit Union is operating as per the guidelines detailed in the several policies, procedures, and control documents. Findings and recommendations were documented for action and monitoring by the Risk and Compliance Department.

WE C•U•...

IN OUR TECHNOLOGICAL ADVANCES

Our world and daily lives continue to be revolutionized by the ever changing advances in technology. Our members across all age demographic are now demanding easier, and faster ways to communicate with us whether it is through instant messaging apps or social media platforms. Being cognizant of this trend, your Credit Union has responded with the introduction/upgrading of several communication channels all with you our members at the top of the mind. The increase in the number of members utilizing our online services is an indicator that our ongoing cyber security efforts to ensure that members enjoy a high level of confidence is working.

During the year we were able to achieve the following:

Website Redevelopment

The comprehensive revamping of the website which begun in 2018 was completed in the first quarter of 2019. The site now provides our members with a more modern, intuitive and member centric design, allowing for easier processing of our members' requests/access. The new site is very flexible and provides our members with more interactive application forms and excellent viewing on their mobile devices. The site also provides our members with more

Board Of Directors Report *(Continued)*

access to our various products and services, and our promotions.

Disaster Recovery and Replication

To ensure that our critical operating systems are online and there is minimal or no operating downtime, a major project was undertaken to setup, configure and implement a replication site at our Disaster recovery location. This Disaster Recovery Plan (DRP) captures all of the information that describes JPS & Partners Credit Union's ability to withstand a disaster as well as the processes that must be followed to achieve recovery after a disaster.

Email Migration/Upgrade –

The Credit Union undertook and completed the project to upgrade and migrate our email servers to allow for a more robust and intuitive service and one that allows syncing of emails over numerous devices along with more advanced security features. This project was undertaken as our previous email operating system was limited in storage space per user and did not have compatibility across various platforms. We have experienced no email downtime since implementation

Software Upgrade -Emortelle –

During the year, a full review and upgrade from our Emortelle v 9.0 core banking system to Emortelle V9.1 was completed. This upgraded version now incorporates a host of new features and services.

Mobile App (Emortelle) –

Our mobile App. was launched in the third quarter of the year. This App. which is available in the Google Playstore allows our members to:

- Check balances
- Request letters
- Transfer to other accounts owned by the member
- Transfer to other member accounts
- Pay on loans
- Check account history/activity

Work is currently being done to have this application also launched in the Apple App. Store.

Your Credit Union is also working to provide the following additional services via the mobile App:

- Pay bills
- Mobile Top up
- Ability to apply for a loan

For the year 2020, the focus will be on Data Integrity and security. This will involve a comprehensive IT audit, analysis of our PBX system, in-depth review of our core banking application, the set up and launch of our cloud back up architecture and general equipment and software upgrades as needed.

HUMAN RESOURCES COMMITTEE

The primary responsibility of the Human Resources and Compensation Committee is to assist the Board of Directors in fulfilling its obligations relating to human resource, compensation and benefits matters. The Committee is also charged with the responsibility of providing guidance and oversight of the Collective Labour Agreement (CLA) discussions held bi-annually.

The Committee is cognizant of the fact that if the Credit Union is to be technologically driven to effectively market our products and services to our members using the right channels, then the right personnel had to be in place to make this happen. The Committee assisted in the employment of personnel to fill one newly created position and one vacant position at the management level. The organisation employed an Information Communication and Technology Manager in January to fill the new position and a Marketing Manager in September of that same year to fill the vacant position.

The Job Evaluation exercise strategically approved by the Board of Directors was completed in the last quarter of the year. Discussions on the recommendations outlined in the document commenced at Board level also in that quarter. The goal is for implementation in the year 2020.

The review of our structure especially as it relates to our complement of contract employees which started in 2018

Board Of Directors Report *(Continued)*

continued into 2019. This delay was consequent upon the need to have in place a remuneration package coupled with a salary scale as per the recommendations coming out of the Job Evaluation exercise and agreed on by the Board of Directors. We were not able to complete the review in 2019 and as such the goal is to complete this structural review in 2020.

The Committee was also able to complete the 2018-2020 wage and benefit agreement.

WE C•U•... **OUR MEMBERS AS INTEGRAL TO OUR SURVIVAL**

Credit Union Week Celebrations

The month of October is celebrated worldwide as Credit Union month. During this month we take the opportunity to celebrate with our members as we host our Member Appreciation Day across all our branches and some locations. All branches used the opportunity to connect with the membership as we celebrated under the theme, "Local Impact, Global Reach." Our members who attended these celebrations also used this activity as their opportunity to meet up with old familiar faces and to reminisce about past credit union activities. Members were given the opportunity to participate in an array of activities: product booths with varying displays, health checks, refreshments, souvenirs exciting entertainment and surprise giveaways.

Partnering with our Youth

The efforts of the Credit Union in playing our part in the improvement of the education of the Jamaican youth goes beyond our offering of scholarships and bursaries. This year through our partnership with the Credit Union Foundation (CODEFCO) we were able to present the St. Mary's the Virgin Basic School located on Molyne's Road, with audio visual equipment valued at \$100,000. The school was gifted a laptop, speakers, printer, keyboard, mouse and a television set.'

The Pollyground Basic School in Ewarton also benefited from procurement of a stove for the school's canteen.

WE C•U•... **IN YOUR EDUCATIONAL PURSUITS**

This year the Credit Union celebrated the 20th Anniversary of our scholarship and awards programme. The programme started in 1999 with our first tertiary scholarship being awarded to Chamalie Bahadur. It was in that same year that the Board decided to award children of our members who were successful in their then Common Entrance Examination now renamed Primary Exit Profile (PEP) examination. The programme would later expand to become an annual event with 30 students receiving bursaries for three (3) years to assist with covering their High School expenses. Today we have a programme that includes fifty (50) High School Bursaries, four (4) Special Bursaries which are awarded to children from our partner schools, the Carl Little Bursary which is awarded biennially and our Albert "Bertie" Morris Scholarship for tertiary education. In 2019, fifty-five (55) students were recipients of bursaries and scholarships from the Credit Union. Each bursary is valued at \$12,500.00 payable to each recipient for five (5) years providing the awardee maintains a "B" average. The Albert "Bertie" Morris Scholarship is valued at \$150,000.00 and is payable for three (3) years once certain conditions are met annually.

Outreach Activities

Outreach is an integral part of our mandate and involves a range of ongoing activities. In-house, we ensure that our members' welfare needs are met through the Care-A-Bit Fund, which provides a maximum grant of \$30,000.00 per member needing help with health related issues or assistance to recover from the effects of natural disasters.

The financial needs of our members is not our only concern. Their holistic care is of even greater importance to us. It is for this reason that on the first work day of each month, a nurse comes into the Head office of the Credit Union and performs free medical checks. This programme couple with our Care-A-Bit assistance has provided tremendous assistance to our members.

Externally, we contributed to various charitable organizations including, the Salvation Army, The Gallimore Mcpherson Home, The Best Care Foundation. We also supported the

Board Of Directors Report (Continued)

various outreach activities of our members through the purchase of tickets requests made to us during the year.

WE C•U•... **2020- 2022 - THE FUTURE, OUR FOCUS**

During the year management sought to ensure that the Credit Union continues to operate profitable through the provision of excellent member services, fuelled by cutting edge technology and a committed and dedicated team. Management throughout the year sat down to critically assess the organisation with the sole purpose of positioning JPS& Partners.

Management at the strategic retreat held November 29-December 01 2019 presented their 3-2-1 growth Plan to the Board of Directors. This Plan along with the accompanying strategies for achievement was fully supported by the Board. The “WE CU” promotion tag line currently in use will permeate all that we do over the next three (3) years.

For Year One, the plan is to work on strengthening internal weaknesses:

1. Improving Member Satisfaction.
2. Using technology to gain competitive advantage.
3. Review internal processes to improve efficiencies.
4. Penetrate present market – build relationship with new business.
5. Implementation of a Performance Based management system.

For Year Two, the focus will be centered on:

1. Maximization of relationships and partnerships established in prior year.
2. Implement a sales culture.
3. Explore merger opportunities for growth.
4. Continue to embrace new technology and to improve/ upgrade existing ones.

For Year Three:

1. Implementation of mergers – if any.
2. Improve on annual loans growth.

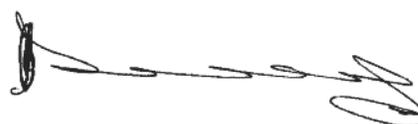
3. Full implementation of Member and sales driven culture.

CONCLUSION

On behalf of the Board of Directors I express sincere gratitude to you, our valued members for your commitment and dedication to your credit union over the years. On behalf of the Board, I would also like to recognize and thank the following entities and persons:

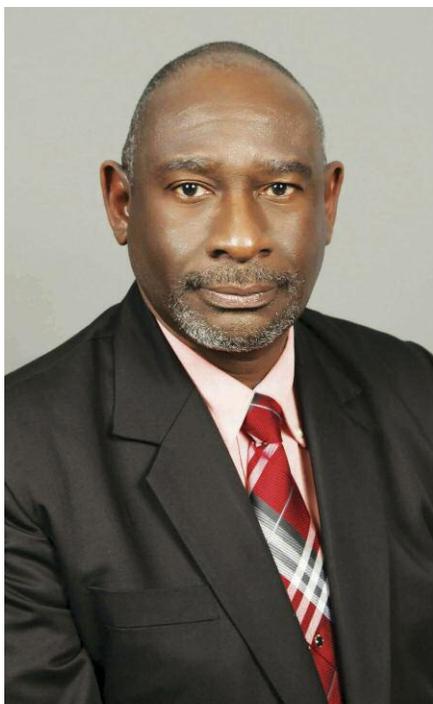
- o The Almighty God for his steadfast guidance and assurance, the anchor that keeps us steadfast.
- o Management and Staff of the Credit Union for their commitment and dedication
- o Board, Management and staff of our partner companies Jamaica Public Service Company, West Kingston Energy Partners and Jamaica Private Power Company), NESol (which was officially closed by the Government of Jamaica in October 2019), UC Rusal, Tax Administration Jamaica and Digicel, Jamaica for their secured and invaluable partnership.
- o Volunteers – Committee Members and Location Representatives for their immeasurable effort and support throughout the years.
- o The Credit Union League, CUNA Caribbean Jamaica Ltd., Jamaica Cooperative Insurance Agency (JCIA), QNET and the Registrar of Co-operatives and Friendly Societies for their continued support.
- o UHY Dawgen Chartered Accountants, external auditors and Smith and Associates, internal auditors.
- o Our attorneys - Messrs Samuda & Johnson and Richards & Richards.

Co-operatively,



David Grey
President

Our Directors



David Grey
President



David Fleming
Vice President



Devon Wright
Treasurer



Deborah Campbell
Asst. Treasurer



Earl Munroe
Secretary



Tricia Robinson
Secretary (Effective May 1, 2019)

Our Directors (Continued)



Donovan Cunningham
Director



Dwight Hart
Director



Natalie Sparkes
Director



Terrence Knight
Director



Clive Segree
Asst. Secretary

Treasurer's Report

For the Year 2019



Devon Wright, Treasurer

I am pleased to present the financial results for the year ending December 31, 2019. Our several strategies implemented during the year have resulted in growth in our core operations. Our accounts were prepared in compliance with the International Financial Reporting Standards (IFRS).

ECONOMIC OVERVIEW

The Jamaican financial system remained stable for the fiscal year 2018-2019. The stability of the key macroeconomic indicators accounts for this performance. Your Credit Union operating in this environment has also produced fairly good results on its core operations.

The Credit Union had to contend with strong competition in the financial sector as commercial banks and other financial institutions continue to aggressively target consumers with attractive credit options and avenues to maximize the ease with which their business is conducted all with the aim of capturing a larger share of the market. The micro-financing sector while remaining unregulated, continues to expand especially in the pay day loan product – a product segment once dominated by Credit Unions. Retailers offering in-house financing for motor vehicles and other durables also provided competition.

Market conditions were impacted by low to moderate interest rates on our loans and investment products. Treasury Bills ended the year at 1.74% for 90 day instruments and 1.75% for 180 day instruments.

The value of the Jamaican dollar declined by 4% against its major trading currency, moving from a rate of J\$125.89: US\$1.00 to J\$132.60 : US\$1.00 or 3.8% over the year leading to the Central Bank intervening in the market to provide some measure of stability. The fluctuations in the currency saw investors channeling funds into alternate investments such as US dollar instruments, pooled funds and the stock market.

Inflation rate of 6.2% was recorded for the calendar year. This was higher than that of the previous year's rate of 2.3%.

Unemployment continue to trend downward and ended the year at 7.2% compared to 8.4% in 2018. The BPO sector was the main contributor to the reduction.

Ease of doing business in Jamaica became much easier with the removal of the minimum business tax, removal of asset tax for all non-financial institutions and stamp duty cost becoming a fixed cost per transaction. The two ratings upgrades to B+ by Fitch and Standard and Poor (S&P) in January and September respectively helped to improve investors' confidence as well.

Treasurer's Report (Continued)

FIVE YEAR FINANCIAL PERFORMANCE 2015-2019

	2019 \$M	2018 \$M	2017 \$M	2016 \$M	2015 \$M
SHARES	1,318.62	1,262.52	1,247.13	1,205.92	947.58
DEPOSITS	2,009.07	1,941.13	1,964.16	1,918.02	1,858.46
LOANS	2,868.74	2,651.75	2,655.58	2,445.36	2,071.42
TOTAL ASSETS	4,879.83	4,238.84	4,223.63	4,110.37	3,700.35
SURPLUS	57.24	71.62	41.96	30.61	41.36
INSTITUTIONAL CAPITAL	788.15	691.21	676.96	672.77	600.29
MEMBERS	13,946	14,947	14,196	13,796	11,840

The Credit Union continues to monitor its progress over the years in order to determine the business strategies needed which when executed will ensure continued growth and sustainability.

FINANCIAL PERFORMANCE

SURPLUS

The surplus of \$57.24M reflected a decline of 20.08% or \$14.38M when compared with the surplus of \$71.62M in the previous year. Earnings of \$49.97M in investment income compared to \$61.35M in 2018 contributed to the reported decline.

With the required 20% or \$11.45M transfer to Statutory Reserves, approximately \$45.79M will be available for distribution. The major items from our financial statements are highlighted below:

INCOME

Interest income of \$396.54M reflects a decrease of 1.81% or \$7.30M over 2018.

The decrease was as a result of:

1. Reduction in rates of interest earned on our various investments as the Government maintained a low interest rate regime. During the year rates decrease by



100 basis points. These rate reductions meant that the Credit Union earned far less on reinvestments. Despite this limitation, prudent management ensured that the best rates were received on all matured investments which were subsequently reinvested. Investment income fell by \$11.39M or just under 20%

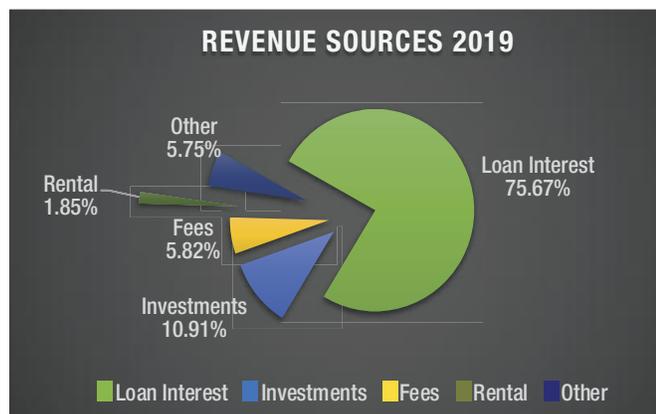
2. To remain competitive, budgeted rates applicable to several of our products were reduced.
3. Continued redundancies within the energy sector.
4. Reduction in the borrowing capacity of members and the competitive interest rates available in the market.

Treasurer's Report (Continued)

Our Credit Union continues to maintain its investment portfolio in government instruments, the Credit Union Fund Management Company (CUFMC), equities market and other investment houses considered safe and sound.

SOURCES OF REVENUE

Our principal sources of revenue remain members' loans and in 2019 interest on loans accounted for 75.67% of total revenue, while 10.91% was derived from investment income, 5.82% from fees, 1.85% from property rental and 5.75% from other sources.

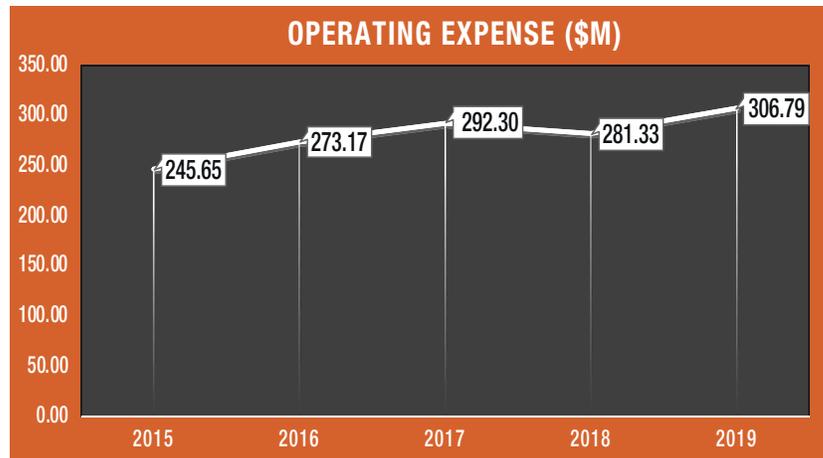


EXPENSES

Expenses as a percentage of gross income were 86% in 2019 in comparison to 81% in the previous year.

Interest expense is the most sensitive category of the Credit Union's operations. In line with the market, interest rates were reduced on members' deposits during the year. As a result, the interest expense reduced by 13.72% or from \$79.31M in 2018 to \$68.43M in 2019.

Operating expenses increased by 9% or by \$25.45M, from \$281.33M in 2018 to \$306.79M. The ratio of operating expense to total income also showed an increase, moving from 61% to 67%. This is a ratio we are committed to monitor and reduce despite the continued decline in interest rates earned on our loans and investment products.



The significant reasons for the increase were:

Personnel expenses increased by \$14.55M or 10.39%, from \$140.04M in 2018 to \$154.59M in 2019. The Collective Labor Agreement salary and benefits package awarded to employees was the main contributory factor.

Administrative expenses increased by \$9.43M or 8.96%, from \$105.17M in 2018 to \$114.60M in 2019. This increase is attributable to:

1. Our ongoing initiatives to provide our members with easier, faster and up to date communication channels saw the Credit Union introducing/upgrading several of our communication channels. These technological initiatives led to increases of 30.67% and 13.69% in our telecommunications and computer expenses respectively when compared with 2018.
2. The commissioning of a Job Evaluation exercise also saw our professional fees increasing by 139.70% when compared to prior year.
3. General inflation in the economy accounts for the recorded increases in the various other administration expenses during the year.

Marketing & Promotion expenses increased by \$0.98M or 11% due to increased promotion for brand awareness across traditional and new marketing channels.

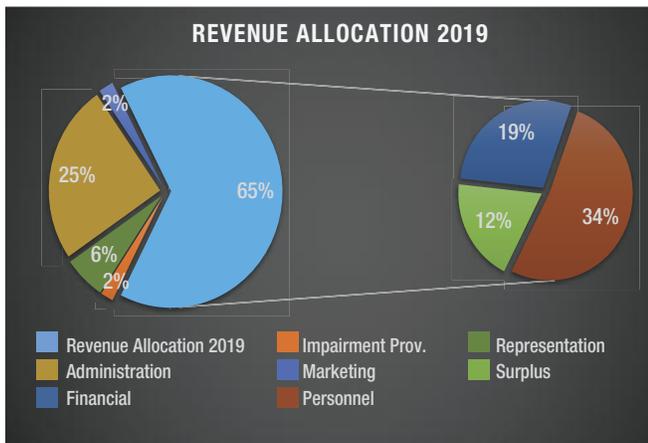
Representation and Affiliation expenses increased by \$0.49M or 2% largely due to increased Credit Union associated meeting costs both locally and overseas.

Treasurer's Report (Continued)

Whilst we continue to apply initiatives to adapt to the changing needs of our members and to improve our internal controls, the Board and Management will continue to be vigilant in containing operating costs to ensure that we remain viable and profitable.

ALLOCATION OF REVENUE

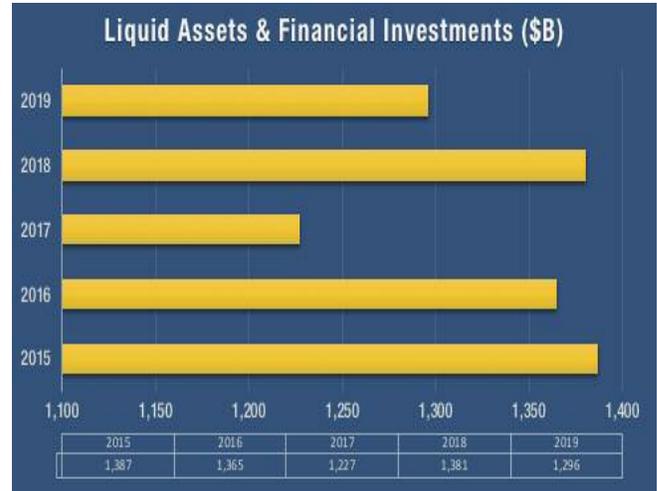
The pie chart below indicates that our revenue was utilized as follows: 34% for personnel costs, 25% for administration, 2% for marketing, 6% for representational costs, 19% for financial costs, and 2% for impairment provisioning. 12% remained as surplus.



BALANCE SHEET

Total Assets increased by \$640.98M or 15.12% moving from \$4,238.84M in 2018 to \$4,878.83M in 2019. The growth is due to:

- (1) \$217.80M increase in the loans portfolio. The Loans portfolio increased by 8.08% or from \$2.70B in 2018 to \$2.91B in 2019. The increase is due to the several strategically timed promotions introduced throughout the year coupled with our interest rate reduction benefits to our members contributed to the reported impressive results.



- (2) \$494.23M increase in property assets owned by the Credit Union. The Credit Union's properties located at 37 Lady Musgrave Road and 65¼ Half Way Tree Road were revalued to ensure compliance with standard accounting procedures.

The graph below shows the Credit Union's Loans and Total Assets for the period 2015 to 2019.



Treasurer's Report (Continued)



MEMBERS' SHARES DEPOSITS

Members Voluntary Shares increased from \$1.26B to \$1.32B. The several loan promotions which had a compulsory share savings feature is the primary reason for the increase.

Members Savings Deposits increased from \$1.94B in 2018 to \$2.01B.

Notwithstanding the recorded increases in these two savings areas, we continue to experience some amount of dis-savings as members withdrew funds to invest in the equities market, real estate and foreign currency, all with the aim of increasing their investment income and also to diversify their portfolio. Continued redundancy exercises in the energy sector is also a contributory factor to the marginal growth.

PERMANENT SHARES

The Permanent Shares portfolio increased marginally from \$75.01M in 2018 to \$75.41M in 2019. The addition of new members accounts for the increase.

The Credit Union will continue to create opportunities and encourage savings among the membership.

LOANS DELINQUENCY

The delinquency ratio for 2019 declined to 1.30% of the Loans portfolio compared to 1.51% in 2018. This ratio remains within the international benchmark of 5%.

Management remains vigilant in its efforts to maintain low levels of delinquency whilst increasing the growth rate of the loans portfolio.

LOAN LOSS PROVISIONING

Our provisioning for loan loss continues to be adequate to cover potential losses. The provision for Loan Losses, decreased from \$15.12M in 2018 to \$11.01M in 2019.

The Credit Union was 100% in compliance with the PEARLS standard, as well as the provision required in accordance with the International Financial Reporting Standard (IFRS 9). As per the requirements of the IFRS 9 Standards, the Credit Union has measured the Expected Credit Losses (ECL) for our loans to be \$45.85M compared to \$45.04M for 2018.

INSTITUTIONAL CAPITAL

Institutional Capital inclusive of Permanent Shares stood at \$788.15M, which is 16.15% of Total Assets. The Institutional Capital is an indicator of the Credit Union's ability to withstand difficult economic circumstances.

PEARLS RATIO ANALYSIS

As a means of assessment, the Credit Union's performance exceeded most of the key financial indicators as measured against the P.E.A.R.L.S. standards.

The results for the past five (5) years are referenced in the Table below.

Treasurer's Report (Continued)

PEARLS Ratios	Standard %	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %
Net Loans /Total Assets	60-80	58.79	62.56	62.87	59.49	55.98	53.25	51.45
Savings Deposits/Total Assets	70-80	68.19	75.58	76.03	76	75.83	76.06	76.58
Institutional Capital/Total Assets (C)	>=10	16.15	18.08	17.80	16.37	16.22	16.11	15.62
Total Delinquency/Gross Loans Portfolio	<=5	1.30	1.51	2.29	2.07	3.22	4.72	3.13
Operating Expense/Average Assets	<=8	6.73	6.65	7.01	6.99	6.68	6.28	6.1
Gross Margin/Average Assets	*C>=10	6.82	7.28	6.96	7.78	7.81	7.41	7.07
Non - Earning Liquid Assets/Total Assets	<1	1.12	0.73	3.54	1.85	0.38	1.79	1.71

* amount needed

Our Net Loans/Total Assets and Savings Deposits to Total Assets ratios decreased due to the significant increase in the Credit Union's Total asset base.

DIVIDEND DECLARATION

The Board of Directors recommends a dividend payment of 8% on the Permanent Shares balance of each member on record as at December 31, 2019.

SURPLUS DISTRIBUTION

	\$
Net Surplus	57,235,304
Transfer 20% to Statutory Reserve	(11,447,061)
Net Income Before Distribution	45,788,243
Proposed Distribution	
Dividend on Permanent Shares	4,325,395
Institutional Capital	10,000,000
Honoraria	3,000,000
Scholarship	1,945,968
Care-A-Bit	736,425
Branch Office Upgrade	2,000,000
Organizational Re-Alignment	23,780,455
	45,788,243

The amount allocated for Organizational Re-alignment is provision set aside for Job Evaluation exercise.

CONCLUSION

This year was another successful one for the Credit Union as we:

- Recorded a Surplus of \$57.24M
- Grew our net loan portfolio by 8.08% whilst maintaining a low delinquency ratio of 1.30%.
- Grew our asset base by \$641M
- Enhanced our several technological platforms to ensure our members were provided with cutting edge technology.

We commit to the continued improvement of service delivery, the development of affordable and relevant products for our members and the prudent management of the resources of the Credit Union.

ACKNOWLEDGEMENTS

We give thanks to God for His continued guidance and protection during the year and for the blessings He has bestowed on our Credit Union. The Treasury thanks and

Treasurer's Report (Continued)

commends the Management and staff for their hard work and dedication towards the continued success of the Credit Union.

I thank my fellow Board members and members, for having given me the opportunity to serve as your Treasurer. It has been an honor and a privilege to do so. Thank you, our members, for the continued business and support that you have given to your Credit Union, and entrusting your confidence in us, the Board of Directors and Management, in serving you and we hope to continue to be deserving of your confidence.

To all the stakeholders including volunteers who consistently apply themselves to the Credit Union's success, I thank you.

I also thank both the Internal Auditors – Smith and Associates and our external auditors - Crowe Horwath, for their professionalism throughout the year.



Devon Wright
Treasurer

5 YEAR COMPARATIVE FINANCIAL SUMMARY

STATEMENT INCOME	2019 \$M	2018 \$M	2017 \$M	2016 \$M	2015 \$M	2014 \$M
Interest Income*	396.54	403.84*	414.58	399.49	396.65	390.74
Interest Expense	85.55	93.37	119.73	125.05	133.71	135.13
Net Interest Income	310.99	310.47*	294.84	274.44	262.94	255.61
Increase in Prov. For Impairment	8.47	13.96	4.76	12.11	12.13	14.83
Net Interest Income after Provision	302.53	296.51*	290.08	262.32	250.81	240.78
Non - Interest Income	61.49	56.44	44.18	41.47	36.2	32.71
Gross Margin	364.02	352.95	334.26	303.78	287.01	273.49
Operating Expense	306.79	281.33	292.30	273.17	245.65	231.68
Net Surplus	57.24	71.62	41.96	30.61	41.36	41.82
Balance Sheet	\$M	\$M	\$M	\$M	\$M	\$M
Total Assets	4,879.83	4,238.84	4,223.63	4,110.37	3,700.35	3,675.19
Members' Voluntary Shares	1,318.62	1,262.52	1,247.13	1,208.67	947.58	893.73
Permanent Shares	75.41	75.01	74.74	74.14	70.48	70.12
Loans to Members	2,868.74	2,651.75	2,655.58	2,445.36	2,071.42	1,957.32
Members' Savings Deposits	2,009.10	1,941.13	1,964.17	1,915.27	1,858.46	1,901.55
Financial Investments & Liquid Assets	1,296.08	1,380.67	1,227.39	1,364.51	1,387.11	1,429.78
Institutional Capital	712.74	691.29	676.97	672.77	600.29	592.01

*Restated

Treasurer's Report (Continued)

INCOME & EXPENDITURE				
2018		2019	GROWTH REDUCTION	PERCENTAGE CHANGE
\$		\$	\$	%
OUR INCOME WAS EARNED FROM				
342,483,688	INTEREST ON MEMBERS' LOANS	346,572,333	4,088,645	1%
61,354,078	INTEREST ON INVESTMENT	49,968,396	(11,385,682)	-19%
56,440,740	OTHER INCOME	61,494,128	5,053,388	9%
460,278,506		458,034,857	(2,243,649)	
OUR COSTS TO OPERATE THE CREDIT UNION WERE:				
79,311,915	INTEREST ON MEMBERS' SAVINGS	68,427,915	(10,884,000)	-14%
14,055,174	OTHER FINANCIAL COSTS	17,117,351	3,062,177	22%
27,285,570	REPRESENTATION & AFFILIATION	27,777,734	492,164	2%
105,168,893	ADMINISTRATION	114,596,180	9,427,287	9%
13,959,162	PROVISION FOR IMPAIRMENT	8,469,211	(5,489,951)	-65%
140,038,199	PERSONNEL	154,587,770	14,549,571	10%
8,839,966	MARKETING & PROMOTIONS	9,823,392	983,426	11%
388,658,879		400,799,553	12,140,674	3%
71,619,627	LEAVING A BALANCE OF	57,235,304	(14,384,323)	-20%
FROM WHICH WE SET ASIDE				
14,323,925	20% STATUTORY RESERVE	11,447,061	(2,876,865)	-20%
-	UNDISTRIBUTED HONORARIUM	-	-	
57,295,702	NET SURPLUS REMAINING	45,788,243	(11,507,458)	-20%

Our Managers



Joydene Jarrett
General Manager



Carl Grant
Branch Manager, Kirkvine



Marjorie Richards-Johnson
Branch Manager, Ewarton



Antoinette Robinson
Chief Accountant



David Goodlitt
Operations Manager



Kamoy Clarke
ICT Manager

Our Managers (Continued)



Natalie Murray
Credit Manager



Pierre-Anthony Wright,
Marketing Manager



Sandra Robinson-Brown
Risk and Compliance Manager



WEC.U.

Doing 'Credit Union'
TOGETHER.

Our Team Members

Half Way Tree Branch



Audrey Coward-Whyte
Investment Officer



Bevanny McKenzie
Credit Officer



Chavez Williams
IT Administrator



Christal Henderson
Delinquency Officer



Danielle Dyke
Member Service Representative



Dianaya Maxwell-Orr
Accountant



Faye Simpson
Accounting Officer



Javon Armstrong
Clerical Assistant



Joan Williams
Office Attendant/Bearer



Kharla Davis
Member Services Representative



Kevin Embden
Member Service Representative

Our Team Members - Half Way Tree Branch (Continued)



Marcia Lewis
Credit Officer



Mark Campbell
IT Administrator



Michell Taffe
Accounting Officer (Payables)



Peter Allen
Credit Officer



Sharon Walker
Credit Officer



Sueann McAnuff
Marketing Officer



Suzette Leung
Receptionist



Tavia Manhertz
Securities Officer



Zurie Johnson
Marketing Officer



Anicea Massias
Archivist

Our Team Members - Ocean Boulevard Branch



Our Team Members - Ewarton Branch



Our Team Members - Kirkvine Branch



Anthony Brown
Clerical Assistant



Beverly Allen
Member Service Representative



Janet Holness-Williams
Accounts Relations Officer



Kenesha Sinclair
Credit Officer



Marie Young-McNamee
Management Accountant



Sharon Wilkinson
Office Attendant/Bearer

Our Location Representatives

Donna Johnson
JPS Bogue

Claudette Dixon
JPS Bogue

Denise Warren
JPS Bogue

Phillipa Whyte
JPS East Parade

Clover Green-Gordon
JPS Falmouth

Donna Barrett
JPS Rockfort

Carol Aitcheson
JEP

Audley Richards
JPS Mandeville

Natoya Smith
JPS Morant Bay

Andrea Thomas
JPS New Kingston

Taundria Williams
JPS New Kingston

Sidoney Vassell
JPS New Kingston

Tricia Hay
JPS New Kingston

Hortense Hall
JPS Spanish Town Road

Hyacinth Mullings
JPS Spanish Town &
JPS Central Village

Althea Thorpe
JPS Portmore

Jullite Reeves
JPS Paradise/Black River

Debourne Martin
Digicel, Ocean Boulevard

Ricky Purkiss
Digicel, Montego Bay

Rose-Marie Blake
Digicel, Montego Bay

Una Bailey
JPS Twickenham Park.

Shoneika Dalling
JPS St. Ann's Bay

Delmar Eccles
JPS White River

Haley Clarke
JPS Wilmic

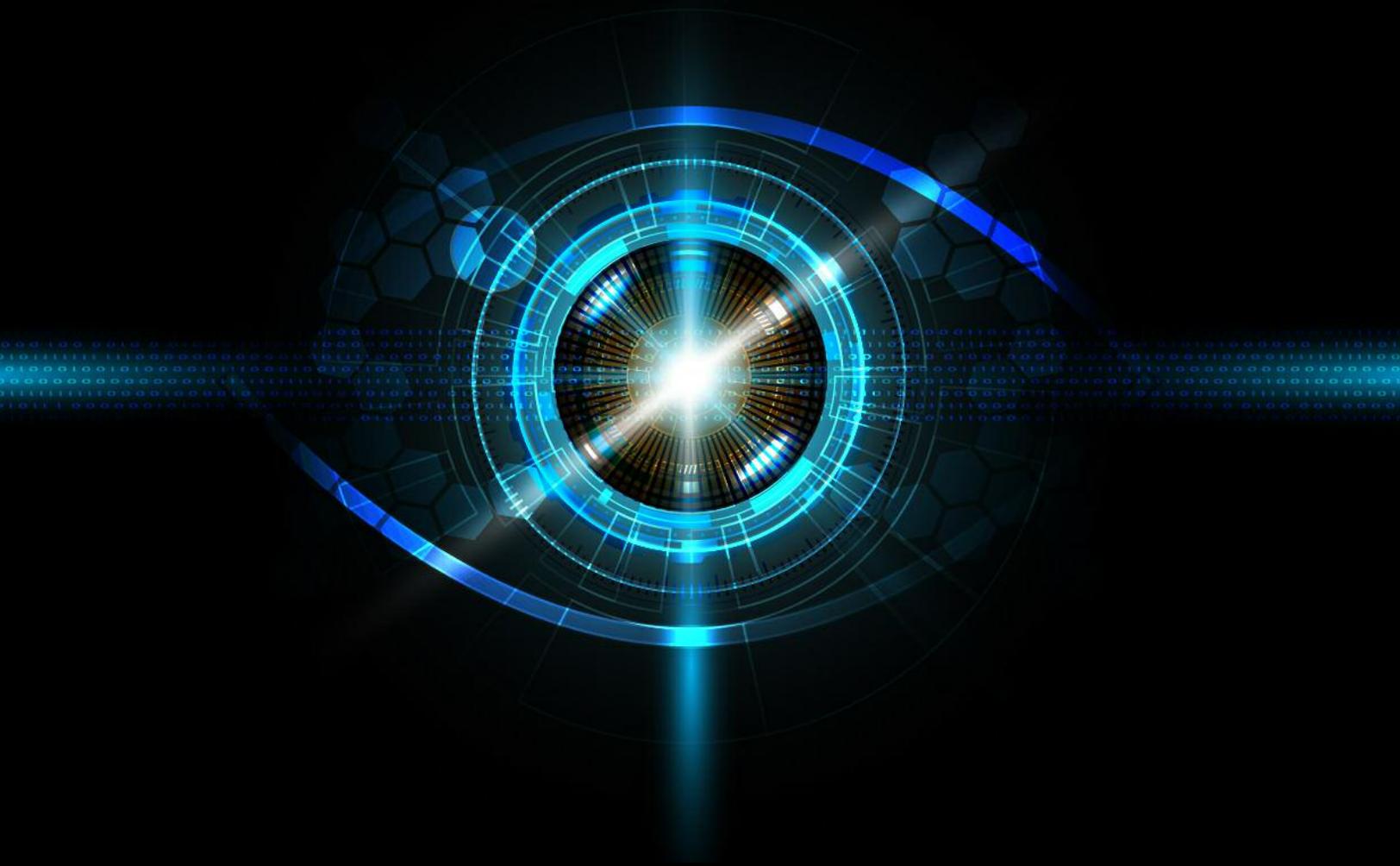
Melville Mullings
JPS Savanna La Mar

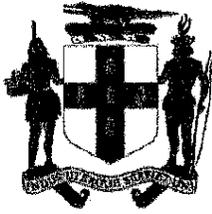



WECU
Doing 'Credit Union'
TOGETHER.

Financial Statements

as at December 31, 2019





DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES
CHARITIES AUTHORITY, JAMAICA

Ministry of Industry, Commerce, Agriculture and Fisheries
2 Musgrave Avenue, Kingston 10
Jamaica, W.I.
Tel: (876) 927-4912 | 927-6572 | 978-1946
E-mail: dcfs@cwjamaica.com Website: www.dcfs.gov.jm

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

S1
R160/- 648/4/20

April 20, 2020

The Secretary
JPS & Partners Co-operative Credit Union Limited
65 ¾ Half Way Tree Road
KINGSTON 10

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2019.

The Annual General Meeting must be held after June 1, 2020 and convened under **Regulation 19 and 21** 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(b)** 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,

.....
Paulette Kirkland (Ms.)
(For) REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES

PK/vpa

c. The Secretary
Jamaica Co-operative Credit Union League

HOPE GARDENS
Hope Gardens, Kingston 6
(876) 977-2277 / 927-1948
Fax (876) 977-2698

MANDEVILLE, MANCHESTER
23 Caledonia Road
(RADA Bldg.)
(876) 613-7602

MONTEGO BAY, ST. JAMES
10 Delisser Drive
(The Office of the Prime Minister)
(876) 952-7913

**REPORT OF THE INDEPENDENT AUDITORS
 TO THE REGISTRAR OF CO-OPERATIVES
 AND FRIENDLY SOCIETIES
 RE JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
 (A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)**

Opinion

We have audited the financial statements of JPS & Partners Co-operative Credit Union Limited, which comprise the statement of financial position as at 31st December 2019, the statement of comprehensive income, statements of changes in equity, cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31st December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matter	How the matter was addressed during the audit
<p style="text-align: center;">Expected Credit Loss ('ECL') on Financial Assets</p> <p>IFRS 9 was implemented by the entity on January 1, 2018. The adopted standard is new and complex and requires the entity to recognize expected credit losses ('ECL') on financial assets, the determination of which is highly subjective and requires management to make significant judgment and estimates.</p> <p>The key areas requiring greater management judgment include the identification of significant increase in credit risk ("SICR"), the determination of probabilities of default, loss given default, exposure at default and the implication of forward-looking information.</p> <p>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL computations, which increase the risk of material misstatement.</p> <p>We therefore determined that impairment on loans receivable and investment securities has a high degree of estimated uncertainty.</p> <p>In addition, disclosure regarding the entity's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgments and material inputs to the IFRS 9 ECL results.</p>	<p>Our procedures in this area includes the following:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the models used by the entity for the calculation of expected credit losses including governance over the determination of key judgments. • Testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key data inputs into IFRS 9 impairment models for investments. • Testing the completeness and accuracy of the data used in the models of the underlying accounting records based on a sample basis. • Evaluation of the appropriateness of the entity's impairment methodology including (SICR) criteria presented. • Assessment of the assumptions for probability of default, loss given default and exposure at default. • Assessment of the adequacy of the disclosure of the key assumption and judgements as well as the details of transition adjustment for compliance with IFRS 9.

LOCATIONS:

KINGSTON
 Oxford House,
 6 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 JPS & PARTNERS CO-OPERATIVE CREDIT UNION LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)**

Other information

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

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

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

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

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 the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ISA's 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.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES
AND FRIENDLY SOCIETIES
RE JPS & PARTNERS 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:

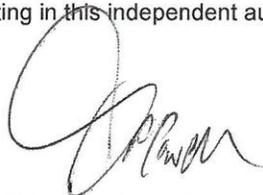
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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-operatives 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-operatives Societies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Simone Powell.



Crowe Horwath Jamaica

8th April 2020

Statement of Financial Position

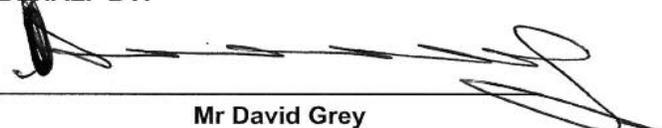
AS AT 31ST DECEMBER 2019

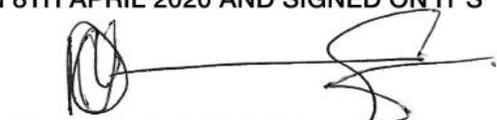
(Expressed in Jamaican Dollars unless otherwise indicated)

ASSETS:	Notes	2019	2018
		\$	\$
EARNING ASSETS:			
Liquid Assets	5	929,704,937	945,902,522
Loans to Members after Provision for Impairment	6	2,868,739,224	2,651,747,116
Financial Investments	8	366,372,263	434,768,226
Investment Property	9	277,000,000	13,973,347
Total Earning Assets		<u>4,441,816,424</u>	<u>4,046,391,211</u>
NON-EARNING ASSETS:			
Liquid Assets			
Cash and Cash Equivalents	10	54,765,977	30,954,679
Other Assets			
Receivables	11	24,917,238	29,013,684
Total Non-Earning Assets		<u>79,683,215</u>	<u>59,968,363</u>
Property, Plant & Equipment	12	301,141,426	81,693,082
Retirement Benefit Asset	13	57,184,000	50,792,000
		<u>358,325,426</u>	<u>132,485,082</u>
TOTAL ASSETS		<u>4,879,825,065</u>	<u>4,238,844,656</u>
LIABILITIES:			
INTEREST BEARING LIABILITIES:			
Members' Voluntary Shares	14	1,318,621,641	1,262,521,161
Savings Deposits	15	2,009,065,912	1,941,126,986
Total Interest Bearing Liabilities		<u>3,327,687,553</u>	<u>3,203,648,147</u>
NON-INTEREST BEARING LIABILITIES:			
External Credits	16	11,522,960	13,120,062
Payables	17	29,396,051	34,680,489
Accruals		8,560,436	17,292,930
Deferred Income	18	4,172,977	4,827,814
Total Non Interest Bearing Liabilities		<u>53,652,424</u>	<u>69,921,295</u>
EQUITY:			
Members' Permanent Share Capital	19	75,414,744	75,013,942
Non-Institutional Capital	20	710,330,880	198,968,869
Institutional Capital	21	712,739,464	691,292,403
Total Capital		<u>1,498,485,088</u>	<u>965,275,214</u>
TOTAL LIABILITIES AND EQUITY		<u>4,879,825,065</u>	<u>4,238,844,656</u>

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

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON 8TH APRIL 2020 AND SIGNED ON IT'S BEHALF BY:


Mr David Grey
PRESIDENT


Mr Devon Wright
TREASURER

Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

	<u>Notes</u>	2019 \$	2018 \$
INTEREST INCOME:			
Liquid Assets		19,144,017	22,738,541
Loans to Members		346,572,333	342,483,688 *
Financial Investments		<u>30,824,379</u>	<u>38,615,537</u>
		<u>396,540,729</u>	<u>403,837,766</u>
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares		(15,819,061)	(17,304,095)
Savings Deposits		(52,608,854)	(62,007,820)
Other Financial Costs	25	<u>(17,117,351)</u>	<u>(14,055,174)</u>
		<u>(85,545,266)</u>	<u>(93,367,089)</u>
NET INTEREST INCOME			
		310,995,463	310,470,677
Increase in Provision for Loan Impairment	7	(11,008,555)	(15,119,579)
Decrease in Provision for Investment Impairment		<u>2,539,344</u>	<u>1,160,417</u>
NET INTEREST INCOME AFTER PROVISION			
		302,526,252	296,511,515
NON-INTEREST INCOME			
Rental - investment property		8,491,323	7,854,452
Net Fee Income		26,654,371	20,238,122
Other	26	<u>26,348,434</u>	<u>28,348,166 *</u>
GROSS INCOME			
		364,020,380	352,952,255
Less Operating Expenses	27	<u>(306,785,076)</u>	<u>(281,332,628)</u>
NET INCOME BEFORE HONORARIA			
		57,235,304	71,619,627
Honoraria Payment		<u>(3,000,000)</u>	<u>-</u>
NET INCOME AFTER HONORARIA			
		54,235,304	71,619,627
<u>OTHER COMPREHENSIVE INCOME</u>			
Items that will never be classified to Profit or Loss:			
Minimum Business Tax		-	(60,000)
Revaluation Gain on Lands and Buildings		494,229,424	-
Pension Income	13	<u>3,824,000</u>	<u>8,448,000</u>
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA			
		<u>552,288,728</u>	<u>80,007,627</u>

* **Amount reclassified**

For the financial year 2018, a total amount of \$11,403,167, which represented amounts recovered on loans charged off, was reclassified to Non-Interest Income - Other. The treatment is consistent with 2019.

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

Statement of Changes in Equity - Summary

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

	Members' Permanent Share Capital \$	Non- Institutional Capital \$	Institutional Capital \$	Total \$
Balance at 31st December 2017 as restated	74,735,286	182,817,421	676,968,478	934,521,185
Minimum Business Tax	-	(60,000)	-	(60,000)
Pension Income	-	8,448,000	-	8,448,000
Scholarship Fund	-	(1,331,573)	-	(1,331,573)
Youth Programme Reserve	-	(200,000)	-	(200,000)
Care-a-bit Reserve	-	(30,000)	-	(30,000)
Software Reserve	-	(2,699,635)	-	(2,699,635)
Redemption Reserves	-	4,285,500	-	4,285,500
General Reserve	-	(14,491,398)	-	(14,491,398)
Appropriations of Net Surplus for 2017				-
Scholarship Fund	-	(1,105,927)	-	(1,105,927)
IFRS 9 Provision	-	(36,831,122)	-	(36,831,122)
Redemption Reserve	-	(5,000,000)	-	(5,000,000)
Software Reserve	-	2,699,635	-	2,699,635
Net Income after Honoraria	-	71,619,627	-	71,619,627
Transfer from General Reserve	-	14,491,398	-	14,491,398
Write Offs	-	(9,319,132)	-	(9,319,132)
Transfer of 20% of Net Income for the year before honoraria	-	(14,323,925)	14,323,925	-
Amount Subscribed during year	278,656	-	-	278,656
Balance at 31st December 2018	75,013,942	198,968,869	691,292,403	965,275,214

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

Statement of Changes in Equity - Summary (Cont'd)

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

	Members' Permanent Share Capital \$	Non- Institutional Capital \$	Institutional Capital \$	Total \$
Balance at 31st December 2018	75,013,942	198,968,869	691,292,403	965,275,214
Pension Income	-	3,824,000	-	3,824,000
Revaluation Gain on Land and Buildings	-	494,229,424	-	494,229,424
Scholarship Fund	-	1,690,240	-	1,690,240
Youth Programme Reserve	-	(5,000)	-	(5,000)
Care-a-bit Reserve	-	562,278	-	562,278
Software Reserve	-	3,155,152	-	3,155,152
Redemption Reserves	-	(586,624)	-	(586,624)
Appropriations of Net Surplus for 2018				
Dividends on Permanent Shares	-	(16,390,550)	-	(16,390,550)
Care-a-bit Reserve	-	(750,000)	-	(750,000)
Scholarship Fund	-	(4,000,000)	-	(4,000,000)
Software Reserve	-	(3,155,152)	-	(3,155,152)
Transfer from Non-Institutional to Institutional Capital	-	(10,000,000)	10,000,000	-
Net Income after Honoraria	-	54,235,304	-	54,235,304
Transfer of 20% of Net Income for the year before honoraria	-	(11,447,061)	11,447,061	-
Amount Subscribed during year	400,802	-	-	400,802
Balance at 31st December 2019	75,414,744	710,330,880	712,739,464	1,498,485,088

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER 2019
NON-INSTITUTIONAL CAPITAL

(Expressed in Jamaican Dollars unless otherwise indicated)

	Capital Revaluation Reserves	Other Non-Qualifying Reserves	Retirement Benefit Reserves	Undistributed Net Income	Total
	₤	₤	₤	₤	₤
Balance at 31st December 2017 as previously reported	17,191,673	42,930,741	42,344,000	43,519,885	145,986,299
Net Income after Honoraria	-	-	-	71,619,627	71,619,627
Other Comprehensive Income					
Minimum Business Tax	-	-	-	(60,000)	(60,000)
Pension Income	-	-	8,448,000	-	8,448,000
Total Comprehensive Income for the Year after Honoraria	-	-	8,448,000	71,559,627	80,007,627
Scholarship Fund	-	(2,437,500)	-	-	(2,437,500)
Youth Programme Reserve	-	(200,000)	-	-	(200,000)
Care-a-bit Reserve	-	(30,000)	-	-	(30,000)
Software Reserve	-	(2,699,635)	-	2,699,635	-
Redemption Reserve	-	(714,500)	-	-	(714,500)
General Reserve	-	(14,491,398)	-	14,491,398	-
Appropriations of Net Surplus for 2017					
Scholarship Fund	-	1,105,927	-	(1,105,927)	-
IFRS 9 Provisions	-	36,831,122	-	(36,831,122)	-
Redemption Reserve	-	5,000,000	-	(5,000,000)	-
Write-offs	-	-	-	(9,319,132)	(9,319,132)
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(14,323,925)	(14,323,925)
Total Transactions with Owners	-	22,364,016	-	(49,389,073)	(27,025,057)
Balance at 31st December 2018	17,191,673	65,294,757	50,792,000	65,690,439	198,968,869

Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER 2019
NON-INSTITUTIONAL CAPITAL (Cont'd)

(Expressed in Jamaican Dollars unless otherwise indicated)

	Capital Revaluation	Other Non-Qualifying	Retirement Benefit	Undistributed Net	
	Reserves	Reserves	Reserves	Income	Total
	\$	\$	\$	\$	\$
Balance at 31st December 2018	17,191,673	65,294,757	50,792,000	65,690,439	198,968,869
Net Income after Honoraria	-	-	-	54,235,304	54,235,304
Other Comprehensive Income					
Revaluation Gain on Lands and Buildings	494,229,424	-	-	-	494,229,424
Pension Income	-	-	3,824,000	-	3,824,000
Total Comprehensive Income for the Year after Honoraria	494,229,424	-	3,824,000	54,235,304	552,288,728
Transactions with Owners					
Scholarship Fund	-	(2,309,760)	-	-	(2,309,760)
Youth Programme Reserve	-	(5,000)	-	-	(5,000)
Care-a-bit Reserve	-	(187,722)	-	-	(187,722)
Software Reserve (transfer to Undistributed Income)	-	(2,699,635)	-	2,699,635	-
Redemption Reserve	-	(586,624)	-	-	(586,624)
Appropriations of Net Surplus for 2018					
Dividends on Permanent Shares	-	-	-	(16,390,550)	(16,390,550)
Care-a-bit Reserve	-	750,000	-	(750,000)	-
Scholarship Fund	-	4,000,000	-	(4,000,000)	-
Organisational Alignment	-	20,000,000	-	(20,000,000)	-
Software Reserve	-	3,155,152	-	(3,155,152)	-
Institutional Capital	-	-	-	(10,000,000)	(10,000,000)
Increase in Retirement Benefit Reserve	-	-	2,568,000	(2,568,000)	-
Transfer of 20 % of Net Income for the Year before Honoraria	-	-	-	(11,447,061)	(11,447,061)
Total Transactions with Owners	-	22,116,411	2,568,000	(65,611,128)	(40,926,717)
Balance at 31st December 2019	511,421,097	87,411,168	57,184,000	54,314,615	710,330,880

Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER 2019
INSTITUTIONAL CAPITAL

(Expressed in Jamaican Dollars unless otherwise indicated)

	Business Combination Reserve	Statutory & Legal Reserves	Revenue Reserves	Total
	\$	\$	\$	\$
Balance at 31st December 2017	297,610,477	335,127,794	44,230,207	676,968,478
Adjustment for reduction in transfer of Net Income for the year before honoraria from 20% to 10%	-	14,323,925	-	14,323,925
Balance at 31st December 2018 as previously reported	297,610,477	349,451,719	44,230,207	691,292,403
Appropriation from Non-Institutional Capital	-	10,000,000	-	10,000,000
Transfer of 20% of Net Income for the year before Honoraria	-	11,447,061	-	11,447,061
Balance at 31st December 2019	297,610,477	370,898,780	44,230,207	712,739,464

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

Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

	2019	2018
	\$	\$
Cash flows from Operating Activities:		
TOTAL COMPREHENSIVE INCOME	552,288,728	80,007,627
Non- cash items included in income		
Depreciation - Property, Plant and Equipment & Investment Property	22,327,852	21,018,734
Revaluation Gain on Properties	(494,229,424)	-
Retirement Benefit Asset	(6,392,000)	(8,448,000)
Loss on Disposal of Property, Plant & Equipment	42,315	2,212
Provision for Loan Impairment	810,293	(17,599,022)
Minimum Business Tax	-	60,000
Interest Income	(396,540,729)	(403,837,766)
Interest Expense	(68,427,915)	79,311,915
	<u>(390,120,880)</u>	<u>(249,484,300)</u>
Increase in Operating Assets		
Other Assets	1,198,857	5,119,102
(Decrease)/Increase in Operating Liabilities		
Accruals	(8,732,494)	4,345,829
External Credit	(1,597,102)	(1,024,706)
Payables	(1,070,464)	(8,648,086)
	<u>(400,322,083)</u>	<u>(261,095,328)</u>
Cash used in Operations	(400,322,083)	(261,095,328)
Interest Received	399,438,318	410,404,869
Interest Paid	67,213,941	(86,699,120)
Minimum Business Tax Paid	-	(60,000)
	<u>66,330,176</u>	<u>73,953,588</u>
Net Cash Provided by Operating Activities	66,330,176	73,953,588
Cash Flows from Investing Activities:		
Loans to Members	(217,802,401)	(24,720,069)
Financial Investments	68,395,963	(87,457,470)
Additions to Property, Plant and Equipment	(10,615,740)	(8,631,042)
	<u>(160,022,178)</u>	<u>(120,808,581)</u>
Net Cash used in Investing Activities	(160,022,178)	(120,808,581)
Cash Flows from Financing Activities:		
Savings Deposits	67,938,926	(23,038,931)
Members' Voluntary Shares	56,100,480	15,387,690
Subscription to Permanent Shares	400,802	278,656
Dividend Paid	(16,390,550)	-
Honoraria	(3,000,000)	-
Scholarship Reserve	(2,309,760)	(2,437,500)
Youth Programme	(5,000)	(200,000)
Redemption Reserve	(586,624)	(714,500)
Care-A-Bit Reserve	(187,722)	(30,000)
Deferred Income	(654,837)	4,827,814
	<u>101,305,715</u>	<u>(5,926,771)</u>
Net Cash Used in/(Provided by) Financing Activities	101,305,715	(5,926,771)
Decrease in Liquid Assets	7,613,713	(52,781,764)
Liquid Assets at Beginning of Year	976,857,201	1,029,638,965
Liquid Assets at End of Year	<u>984,470,914</u>	<u>976,857,201</u>
Liquid Assets - Earning	929,704,937	945,902,522
Liquid Assets - Non-Earning	54,765,977	30,954,679
	<u>984,470,914</u>	<u>976,857,201</u>

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

Notes to the Financial Statement

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

1. Identification:

The Co-operative is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act. Membership is limited to employees, ex-employees, pensioners of the Jamaica Public Service Company Limited, the Rural Electrification Programme, the Jamaica Private Power Company, the Jamaica Energy Partners, Digicel (Jamaica) Limited, UC Rusal Limited and Collector General, the staff of the Credit Union, spouse, children, parents, brothers, sisters, aunts and uncles, nieces and nephews of members and spouses of children.

The Credit Union's registered office is located at 65 ¾ Half-Way-Tree Road, Kingston, Jamaica and has branches in Ewarton-St Catherine, Kirkvine Manchester and Ocean Boulevard-Kingston and Port Esquivel.

The Co-operative's main activities are:-

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

The Co-operative is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

Membership in the Credit Union is obtained by the holding of members' shares, which should be at least one thousand (1,000) voluntary shares and one thousand (1,000) permanent shares. These shares are issued at par value of \$1 each. Voluntary shares are deposits available for withdrawal on demand, while permanent shares are paid in cash and invested in risk capital. Individual membership may not exceed 20% of the total of the members' shares of the Credit Union.

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.

An individual ceasing to be a member of the Credit Union, shall be entitled to a redemption of any amount held as Permanent Shares. Permanent Shares are redeemable only upon transfer to another member. To facilitate this, the Credit Union has established a Redemption Reserve Account.

2. Adoption of Standards, Interpretations and Amendments:

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

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has 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 the Credit Union were:-

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

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

IFRS 16 - Leases (Effective January 2019)

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

IFRIC 23 - Uncertainty over Income Tax Treatments (Effective January 2019)

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Effective January 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.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Effective January 2019)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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 12: Income Taxes (Effective January 2019)**

The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- **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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, interpretations and Amendments (Cont'd):

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

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.

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 in respect of published standards that are not in effect:

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 17: Insurance Contracts (Effective January 2021)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, interpretations and Amendments (Cont'd):

(b) Standards and interpretations in respect of published standards that are not in effect (Cont'd):

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

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

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

Definition of Material (Amendments to IAS 1 and IAS 8) (Effective 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.

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

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

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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(a) Statement of Compliance and Basis of Preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the requirements of the Co-operative Societies Act. They have been prepared under the historical cost convention. These financial statements are expressed in Jamaican Dollars which is the functional currency of the Credit Union.

(b) Use of Estimates and Judgements:

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

Critical Accounting Estimate and judgement applied

i) Classification of Financial Asset

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

ii) Impairment of Financial Assets

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

Risk of Estimation uncertainty

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

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

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(c) Loans to Members and provisions for Loan Impairment:

Loans are recognized when cash is advanced to borrowers.

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.

(d) Liquid Assets:

For the purposes of the statement of cash flows, liquid assets include cash and cash equivalents which consist of cash on hand and current accounts held at banks and deposits held under 6 months with banks and other financial institutions.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(e) Financial 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 (FVTPL)*: 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.

(f) Investment Property:

Investment Property is held for long-term rental yields and is not occupied by the Credit Union. Investment property is treated as a long-term investment and is carried at cost less accumulated depreciation and less any impairment losses. The fair value of this property is included in a note to the Financial Statements.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(g) Retirement Benefit:

The Credit Union participates in a multi-employer defined benefit and defined contribution 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.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, 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 credit 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.

Net interest expense/(income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning at the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the year. Gains or losses arising from the changes to the plan benefits or plan curtailment are recognised immediately in the profit or loss account.

Settlement of the defined benefit plan is recognised in the year in which the settlement occur.

(h) Leave Accrual:

The Credit Union's vacation leave policy allows a maximum of ten (10) days unused vacation leave to be carried forward for managerial and non-managerial staff. The charge for all outstanding leave is recognised in the Statement of Comprehensive Income in the period to which it relates.

(i) Other Assets:

Receivables are carried at original amounts less provisions for bad debt and impairment losses. A provision for bad debt 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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(j) Property, Plant and Equipment:

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Land and Buildings are shown at deemed cost less subsequent depreciation for building. Under IFRS 1, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment as its deemed cost.

The Credit Union has elected to apply this provision. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any. Rates for respective categories are as follows:

Computer & Other Equipment	33.33%
Computer Software	20%
Furniture & Fixtures	10%
ATM	12.5%
Garden Tools	33.33%
Investment Property & Other Buildings	2.5%
Software	33%
Equipment	20%

Land is not depreciated.

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

(k) 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 has 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 as 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 as Stage 3 financial assets).

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(l) Provisions:

General

Provisions are recognized 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 adopted 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.

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(m) Members' Shares:

Permanent Shares

Permanent Shares may be transferred by members to another member but are not available for withdrawal. Permanent shares are classified as equity.

Voluntary Shares

Members voluntary shares represent deposit holdings of the Credit Union's members, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Returns to members on these shares are determined at the discretion of the Credit Union, are denoted as interest and are reported as expense in the income statement in the period in which approved.

(n) Foreign Currency Transactions:

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Credit Union operates. The Credit Union's primary economic environment is Jamaica, and as such, its functional and presentation currency is Jamaican dollars.

Transactions and balances

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

(o) Statutory Reserve:

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

(p) League Fees and Stabilisation Dues:

Jamaica Co-operative Credit Union League Limited (JCCUL) has fixed the rate of league fees at 0.2% (2018 - 0.2%) of total assets. Stabilisation dues are fixed at a rate of 0.15% (2018 - 0.15%) of total savings.

The Credit Union is required by the JCCUL to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 17.95% (2018: 18.08%) which is in compliance with the requirements.

(q) Interest Income and Expense:

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments on an accruals basis, using the effective yield method, based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on discounted instruments.

Where collection of interest is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is therefore recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(r) Fees and Commission Income:

Fees and commission income are recognised on an accruals basis.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

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

(s) Risk Management:

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

(t) Capital Management:

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

The Credit Union is required by the Jamaica Co-operative Credit Union League to maintain its institutional capital at a minimum of eight percent (8%) of total assets. At the date of the statement of financial position, the ratio of institutional and permanent share capital to total assets was 17.95% (2018: 18.08%) which is in compliance with the requirements.

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

(u) Basis of Consolidation:

The Credit Union uses the acquisition method of accounting to account for business combinations. The consideration transferred on the merger of entities is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the credit union. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities acquired; and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In business combinations involving more than two parties, one of the previously existing entities is normally deemed to be the acquirer uses the principles outlined in IFRS 3 - *Business Combinations*, to account for the net assets of the entity deemed acquiree.

4. Financial Instruments & Financial Instrument 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 member's voluntary share capital, savings deposits, external credit, payables and accruals and accrued interest on member's voluntary share capital.

The Credit Union has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

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

(a) Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. This risk arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of financial instruments not reflected in the statement of financial position, such as loan commitments and guarantees. These expose the Credit Union to similar risks as loans and are managed in the same manner.

The significant concentrations of risk and the Credit Union's management of these risks are as follows:

i) Loans to Members & Guarantees

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

Credit Review Process

There is a documented credit policy in place to guide the credit review process. It establishes loan policy and loan interest rates that manage risk and provide the best possible rate based on market conditions and ensures that credit facilities are extended to members with good credit worthiness at the time of the loan, protects savers interest by managing risk; provides competitive interest rates and prompt service to borrowers; and complies with all applicable laws and regulations.

Collateral

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on the values of collateral assessed at the time of borrowing and are generally updated on a quarterly basis when loans are individually assessed.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(a) Credit Risk (Cont'd):

i) Loans to Members & Guarantees (Cont'd)

Repossessed Collateral

The Credit Union obtained assets by taking possession of collateral held as security, as follows:

	<u>Carrying Amount</u>	
	2019	2018
	\$	\$
Real Estate	4,950,000	12,300,000
Motor Vehicles	<u>21,500,000</u>	<u>3,050,000</u>
	<u>26,450,000</u>	<u>15,350,000</u>

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not utilise the properties for business use.

Impaired Loans

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

Past Due but not Impaired Loans

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

Loans with Re-Negotiated Terms

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

Allowances for Impairment

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

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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(a) Credit Risk (Cont'd):

i) Loans to Members & Guarantees (Cont'd)

Allowances for Impairment (cont'd)

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 it is determined that the loans are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Additionally, loans are written off once they are delinquent for 365 days or more based on regulatory requirements.

ii) 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 and Government of Jamaica securities. The management therefore does not expect any counterparty to fail to meet its obligations.

iii) Exposure to Credit Risk

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

	2019	2018
	\$	\$
Current Earning Liquid Assets	929,704,937	945,902,522
Loans to Members after Provision for Impairment	2,868,739,224	2,651,747,116
Fair Value Through Profit and Loss (FVTPL)	366,372,263	434,768,226
Current Non-Earning Liquid Assets	54,765,977	30,954,679
Other Current Non-Earning Assets	24,917,238	29,013,684
	<u>4,244,499,639</u>	<u>4,092,386,227</u>

Maximum Exposure under IFRS 9

Loans

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<u>Expected Credit Loss (ECL) 2019</u>				
Loans to Members before allowance for expected credit loss	2,826,684,202	40,864,687	47,037,345	<u>2,914,586,234</u>
Expected Credit Loss	24,379,332	1,210,782	20,256,896	<u>45,847,010</u>
<u>Expected Credit Loss (ECL) 2018</u>				
Loans to Members before allowance for expected credit loss	2,461,994,684	200,965,134	33,824,015	<u>2,696,783,833</u>
Expected Credit Loss	24,741,489	2,947,251	17,347,977	<u>45,036,717</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(a) Credit Risk (Cont'd):

iii) Exposure to Credit Risk (Cont'd)

Concentration of Risk

Changes in Credit quality since initial recognition:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL amount on Loans as at January 1, 2019	24,741,489	2,947,251	17,347,977	45,036,717
Transfers between Stages:				
Transfer from Stage 1 to 2	(111,578)	111,578	-	-
Transfer from Stage 1 to 3	(291,683)	-	291,683	-
Transfer from Stage 2 to 1	1,390,485	(1,390,485)	-	-
Transfer from Stage 2 to 3	-	(95,179)	95,179	-
Transfer from Stage 3 to 1	32,571	-	(32,571)	-
Transfer from Stage 3 to 2	-	-	-	-
ECL on new Financial Assets originated	14,057,602	691,748	5,098,889	19,848,239
Net movement due to Asset derecognition and changes in PD/LGDs/EAD factors	(15,439,554)	(1,054,131)	(2,544,261)	(19,037,946)
ECL amount of loans as at December 31, 2019	<u>24,379,332</u>	<u>1,210,782</u>	<u>20,256,896</u>	<u>45,847,010</u>

The following table summarises the Credit Union's credit exposure for loans based on the purpose of the loan:

	2019 \$	2018 \$
Transportation	1,033,966,362	1,008,562,373
Agriculture	5,346,173	9,517,880
Construction & Real Estate	414,793,942	713,612,130
Education	80,816,562	85,191,816
Debt Finance	432,235,428	26,924,556
Financial	24,415,353	-
Personal	452,341,346	351,719,948
Other	470,671,068	501,255,130
	<u>2,914,586,234</u>	<u>2,696,783,833</u>

There were no changes in the Credit Union's approach to credit risk during the year.

b) Liquidity risk:

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and 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
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
EARNING ASSETS:							
Liquid Assets	272,312,705	219,501,935	346,354,649	91,535,648	-	-	929,704,936
Loans to Members	290,111,907	128,482,010	19,361,259	1,715,782,826	715,001,222	-	2,868,739,224
Financial Investments	-	-	51,249,824	208,000,000	27,520,935	79,601,505	366,372,263
Total Earning Assets	562,424,612	347,983,944	416,965,731	2,015,318,474	742,522,156	79,601,505	4,164,816,422
NON-EARNING ASSETS:							
Liquid Assets	54,765,977	-	-	-	-	-	54,765,977
Other Assets: Receivables	14,171,944	2,253,220	8,492,074	-	-	-	24,917,238
Total Non-Earning Assets	68,937,921	2,253,220	8,492,074	-	-	-	79,683,215
TOTAL ASSETS	631,362,532	350,237,164	425,457,805	2,015,318,474	742,522,156	79,601,505	4,244,499,637

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and 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
	\$	\$	\$	\$	\$	\$	\$
LIABILITIES:							
INTEREST BEARING							
LIABILITIES:							
Voluntary Share Capital	197,793,246	263,724,328	329,655,410	369,214,060	158,234,597	-	1,318,621,641
Savings Deposits	-	84,335,372	644,392,053	920,770,467	359,568,022	-	2,009,065,915
	<u>197,793,246</u>	<u>348,059,701</u>	<u>974,047,463</u>	<u>1,289,984,526</u>	<u>517,802,619</u>	<u>-</u>	<u>3,327,687,556</u>
NON-INTEREST BEARING							
LIABILITIES & CAPITAL:							
External Credits	-	-	11,522,960	-	-	-	11,522,960
Payables	6,343,600	10,545,865	12,506,585	-	-	-	29,396,051
Accruals	-	-	8,560,436	-	-	-	8,560,436
Capital and Reserves	-	-	-	-	-	1,008,651,821	1,008,651,821
Total Liabilities & Capital	<u>204,136,847</u>	<u>358,605,566</u>	<u>1,006,637,445</u>	<u>1,289,984,526</u>	<u>517,802,619</u>	<u>1,008,651,821</u>	<u>4,385,818,824</u>
Net Liquidity Gap	<u>427,225,686</u>	<u>(8,368,401)</u>	<u>(581,179,640)</u>	<u>725,333,947</u>	<u>224,719,537</u>	<u>(929,050,316)</u>	<u>(141,319,187)</u>
Cumulative Liquidity Gap	<u>427,225,686</u>	<u>418,857,285</u>	<u>(162,322,355)</u>	<u>563,011,592</u>	<u>787,731,129</u>	<u>(141,319,187)</u>	
<-----2018----->							
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$	\$	\$	\$	\$	\$	\$
Total Assets	<u>757,582,529</u>	<u>148,296,384</u>	<u>562,041,342</u>	<u>1,815,209,361</u>	<u>746,984,277</u>	<u>62,272,334</u>	<u>4,092,386,227</u>
Total Liabilities & Capital	<u>191,719,506</u>	<u>346,418,008</u>	<u>958,597,910</u>	<u>1,257,699,236</u>	<u>514,306,968</u>	<u>970,103,028</u>	<u>4,238,844,656</u>
Net Liquidity Gap	<u>565,863,023</u>	<u>(198,121,624)</u>	<u>(396,556,568)</u>	<u>557,510,125</u>	<u>232,677,309</u>	<u>(907,830,694)</u>	<u>(146,458,429)</u>
Cumulative Liquidity Gap	<u>565,863,023</u>	<u>367,741,399</u>	<u>(28,815,169)</u>	<u>528,694,956</u>	<u>761,372,265</u>	<u>(146,458,429)</u>	<u>-</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

b) Liquidity risk (Cont'd):

The key measures used by the Credit Union for managing liquidity risk is the GAP analysis and the ratio of liquid assets to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with the Jamaica Co-operative Credit Union League (JCCUL) and highly liquid investments which have maturity up to nine months.

The Credit Union is subject to a liquidity limit imposed by JCCUL and compliance is regularly monitored. This limit requires the Credit Union to maintain liquid assets amounting to at least 10% of savings and deposits. The liquid asset ratio at 31st December 2019 was 30.91% (2018: 30.50%) which is in compliance with the standard.

Items not carried on the statement of financial position

At 31st December 2019, the Credit Union's commitment to extend credit to its members in respect of loans approved but not yet disbursed, amounted to \$775,000 (2018: \$14,629,199).

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

The previous table summarises the net liquidity gap and the cumulative liquidity gap of the Credit Union by analysing its assets and liabilities into periodical maturity categories. Members Voluntary Shares and other Savings deposits have no contractual maturity. The amounts included in the analysis are based on management's estimate of expected cash flows on these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

c) Market Risk:

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

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

The foreign exchange rates have steadily increased over the preceding eight months and the Credit Union's exposure to market risks has therefore fluctuated as a consequence.

i) Foreign Currency Risk

Currency risk is the risk that the market value of, or the cash flows from financial instruments will vary because of exchange rate fluctuations. The Credit Union is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. Balances in foreign currency represent a minimal portion of the entire investment portfolio (2.20%) and are monitored to ensure that they provide a net positive return. These funds are held for investment purposes only. It ensures that its net foreign currency exposure is kept to an acceptable level by buying or selling currencies at spot rates when necessary to address short-term imbalances.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

c) Market Risk (Cont'd):

i) Foreign Currency Risk (Cont'd)

The Credit Union's exposure to foreign currency risk as at 31st December 2019 was:

Liquid Assets - Earning

	2019	2018
	US\$	US\$
USD Global Bonds	135,005	185,650
USD Repos	<u>715,411</u>	<u>588,236</u>
	<u>850,416</u>	<u>773,886</u>

Sensitivity Analysis

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

	<u>US\$</u>
28th February 2020	135.78
31st December 2019	129.78
31st December 2018	125.89

There was a significant foreign exchange rate movement in the United States dollar during the period December 2018 to December 2019. Over the twelve months ended 31st December 2019, the exchange rate movement for the United States dollar has shown an overall decrease of 4%. The Credit Union's assets held in these currencies are minimal in comparison to total assets and therefore consequential adjustments would not be considered significant.

A four percent (3%) (2018: (4%)) movement in the US Dollar at 31st December 2019 would have increased/decreased surplus by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2018.

	2019	2018
	\$	\$
Jamaican dollar	<u>4,414,680</u>	<u>3,897,092</u>

ii) Interest Rate Risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed principally through monitoring interest rate gaps and by setting pre-approved gap ratios. The Finance and Planning 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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

c) Market Risk (Cont'd):

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

ii) Interest Rate Risk (Cont'd):

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	₤	₤	₤	₤	₤	₤	₤
ASSETS							
Earning Assets							
Liquid Assets	272,312,705	219,501,935	346,354,649	91,535,648	-	-	929,704,936
Loans to Members	290,111,907	128,482,010	19,361,259	1,715,782,826	715,001,222	-	2,868,739,224
Financial Investments	-	-	51,249,824	208,000,000	27,520,935	82,601,742	369,372,500
	<u>562,424,612</u>	<u>347,983,944</u>	<u>416,965,731</u>	<u>2,015,318,474</u>	<u>742,522,156</u>	<u>82,601,742</u>	<u>4,167,816,659</u>
Non-Earning Assets							
Liquid Assets							
Cash in hand and at bank	54,765,977	-	-	-	-	-	54,765,977
Other Assets							
Receivables	14,171,944	2,253,220	8,492,074	-	-	-	24,917,238
	<u>68,937,921</u>	<u>2,253,220</u>	<u>8,492,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,683,215</u>
TOTAL ASSETS	<u>631,362,532</u>	<u>350,237,164</u>	<u>425,457,805</u>	<u>2,015,318,474</u>	<u>742,522,156</u>	<u>82,601,742</u>	<u>4,247,499,874</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

c) Market Risk (Cont'd):

ii) Interest rate risk (Cont'd):

	Within 1 Month	1 to 3 Months	3 to 12 months	1 to 5 years	Over 5 Years	Non-rate Sensitive	Total
	₤	₤	₤	₤	₤	₤	₤
LIABILITIES:							
Interest-Bearing Liabilities							
Members' Voluntary Share Capital	197,793,246	263,724,328	329,655,410	369,214,060	158,234,597	-	1,318,621,641
Savings Deposits	-	84,335,372	644,392,053	920,770,467	359,568,022	-	2,009,065,915
	<u>197,793,246</u>	<u>348,059,701</u>	<u>974,047,463</u>	<u>1,289,984,526</u>	<u>517,802,619</u>	<u>-</u>	<u>3,327,687,556</u>
Non Interest-Bearing Liabilities							
External credits	-	-	11,522,960	-	-	-	11,522,960
Payables	6,343,600	10,545,865	12,506,585	-	-	-	29,396,051
Accruals	-	-	8,560,436	-	-	-	8,560,436
	<u>6,343,600</u>	<u>10,545,865</u>	<u>32,589,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,479,447</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008,651,821</u>	<u>1,008,651,821</u>
EQUITY:							
TOTAL LIABILITIES & EQUITY							
	<u>204,136,847</u>	<u>358,605,566</u>	<u>1,006,637,445</u>	<u>1,289,984,526</u>	<u>517,802,619</u>	<u>1,008,651,821</u>	<u>4,385,818,824</u>
Net Interest Rate Gap	427,225,686	(8,368,401)	(581,179,640)	725,333,947	224,719,537	(926,050,079)	(138,318,950)
Cumulative Interest Rate Gap	<u>427,225,686</u>	<u>418,857,285</u>	<u>(162,322,355)</u>	<u>563,011,592</u>	<u>787,731,129</u>	<u>(138,318,950)</u>	<u>-</u>
<-----2018----->							
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-rate Sensitive	Total
	₤	₤	₤	₤	₤	₤	₤
Total Assets	<u>757,582,529</u>	<u>148,296,384</u>	<u>562,041,342</u>	<u>1,815,209,361</u>	<u>746,984,277</u>	<u>76,245,681</u>	<u>4,106,359,574</u>
Total Liabilities & Capital	<u>191,719,506</u>	<u>346,418,008</u>	<u>958,597,910</u>	<u>1,257,699,236</u>	<u>514,306,968</u>	<u>970,103,028</u>	<u>4,238,844,656</u>
Net Interest Rate Gap	565,863,023	(198,121,624)	(396,556,568)	557,510,125	232,677,309	(761,372,265)	-
Cumulative Interest Rate Gap	<u>565,863,023</u>	<u>367,741,399</u>	<u>(28,815,169)</u>	<u>528,694,956</u>	<u>761,372,265</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

c) Market Risk (Cont'd):

ii) Interest rate risk (Cont'd):

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

	Interest Rate	2019	Interest Rate	2018
	%	\$	%	\$
Financial Assets				
<i>Liquid Assets</i>				
Foreign Deposits	0.65 - 2.30	33,335,566	0.85 - 2.20	29,734,217
Liquid Investments	1.05 - 2.50	896,369,371	2.00 - 5.75	916,168,305
Loans to Members	2.04 - 30.00	2,868,739,224	2 - 30.00	2,651,747,116
FVTPL Investments	2.00-11.00	366,372,263	2.50-11.00	434,768,226
		<u>4,164,816,424</u>		<u>4,032,417,864</u>
Financial Liabilities				
Savings Deposits	1.35 - 4.15	2,009,065,912	1.00 - 5.60	1,941,126,986
Voluntary Shares	1.35 - 1.5	1,318,621,641	0.50	1,262,521,161
		<u>3,327,687,553</u>		<u>3,203,648,147</u>
		<u>837,128,871</u>		<u>828,769,717</u>

Sensitivity Analysis - Interest rate sensitivity

	2019	2018
Change in basis points	-100	-100
	+100	+100

It should be noted that traditionally, Credit Unions do not respond as rapidly in their interest rates adjustment as other financial institutions and for certain securities the interest payment rates are fixed at the beginning of each year.

Assuming interest rate movements as set out below, surplus and equity would be affected as follows:

	Interest Rate	2019	Interest Rate	2018
	%	\$	%	\$
Financial Assets				
<i>Liquid Assets</i>				
Foreign Deposits	0.05	16,668	0.00	-
Liquid Investments	2.10	(18,823,757)	0.00	-
Loans to Members	0.02	573,748	-0.004	106,070
FVTPL Investments	0.25	(915,931)	0.00	-
		<u>(19,149,272)</u>		<u>106,070</u>
Financial Liabilities				
Savings Deposits	0.55	(11,049,863)	1.05	20,381,833
Voluntary Shares	0.93	12,197,250	0.25	(3,156,303)
		<u>1,147,388</u>		<u>17,225,530</u>
		<u>(20,296,659)</u>		<u>(17,119,461)</u>
		<u>(20,296,659)</u>		<u>(17,119,461)</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(c) Market risk (Cont'd):

iii) Equity price risk

Equity price risk arises from 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.

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.

(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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(d) Fair Value (Cont'd):

The following table provides an analysis of financial instruments held as at 31st December, 2019 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.

	2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equity Investments at Fair Value to Profit and Loss	<u>33,776,330</u>	<u>53,223,571</u>	<u>-</u>	<u>86,999,901</u>
	2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equity Investments at Fair Value to Profit and Loss	<u>19,725,835</u>	<u>52,979,240</u>	<u>-</u>	<u>72,705,075</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.

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.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(d) Fair Value (Cont'd):

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:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Financial Assets:				
<u>Earning</u>				
Loans to Members	2,868,739,224	2,868,739,224	2,651,747,116	2,651,747,116
Financial Investments	366,372,263	366,372,263	434,768,226	434,768,226
Liquid Assets	929,704,937	929,704,937	945,902,522	945,902,522
Investment Property	277,000,000	277,000,000	13,973,347	13,973,347
<u>Non-Earning</u>				
Liquid Assets	54,765,977	54,765,977	30,954,679	30,954,679
Receivables	24,917,238	24,917,238	29,013,684	29,013,684
Financial Liabilities:				
<u>Interest Bearing</u>				
Savings Deposits	2,009,065,912	2,009,065,912	1,941,126,986	1,941,126,986
Members' Voluntary Shares	1,318,621,641	1,318,621,641	1,262,521,161	1,262,521,161
<u>Non-Interest Bearing</u>				
External Credit	11,522,960	11,522,960	13,120,062	13,120,062
Payables	29,396,051	29,396,051	34,680,489	34,680,489
Accruals	8,560,436	8,560,436	17,292,930	17,292,930

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

4. Financial Instruments & Financial Instruments Risk Management (Cont'd):

(e) Capital Management:

In determining the Credit Union's capital base (Institutional Capital), the Institutional Capital of the acquired Credit Unions, (see below), which merged with JPS & Partners Co-operative Credit Union Limited was included. As at the dates of transfer of engagements/amalgamations, the relevant Credit Unions had Institutional Capital as stated below which comprised the following balances:

	Merger Date	Statutory Reserve	Retained Earnings Reserve	General Reserve
		\$	\$	\$
Kirkvine Co-operative Credit Union Limited	1st Aug 2013	60,752,660	34,745,029	-
Ewarton Co-operative Credit Union Limited	1st Sept 2013	109,323,595	-	-
Collector General Co-operative Credit Union Limited	1st Oct 2016	<u>43,481,088</u>	<u>10,000,000</u>	<u>-</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

5. Liquid Assets:

	2019 \$	2018 \$
a) Placement with Other Financial Institutions	615,481,320	553,442,200
b) Cash and Balances with JCCUL	271,156,544	369,425,994
c) JCCUL CUETS Investments	<u>9,731,507</u>	<u>2,145,465</u>
	896,369,371	925,013,659
d) Foreign Currency Deposit Account	<u>33,335,566</u>	<u>20,888,863</u>
	<u>929,704,937</u>	<u>945,902,522</u>

- a) This represents reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its collateral obligations. At 31st December 2019, the Credit Union held securities totalling \$544,628,340 (2018: \$519,707,610) representing Government of Jamaica debt securities as collateral for reverse repurchase agreements.

Included in these investments is an amount for \$2,409,777 (2018 - \$2,350,707) with respect to a Care-A-Bit Reserve Fund (Note 23d).

- b) Cash and balances with the Credit Union Fund Management Limited represent Cumax formerly (Cucash and Term Deposits) of \$263,134,183 (2018: \$360,580,640) which are cash management call accounts. The rules of the League stipulate that the Credit Union must invest a minimum of 8% of members' savings deposits in Cumax Mutual Fund.

The rules of the Jamaica Co-operative Credit Union League Limited stipulate that the Credit Union must invest a minimum of 10% of members' savings deposits in short-term deposit instruments. A minimum of 8% is required to be invested with the League, and a maximum of 2% with any other financial institution. Of the 8% requirement, a minimum of 4% must be held in fixed deposits and 2% in Cucash deposits.

- c) This represents an investment in the Jamaica Co-operative Credit Union League Limited CUETS Settlement Deposit, which is used as a security deposit for ATM transactions.
- d) This represents short-term reverse repurchase agreements denominated in United States Dollar, which are collateralised by Government of Jamaica securities.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

6. Loans To Members:	2019	2018
	\$	\$
Balance at the Beginning of the year	2,651,747,116	2,655,578,278
Loans Granted	<u>1,910,251,439</u>	<u>1,736,904,612</u>
	4,561,998,555	4,392,482,890
Less Repayments and Transfers	<u>1,647,412,321</u>	<u>1,695,699,057</u>
	2,914,586,234	2,696,783,833
Less: Allowance for Expected Credit Loss (IFRS 9)	<u>(45,847,010)</u>	<u>(45,036,717)</u>
Balance at End of Year	<u>2,868,739,224</u>	<u>2,651,747,116</u>

The profile of the loans to members are as follows:

	2019	2018
	\$	\$
Loans to members which are not past due	2,832,152,265	2,659,646,330
Loans to members which are past due:		
1 month	31,251,635	8,310,187
2-3 months	12,354,955	14,501,942
4-5 months	13,013,965	4,838,698
6-12 months	19,247,666	7,905,019
Over 12 months	<u>6,565,749</u>	<u>1,581,657</u>
	2,914,586,234	2,696,783,833
Less: Allowance for expected credit loss (IFRS 9)	<u>(45,847,010)</u>	<u>(45,036,717)</u>
	<u>2,868,739,224</u>	<u>2,651,747,116</u>

The aggregate amount of non-performing loans on which interest was not being accrued amounted to \$29,413,047 (2018: \$14,325,374).

Uncollected interest not accrued in these Financial Statements on non-performing loans was estimated at \$1,711,430 (2018: \$2,201,260).

The fair value of collateral held as security against impaired loans was \$28,005,034 (2018: \$33,028,911).

The fair value of collateral held as security against loans that are past due was \$29,667,616 (2018: \$20,159,735).

The loans which have been renegotiated and were past due or impaired are NIL (2018: NIL).

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

7. Provision for Loan Impairment:

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

	2019	2018
	\$	\$
Balance at the beginning of the year	45,036,716	17,379,986
Increase in Provision	4,767,766	37,102,681
Recoveries	7,028,983	14,629,196
Write-offs	<u>(10,986,455)</u>	<u>(24,075,147)</u>
Balance at the end of the year	<u>45,847,010</u>	<u>45,036,716</u>

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

	<-----2019----->			2018	
	Number in Arrears	Amounts in Arrears	Rate	Loan Loss Provision	Loan Loss Provision
	#	\$	%	\$	\$
1 month	51	31,251,635	-	-	-
2 - 3 months	24	12,354,955	10	1,235,496	1,821,766
3 - 6 months	31	13,013,965	30	3,904,190	1,451,609
6 - 12 months	59	19,247,666	60	11,548,600	4,743,011
Over 12 months	<u>12</u>	<u>6,565,749</u>	100	<u>6,565,749</u>	<u>1,581,657</u>
	<u>177</u>	<u>82,433,969</u>		<u>23,254,035</u>	<u>9,598,043</u>
				2019	2018
				\$	\$
Regulatory Loan Loss Provision				23,254,035	9,598,043
Less Provision based on IFRS 9				<u>(45,847,010)</u>	<u>(45,036,716)</u>
Excess of Regulatory Loan Loss Provision over IFRS 9 Provision Transferred to Loan Loss Reserve				<u>-</u>	<u>-</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

8. Financial Investments:

	2019	2018
	\$	\$
<u>Fair Value Through Profit and Loss</u>		
a) JCCUL Shares - Unquoted	13,106,842	13,106,842
b) JCIA Shares - Unquoted	2,000,000	2,000,000
c) JCCUL Mortgage Bond	51,249,824	49,985,762
d) JCCUL Cu-Premium	-	41,137,983
e) JNBS Mortgage Bond	10,000,000	10,000,000
f) Government of Jamaica -Debenture	188,000,000	226,000,000
g) Government of Jamaica - Global Bonds	17,520,935	23,372,147
h) Pan Caribbean Variable Rate Bond	-	2,000,000
i) Unit Trust	17,613,622	17,369,291
j) Shares - quoted	33,776,330	19,725,835
k) Shares - unquoted	35,609,949	35,609,949
l) Sagicor Select Fund	495,000	-
	<u>369,372,502</u>	<u>440,307,809</u>
Less: Allowance for expected credit losses under IFRS 9	<u>(3,000,239)</u>	<u>(5,539,583)</u>
	<u>366,372,263</u>	<u>434,768,226</u>

- a) This represent unquoted shares held in the League. A minimum of one million (1,000,000) shares must be held with the League for the Credit Union to retain membership status.
- b) This represent a 1.67% ownership of unquoted shares held in Jamaica Co-operative Insurance Agency Limited (JCIA).
- c) This represent funds invested in the League's Mortgage Fund instruments. These investments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.
- d) This represents an investment in the Jamaica Co-operative Credit Union League Limited Cu-Premium investment, maturing every three (3) years.
- e) Jamaica National Building Society Mortgage bond represent fund held with this institution to secure mortgage facilities, which are extended to the members of the Credit Union.
- j) This represents investment in Barita investments, Caribbean Cement Company, National Commercial Bank and JBG Limited.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

9. Investment Property:

	<u>Land</u>	<u>Building</u>	<u>Total</u>
	\$	\$	\$
<u>At Cost or Valuation:</u>			
At 31st December 2017	3,000,000	16,527,239	19,527,239
At 31st December 2018	3,000,000	16,527,239	19,527,239
Additions	-	110,000	110,000
Revaluation	18,000,000	239,362,761	257,362,761
At 31st December 2019	<u>21,000,000</u>	<u>256,000,000</u>	<u>277,000,000</u>
<u>Accumulated Depreciation:</u>			
At 31st December 2017	-	5,140,711	5,140,711
Charge for the Year	-	413,181	413,181
At 31st December 2018	-	5,553,892	5,553,892
Charge for the Year	-	415,931	415,931
Eliminated on revaluation	-	(5,969,823)	(5,969,823)
At 31st December 2019	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Book Values:</u>			
At 31st December 2019	<u>21,000,000</u>	<u>256,000,000</u>	<u>277,000,000</u>
At 31st December 2018	<u>3,000,000</u>	<u>10,973,347</u>	<u>13,973,347</u>
At 31st December 2017	<u>3,000,000</u>	<u>11,386,528</u>	<u>14,386,528</u>

At 31st December, 2019, the fair value of the property at 37 Lady Musgrave Road as appraised by The C.D. Alexander Company Realty Limited was \$277,000,000.

10. Cash and Cash Equivalents:

	2019	2018
	\$	\$
Cash on Hand	12,579,184	5,301,357
Savings Account	-	20,000
Current Accounts	<u>42,186,793</u>	<u>25,633,322</u>
	<u>54,765,977</u>	<u>30,954,679</u>

11. Receivables:

	2019	2018
	\$	\$
Accrued Interest Income	7,937,686	10,835,275
Receivables	16,979,552	18,918,409
Less Provision for Bad Debt	-	(740,000)
	<u>24,917,238</u>	<u>29,013,684</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

12. Property, Plant & Equipment:

	Land and Buildings	Office Equipment, Furniture & Fixtures	Computer Equipment	Computer Software	ATM	Fence and Garden Tools	Total
	\$	\$	\$	\$	\$	\$	\$
At Cost or Valuation:							
31st December 2017	65,280,930	53,527,347	40,444,422	81,108,008	2,979,749	109,470	243,449,926
Additions	1,164,796	5,887,438	1,205,484	-	373,324	-	8,631,042
Disposals	-	(54,930)	-	-	-	-	(54,930)
31st December 2018	66,445,726	59,359,855	41,649,906	81,108,008	3,353,073	109,470	252,026,038
Additions	1,286,275	783,397	6,632,110	1,803,958	-	-	10,505,740
Disposals	-	(97,277)	-	-	-	-	(97,277)
Revaluation	209,067,999	-	-	-	-	-	209,067,999
31st December 2019	276,800,000	60,045,975	48,282,016	82,911,966	3,353,073	109,470	471,502,500
Accumulated Depreciation:							
31st December 2017	18,590,471	42,692,464	34,462,150	53,910,259	15,307	109,469	149,780,120
Charge for year	1,594,523	2,365,043	2,158,999	14,083,068	403,920	-	20,605,553
Released on Disposal	-	(52,717)	-	-	-	-	(52,717)
31st December 2018	20,184,994	45,004,790	36,621,149	67,993,327	419,227	109,469	170,332,956
Charge for year	1,643,847	3,107,406	4,012,538	12,728,995	419,134	1	21,911,921
Released on Disposal	-	(54,962)	-	-	-	-	(54,962)
Eliminated on revaluation	(21,828,841)	-	-	-	-	-	(21,828,841)
31st December 2019	-	48,057,234	40,633,687	80,722,322	838,361	109,470	170,361,074
Net Book Values:							
31st December 2019	276,800,000	11,988,741	7,648,329	2,189,644	2,514,712	-	301,141,426
31st December 2018	46,260,732	14,355,065	5,028,757	13,114,681	2,933,846	1	81,693,082
31st December 2017	46,690,459	10,834,883	5,982,272	27,197,749	2,964,442	1	93,669,806

At 31 December, 2019, the fair value of land and buildings as approved by the C.D. Alexander Company Realty Limited was \$276,000,000.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Retirement Benefit Asset:

The Credit Union participates in a multi-employer pension scheme. The pension scheme up to 31st December, 2016 there was only a defined benefit plan and was funded. Subsequent to 31st December, 2016 the Credit Union introduced a contributory pension scheme and currently participates in both schemes. The assets of the funded plan are held independently of the Credit Union's assets in separate trustee administered funds. Independent actuaries value this plan annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31st December, 2019.

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

	2019	2018
	\$	\$
Present Value of funded obligations	(114,524,000)	(99,021,000)
Fair Value of plan assets	185,798,000	163,204,000
Effect of Asset Ceiling	<u>(14,090,000)</u>	<u>(13,391,000)</u>
Asset in the Statement of Financial Position	<u>57,184,000</u>	<u>50,792,000</u>

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

	2019	2018
	\$	\$
Current service cost	4,311,000	3,624,000
Interest cost	7,031,000	7,129,000
Expected return on plan assets	(11,666,000)	(12,694,000)
Interest on effect of Asset Ceiling	937,000	2,029,000
Past Service Cost	-	-
Administrative Expenses	<u>876,000</u>	<u>726,000</u>
Pension Expense	<u>1,489,000</u>	<u>814,000</u>

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

	2019	2018
	\$	\$
Net Asset at beginning of year	50,792,000	42,344,000
Pension Expense	(1,489,000)	(814,000)
Re-measurements included in OCI	3,825,000	5,557,000
Contributions Paid	<u>4,056,000</u>	<u>3,705,000</u>
Closing Net Asset at End of Year	<u>57,184,000</u>	<u>50,792,000</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

13. Retirement Benefit Asset (Cont'd):

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

	2019	2018
Discount Rate	7.00%	7.00%
Future Salary Increases	5.00%	5.00%
Future Pension Increases	3.00%	2.50%

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:

	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Fair Value of Plan Assets	142,827,000	163,209,000	164,064,000	163,204,000	185,798,000
Defined Benefit Obligation	(102,105,000)	(115,715,000)	(96,354,000)	(99,021,000)	(114,524,000)
Surplus	<u>40,722,000</u>	<u>47,494,000</u>	<u>67,710,000</u>	<u>64,183,000</u>	<u>71,274,000</u>
Experience adjustments- Gain/(Loss)					
Fair Value of Plan Assets	8,334,000	2,617,000	3,098,000	(2,057,000)	4,894,000
Defined Benefit Obligation	(2,375,000)	(3,055,000)	(17,612,000)	(2,548,000)	5,016,000

14. Members' Voluntary Shares:

	2019	2018
	\$	\$
Balance at Beginning of Year	1,262,521,161	1,247,133,471
Add Amount subscribed	<u>1,642,648,642</u>	<u>1,676,031,611</u>
	2,905,169,803	2,923,165,082
Less Withdrawals and Transfers	<u>(1,586,548,162)</u>	<u>(1,660,643,921)</u>
Balance at End of Year	<u>1,318,621,641</u>	<u>1,262,521,161</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

15. Savings Deposits:

	2019	2018
	\$	\$
a) On Call	39,066,256	41,202,467
Easy Access Deposits	45,269,115	41,484,676
	<u>84,335,371</u>	<u>82,687,143</u>
b) Special Deposits	563,401,911	519,811,284
c) Life Long Savings	309,992,366	304,087,925
d) Fixed Deposits	920,770,467	904,193,311
e) Mortgage Deposits	5,194,064	4,981,637
f) Loan Savings	4,328	9,358
g) Partner Plan Savings	40,110,626	35,322,920
h) U-Gain Savings Deposit	48,075,586	57,478,369
i) Christmas Savings	-	214,015
j) Motor Insurance Savings	35,681,123	31,116,559
k) Members Mortgage	1,500,070	1,224,465
	<u>2,009,065,912</u>	<u>1,941,126,986</u>
a) <u>On Call & Easy Access Deposits</u>		
Balance at 1st January	82,687,143	79,914,192
Add Deposits	<u>1,132,149,516</u>	<u>1,071,143,568</u>
	1,214,836,659	1,151,057,760
Less Withdrawals & Transfers	<u>(1,130,501,288)</u>	<u>(1,068,370,617)</u>
Balance at end of year	<u>84,335,371</u>	<u>82,687,143</u>

On Call & Easy Access Deposits

These are regular or ordinary deposits used primarily for standing order payments or assisting members to gain access through the ATM Banking Facility. No interest is paid on these accounts.

b) Special Deposits

Special deposits are for varying periods up to 365 days for which interest is paid at rates between 0.85% and 1.85% (2018: 0.85%) and 2.25% (2018: 2.25%) per annum.

c) Life Long Savings

Life Long Saving Deposits are for a minimum of five (5) years for which interest is paid at rates of between 2% - 3.8% (2018: 2.75%) and 4.15% (2018: 4.65%) per annum.

d) Fixed Deposits

These represents amounts placed for fixed period at fixed rates of between 1.5% and 2.1% (2018: 2.10%) and 3% (2018: 3.50%) per annum.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

15. Savings Deposits - (Cont'd):

e) Mortgage Deposits

These represent deposits by members who access Mortgage and Home Equity loans. They are required to make monthly deposits to this account until the loan is repaid. Payments are made on behalf of the members for peril insurance and life insurance when due.

f) Loan Savings

These represent compulsory savings for the Motor Vehicle Plus loan facility. Interest is paid at a fixed rate of 1.35% (2018: 2%) per annum.

g) Partner Plan Savings

These are savings by members towards their short-term goals. It ranges from a minimum period of 16 weeks to a maximum of 48 weeks. Bonuses are paid according to the period of the savings.

h) U-Gain Savings Deposit

The Golden Harvest Saving Deposit account allows the member to save towards a goal while insuring the amount of their goal. Fixed amount deposits are made monthly and earn interest at a rate of 3.65% (2018: 4.15%) per annum.

i) Staff and Christmas Savings

These are savings by members and staff towards Christmas Expenses and the Education of their children. Interest is paid at 3% per annum.

j) Motor Insurance Savings

These represent compulsory savings for members who have motor vehicle loans. Members are not permitted to access these funds until the loan is cleared and also works as a "cushion" to minimize the loss should the account falls in arrears.

k) Members Mortgage

These represent an escrow account for members who have received a mortgage through the Credit Union.

16. External Credits:

	2019	2018
	\$	\$
a) JPS \$2 Million Housing Loan	130,292	130,292
b) JPS Computer Loan	4,000,000	4,000,000
c) JPS Education Loan	4,967,987	3,016,705
d) Jamaica Energy Partners Loan Scheme	2,424,681	4,724,460
e) Private Power Operations Loan	-	1,248,605
	<u>11,522,960</u>	<u>13,120,062</u>

a) JPS \$2 Million Housing Loan

This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to assist them in the acquisition of property, repairs and construction of homes. The maximum available to each employee is \$200,000 at an interest rate of 12% (2018: 12%).

b) JPS Computer Loan

This facility was entered into with the Jamaica Public Service Company Limited, to provide loans to their employees who are members of the Credit Union to purchase computers. The maximum available is \$100,000 at an interest rate of 12% (2018: 12%) repayable over 24 months.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

16. External Credits (Cont'd):

c) JPS Education Loan

This facility was entered into with the Jamaica Public Service Company Limited, for their employees who are members of the Credit Union, to assist with back to school expenses for their children.

d) Jamaica Energy Partners Loan Scheme

The Jamaica Energy Partners provided an initial \$1,500,000 for this loan facility for its staff members. The maximum amount of loan available per member is \$150,000 repayable over 24 months. Selection of persons eligible for this loan is done by the management of the company and sent to the Credit Union for evaluation and processing.

e) Private Power Operations Loan

The Jamaica Private Power Company Limited was closed during the period.

17. Payables:

	2019	2018
	\$	\$
Withholding Tax	5,759,340	7,154,888
Statutory Contributions	3,750,866	3,159,875
Cuets ATM Settlement	2,803,251	2,591,084
Other	<u>11,919,532</u>	<u>15,397,606</u>
	24,232,989	28,303,453
Interest Payable	<u>5,163,062</u>	<u>6,377,036</u>
	<u>29,396,051</u>	<u>34,680,489</u>

18. Deferred Income:

	2019	2018
	\$	\$
Injection for IFRS 9 Implementation	<u>4,172,977</u>	<u>4,827,814</u>

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

19. Members' Permanent Share Capital:

	2019	2018
	\$	\$
Balance at Beginning of Year	75,013,942	74,735,286
Amount Subscribed in current year	<u>400,802</u>	<u>278,656</u>
	<u>75,414,744</u>	<u>75,013,942</u>

Each member must hold a minimum of One Thousand Dollars (\$1,000) in Permanent Shares and One Thousand Dollars (\$1,000) Voluntary Shares.

20. Non-Institutional Capital:

	2019	2018
	\$	\$
Capital/Revaluation Reserves (Unrealised)	511,421,097	17,191,673
Other Non-Qualifying Reserves (Note 23)	87,411,168	65,294,757
Retirement Benefit Reserves (Note 13)	57,184,000	50,792,000
Undistributed Net Income (Page 7)	<u>54,314,615</u>	<u>65,690,439</u>
	<u>710,330,880</u>	<u>198,968,869</u>

21. Institutional Capital:

	2019	2018
	\$	\$
Revenue Reserve	44,230,207	44,230,207
Business Combination Reserve	297,610,477	297,610,477
Statutory & Legal Reserves (Note 24)	<u>370,898,780</u>	<u>349,451,719</u>
	<u>712,739,464</u>	<u>691,292,403</u>

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

Institutional Capital forms a part of the permanent capital of the Credit Union and is not available for distribution.

Statutory and Legal Reserves:

The statutory and legal reserves are reserves which are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of the net income before honoraria be carried to a reserve fund. A Registered Society may apply to the Registrar to allow the required percentage to be reduced but not below 10%.

Business Combination Reserve:

The business combination reserve is a reserve arising on the merger of two or more co-operatives and is not available for distribution. It is being retained to maintain the capital base of the Credit Union.

Retained Earnings Reserves:

These reserves represent the appropriations by members at the Annual General Meetings to be set aside for strengthening the capital base of the Credit Union.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

22. Appropriations:

	2019	2018
	\$	\$
Scholarship Fund	4,000,000	1,105,927
IFRS 9 Provision	-	36,831,122
Dividend on Permanent Shares	16,390,550	-
Software Reserve	3,155,152	-
Redemption Reserve	-	5,000,000
Care-A-Bit Reserve	750,000	-
Institutional Capital	10,000,000	-
Organisational Re-Alignment	20,000,000	-
Honoraria	3,000,000	-
	<u>57,295,702</u>	<u>42,937,049</u>

23. Other Non-qualifying Reserves:

	2019	2018
	\$	\$
a) General Reserve	11,866,364	11,866,364
b) Scholarship Fund	1,629,032	(61,208)
c) Youth Programme Reserve	2,198,500	2,203,500
d) Care-A-Bit Reserve	3,843,487	3,281,209
e) Software Reserve	14,605,882	14,150,365
f) Redemption Reserve	3,698,876	4,285,500
g) 60th Anniversary Celebration	3,326,951	3,326,951
h) Building Reserve	15,613,009	15,613,009
i) Organisational Alignment	<u>30,629,067</u>	<u>10,629,067</u>
	<u>87,411,168</u>	<u>65,294,757</u>

a) General Reserve

This Reserve is used for any general assistance as the Credit Union approves.

b) Scholarship Fund

This Fund was established to assist members children who qualified for assistance for education after successfully completing the GSAT examinations. The Albert Morris Scholarship is also facilitated from this reserve to a member or member's child who has been accepted to attend a recognised local university to pursue a course in business or computer studies and covers tuition for three years. The scholarship is also available to eligible persons selected to pursue an undergraduate degree in engineering at The University of Technology, Jamaica (UTECH).

c) Youth Programme Reserve

This Reserve is used to provide assistance for the advancement of the Credit Union's youth through the staging of various events.

d) Care-A-Bit Reserve

This is used to assist members who suffer major illnesses or are affected by natural disasters.

e) Software Reserve

This reserve is to be used for any major purchases or upgrade of software.

f) Redemption Reserve

This reserve is to be used for the purchase or sale of shares to or from members.

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

23. Other Non-qualifying Reserves (Cont'd):

g) 60th Anniversary Celebration

This amount was set aside from the surplus for the commemoration of the sixtieth (60) anniversary of the Credit Union.

h) Building Reserve

This reserve is intended to be used for the construction of a new office building at Lady Musgrave Road, in Kingston.

i) Organisational Alignment

This reserve will be used in organisational re-alignment, for staff cost.

24. Statutory & Legal Reserves:

	2019	2018
	\$	\$
Balance at Beginning of Year	349,451,719	335,127,794
Transfer from Non-Institutional Capital	10,000,000	-
20% of Net Income before honoraria	11,447,061	14,323,925
	<u>370,898,780</u>	<u>349,451,719</u>

25. Other Financial Costs:

	2019	2018
	\$	\$
Life Savings & Loan Protection Insurance	13,267,665	13,471,066
Bond Insurance	1,958,398	2,236,401
Others	1,891,288	(1,652,293)
	<u>17,117,351</u>	<u>14,055,174</u>

26. Non-Interest Income - Other:

	2019	2018
	\$	\$
Miscellaneous	6,286,070	4,242,925
Other Fees & Charges	9,050,278	9,071,138
Gain/(Loss) on Foreign Exchange	868,041	1,069,573
CUETS Income	93,851	28,652
FIP Income	3,021,211	2,532,711
Loan Recoveries	7,028,983	11,403,167
	<u>26,348,434</u>	<u>28,348,166</u>

27. Operating Expenses:

i. **Personnel Expenses:**

	2019	2018
	\$	\$
Employee Salaries & Allowances	114,319,933	100,762,357
Employee Benefits	25,533,322	21,460,095
Education & Training	1,891,983	2,212,454
Gratuity	1,286,343	831,043
Lunch Subsidy	6,935,696	6,337,550
Staff Travel & Related Expenses	1,953,316	3,666,201
Retirement Benefit Expenses	2,667,177	4,768,499
	<u>154,587,770</u>	<u>140,038,199</u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

27. Operating Expenses (Cont'd):

i. Personnel Expenses cont'd:

The number of persons employed at 31st December 2019 was twenty-nine (27) full-time and twenty-one (22) part-time (2018 - twenty-nine (29) full-time and seventeen (17) part-time).

ii. Administrative Expenses:

	2019	2018
	\$	\$
Depreciation & Amortisation	22,327,851	21,018,733
Auditors Remuneration	4,564,674	4,200,456
Electricity	5,132,812	5,484,303
Repairs & Maintenance	6,044,114	6,869,026
Telecommunications	7,527,793	5,760,973
Printing, Stationery & Supplies	5,364,318	5,085,571
Insurance Premiums	5,314,771	4,608,677
Easy Access Expense	2,118,191	408,591
Professional & Consulting Fees	4,895,576	2,042,376
Postage	398,624	592,351
Security	12,916,463	13,274,331
Subscriptions	211,508	101,323
Computer Expenses	24,508,973	21,557,898
Rental Expense	1,975,944	1,686,593
Loss on Disposal of Fixed Asset	42,315	2,212
Other Administrative Expenses	4,299,565	4,199,992
Internal Audit Expense	3,741,735	4,591,945
Members' Refreshment	3,210,953	3,683,542
	<u>114,596,180</u>	<u>105,168,893</u>

iii. Marketing & Promotion Expenses:

	2019	2018
	\$	\$
Publicity & Promotion	9,473,592	8,400,540
Public Relations	349,800	439,426
	<u>9,823,392</u>	<u>8,839,966</u>

iv. Representation & Affiliation Expenses:

	2019	2018
	\$	\$
League & Other Dues	13,185,146	13,992,954
Seminars & Meetings	9,403,781	7,248,194
Annual General Meeting	5,188,807	6,044,422
	<u>27,777,734</u>	<u>27,285,570</u>
Total Operating Expenses	<u><u>306,785,076</u></u>	<u><u>281,332,628</u></u>

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

28. Comparison of Ledger Balances:

	Voluntary Shares	Savings Deposits	Loans
	\$	\$	\$
General Ledger	1,318,621,641	2,009,065,912	2,914,586,233
Personal Ledger	<u>1,318,621,641</u>	<u>2,009,065,912</u>	<u>2,914,586,233</u>
Difference at 31st December 2019	<u>-</u>	<u>-</u>	<u>-</u>
Difference at 31st December 2018	<u>-</u>	<u>-</u>	<u>-</u>

29. Related Party Transactions and Balances:

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

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

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

Notes to the Financial Statement - Cont'd

FOR THE YEAR ENDED 31ST DECEMBER 2019

(Expressed in Jamaican Dollars unless otherwise indicated)

29. Related Party Transactions and Balances (Cont'd):

At 31st December 2019, nine (9) (2018: eleven (11)) members of the Credit Union's Board of Directors and nine (9) (2018: ten (10)) Committee Members had savings of \$18,372,292 (2018: \$2,040,442) and loans including interest totalling \$36,247,702 (2018: \$35,404,422).

Credit Union Staff of forty-nine (49) (2018: forty-seven (47)) employees had savings of \$18,178,725 (2018: \$15,102,03) and loans including interest totalling \$65,556,350 (2018: \$77,796,039). No waivers were granted to staff members or volunteers during the year. At 31st December 2019, all loans owing by Directors, Committee Members, Staff and Connected Parties were being repaid in accordance with their loan agreements.

Key management remuneration for the year was \$44,895,195 (2018: \$28,080,737) and comprises the General Manager, the Chief Accountant, the Operations Manager, the Compliance Manager, the Credit Manager, Marketing Manager, Human Resource Manager, ICT Manager, and the Branch Managers for Ewarton, Kirkvine and Ocean Boulevard.

Directors are appointed on a voluntary basis and are not remunerated.

30. Life Savings and Loan Protection Insurance:

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

31. Fidelity Insurance:

Fidelity Insurance coverage was adequately maintained during the year.

32. Comparative Information:

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

33. ATM Fraud:

While the judgment was awarded in favor of the Credit Union, our efforts to collect from the respective members were futile. Based on the judgment, the last known addresses of these persons were visited by a member of the police force who, based on our follow up did not locate them at the given address. In our most recent follow up we were advised that arising from the incident, their employer Windalco had terminated their services and since then they have not been able to find meaningful employment. In accordance with our policy, the balances were charged-off as they were deemed irrecoverable.

34. Subsequent Events:

Given the current Coronavirus (COVID-19) pandemic, Management has assessed the current operations of the Credit Union and has determined that the organization could be negatively impacted to the extent of \$11.52M. We expect this impact to be reflected during the third quarter of 2020. Notwithstanding, as the global response to the coronavirus continues to evolve, it is anticipated that facts and circumstances will change by the end of the second quarter of 2020. Our interim audit report for 2020 will detail all financial information arising from the COVID-19 pandemic.

Management has not identified any activity relating to the COVID-19 pandemic that could lend itself to an inability of the Credit Union to continue as a going concern.

Supervisory Committee Report



Caphanne March



Corine McCalla



Ann-Marie Raymond



Viris Reece



Janet Morrison-Plummer

The Supervisory Committee is an oversight body of the Credit Union, which is elected for the purpose of audit and supervision. It is comprised of volunteers, duly elected by members at the Credit Union's Annual General Meeting.

The Committee's roles and responsibilities are governed by the Co-operative Societies Act (1950) and guided by the Jamaica Cooperative Credit Union League (JCCUL) Supervisory Committee Guide (2000).

ELECTION OF OFFICERS

The following volunteers served on the Supervisory Committee for the financial year 2019.

- Chairperson - Ms. Caphanne March
- Vice Chair - Ms. Corine McCalla
- Secretary - Mrs. Janet Morrison-Plummer
- Assistant Secretary - Ms. Ann-Marie Raymond
- Member - Mrs. Viris Reece

The Committee members were ratified at the Annual General Meeting, held on May 11, 2019 at the Jamaica Conference Centre. The first official meeting of the new committee was held on June 20, 2019. Meetings were thereafter held monthly.

ATTENDANCE

Attendance at Meetings:

<i>Name</i>	<i>Possible Attendance</i>	<i>Actual Attendance</i>
Caphanne March	14	14
Corine McCalla	14	14
Janet Morrison-Plummer	14	11
Ann-Marie Raymond	14	12
Viris Reece	14	13

YEAR UNDER REVIEW

INTERNAL AUDIT SERVICES

The Contractual agreement with Smith & Associates for internal auditing ended on October 31, 2019. The Contract was extended to October 31, 2020. A Request for Proposal for auditing services was issued on November 29, 2019 with a January 28, 2020 response deadline.

AUDIT REPORTS

Internal Auditor, Smith & Associates, conducted monthly audits at the Head Office and bi-monthly audit of the branches. These audit reports were reviewed and monthly submissions made by the Committee to the Board of

Supervisory Committee Report *(Continued)*

Directors to highlight issues and or make recommendations. Below are some of the areas for which review/examination was done during the period:

- o Standing order payments made by the Credit Union on behalf of members to third party institutions for accuracy and timely processing.
- o The Credit Union's Cash Handling policy and thereafter document any departure from stipulated requirements within the policy. This included surprise cash count of all funds in the custody of the Credit Union.
- o Preparedness to counter or recover from the effects of a fire or other types of disaster.
- o Adequacy of the programme employed at the office to effectively identify, assess, respond to and monitor all risks inclusive of security systems.
- o Internet banking policy as well as policies and procedures regarding operation of debit cards.
- o Current levels of control at the Credit Union to ensure proper segregation of duties exist in respect of tasks carried out by staff members on a daily basis.
- o Backup/retrieval systems in place for the technology system.
- o System to process members' deposits received through payroll deductions as well as funds deposited by members through other financial institutions.
- o Dormant accounts, delinquent loan reports and the current policy on unsecured loans to members.
- o Investments with other financial institutions.
- o Securities held by the Credit Union for loans granted.
- o Loans and deposits with volunteers, staff and connected parties for transparency and compliance.
- o Adequacy of insurance coverage for fixed assets.

TRAINING

Committee members participated in the following courses/workshops facilitated by the Jamaica Co-operative Credit Union League and JPS & Partners Credit Union:

- Meeting Protocols
- Internal Audit Techniques
- Investment
- Proceeds of Crime Act (POCA)/ERM

SPECIAL MEETINGS/EVENTS –

Committee members participated in a number of special meetings during the period including bid openings, joint meetings re loans for connected parties and the Strategic Planning Retreat.

REVIEW OF RISK & COMPLIANCE REPORTS

Review was done of reports covering the period January to December 2019. The information submitted indicates that the Credit Union is compliant in all areas of BOJ's regulation and continues to work on BOJ's readiness status for the licensing process.

BRANCH VISIT

Committee member made a visit to Ewarton branch on April 2, 2019.

SPECIAL AUDIT –

A member account verification exercise was requested. The auditor has confirmed that this will be done in early 2020.

INVESTIGATION

The Supervisory Committee conducted an investigation into the alleged signature being on a withdrawal slip which was reported as missing at the time of the audit by the auditor. The findings indicated that the situation arose from miscommunication between management and the auditor.

Supervisory Committee Report *(Continued)*

CONCLUSION

In general, the Credit Union is in compliance with policies and procedures, as well as regulatory requirements. In instances where shortcomings were identified, the relevant remedial recommendations were made. The Committee continues to review and monitor their implementation status.

The Supervisory Committee is satisfied with the operations of the Credit Union and is of the view that despite areas requiring improvement, the Cooperative continues to be a strong financial partner for its members. We endeavor to remain vigilant and to pay keen attention to the entire operations to ensure the best interest of members, as well as the viability of the Credit Union.

ACKNOWLEDGEMENT

The Supervisory Committee would like to express its appreciation to Smith & Associates, our Internal Auditors, for the audits done over the period. We would also like to thank the management and staff of the JPS & Partners Credit Union for their assistance. Importantly, we wish to thank all the Credit Union members for demonstrating confidence in our ability to supervise the operations of the Credit Union on their behalf.



Caphanne March
Chair, Supervisory Committee



WEC.U.

Doing 'Credit Union'
TOGETHER.

Credit Committee Report



Cebert Mitchell



Sharlene Chunnu-Brown



Nastassia Dixon



Nicole Goodin



Maxine Gardner

At the 64th Annual General Meeting the following members were elected to serve on the Credit Committee:

Cebert Mitchell

Sharlene Chunnu-Brown

Nastassia Dixon

Nicole Goodin

Maxine Gardner

At the first meeting of the Committee, Cebert Mitchell and Nicole Goodin were elected as Chairman and Secretary respectively.

LOAN APPROVALS

The Credit Committee met regularly throughout the period under review to consider all loan applications that were in excess of \$4M. All loans with a value below \$4M are now approved by the Credit Manager. The Committee members ensured that all loans submitted for review and subsequent approval were within the established lending policies and guidelines approved by the Board of Directors.

A total of 43 loans amounting to \$262.08M were reviewed and approved by the Committee during the period January 02 to December 31, 2019.

The table below shows the comparison of loans approved by the Credit Committee in 2019 versus 2018.

Loans Approved by the Credit Committee Jan to Dec 31, 2019		
Loan Category	2018 - Loan Value	2019 - Loan Value
Motor Vehicle	\$178,771,324.66	\$198,081,762.71
Home Equity	\$76,984,277.00	\$91,118,007.00
Mortgage	\$6,325,825.00	\$0.00
Total	\$262,081,426.66	\$289,199,769.71

LOAN DISBURSED TO MEMBERS IN 2019

In 2019 a total of 12,886 loans valued at \$1,910.2Billion were approved. This represents an increase of \$173.30M when compared to 2018 when loans disbursed stood at \$1,736.90B.



Credit Committee Report (Continued)

The table below illustrates the categories of loans approved and disbursed in 2019.

Loans Approved for the Period January to December 2019			
Loan Category	No. of Loans	Total \$M	%
Motor Vehicle	115	364,756,256.29	19%
Home Equity	27	119,846,939.95	6%
Mortgage	2	10,881,063.15	1%
Salary Enhancer	689	494,778,885.57	26%
Within Savings	993	343,004,117.37	18%
Character Pay Day	7,075	198,443,288.90	10%
Christmas	1,148	150,390,385.09	8%
Cash & Credit	811	68,424,545.58	4%
Education Assistance	412	66,810,353.20	3%
Mothers & Fathers Day	1,078	52,509,038.75	3%
Others	536	40,370,411.82	2%
Total	12,886	1,910,215,285.67	

TRAINING

On September 7, 2019 members of the Credit Committee participated in the annual Anti-Money Laundering (AML)/ Counter Financing of Terrorism (AML)/ (CFT) training seminar hosted by the Credit Union League. This was to ensure that members remained compliant with the Bank of Jamaica Regulations for financial institutions, in particular the Proceeds of Crime Act (POCA).

ACKNOWLEDGEMENT

The members of the Credit Committee continue to pledge their commitment to the role we play in helping to build our Credit Union Movement. We are pleased to have assisted you in meeting your financial needs over the past year. We are also grateful for the confidence you continue to place in us.

Thanks to the Board of Directors, Management and Staff of the Credit Union for their continued support during 2019.

I also take this opportunity to thank all members of the Credit Committee for their continued dedication throughout 2019.



Cebert Mitchell (Mr.)
Chairman

League Delegates Report



David Grey



Devon Wright



Tricia Robinson



David Flemming

League Delegates and Alternate Delegates are members of the Board of directors who represent the Credit Union as ambassadors to forums and conferences held by the Credit Union Movement's umbrella organizations both locally and internationally.

During 2019, Messrs David Grey (President) and Devon Wright (Treasurer) were appointed in the capacity of League Delegates, while Tricia Robinson (Secretary) and David Fleming (Vice President) represented the Credit Union as Alternate Delegates.

Highlights of their year as delegates and alternate delegates include:

2019 CONVENTION AND 78TH ANNUAL GENERAL MEETING

The League's Convention and 78th Annual General Meeting were held from May 30 - June 02, 2019 at the Hilton Rose Hall Resort and Spa in Montego Bay, St James under the theme 'People Helping People Achieve'. Approximately 140 delegates, alternate delegates and observers attended the weekend Convention and Meeting. The official opening of the Convention took place on Thursday May 30, 2019 with a delivery from Keynote speaker, Mr. Donovan White, Director of Tourism.

The Convention was a mixture of plenary sessions, workshops, awards presentation and social activities. The Annual General Meeting of the Jamaican Managers Association and the Inaugural CARIBDE's of Jamaica forum also took place at the convention. A number of exhibitors were in attendance. Participants gleaned valuable information from the presentations and workshops.

PLENARY SESSIONS/ WORKSHOPS

FIVE (5) workshops were held. They were:

- **"Due Process in Dispute Resolution"**. The presenter was Ms. Gillian Corrodus, Director of industrial Relations at the Ministry of Labour and Social Services.
- **"Handling Grievances and Separations"** The presenter was Kwame Gordon, Attorney at Law.
- **"How to provide and Measure your Value to Your Member"**. The presenter was Hank Halter, CEO of Delta Credit Union, USA
- **"The Art of Dealing with non-Performing Loans"** The Presenter was Tim Paulson, International Trainer
- **"The Healing Power of Jamaican Herbs"** The presenter was Dr. Sylvia Adioa Mitchell, Senior Lecturer, Medicinal Plant Research Group, The biotechnology Centre, UWI.

Respectively, they imparted a wealth of information to the participants.

HIGHLIGHTS OF THE 78TH ANNUAL GENERAL MEETING

The Meeting was held on June 01, 2019. Delegates from twenty- four (24) Credit Unions attended the meeting. President of the League Mr. Winston Fletcher chaired the meeting. He welcome the participants and then gave a summary of the Board Report for the year 2018. All aspects of the League's operations were presented and examined. Treasurer Mrs Andrea Messam did the same for the financial reports. The chair of the Supervisory Committee also reported.

League Delegates Report (Continued)

The Delegates agreed to the proposed Distribution of the Surplus of \$126M.

- **Postal Co-operative Credit Union** won the Paul Thompson trophy for medium-sized credit unions (Grace Co-operative Credit Union took the runner-up spot)
- **PWD Co-operative Credit Union** won the John Peter Sullivan Award for Small Credit Unions.

LEAGUE'S PERFORMANCE 2019

	Performance 2019		Performance 2018
	Amount	Growth	Amount
SAVINGS	\$96.31B	7.91%	\$89.31 B
LOANS (Net)	\$88.67B	12.53%	\$78.80 B
ASSETS	\$123.97B	8.59%	\$114.16 B
MEMBERSHIP	1,006,557	(1.44%)	1,021,267

A number of Credit Unions also won sectional prizes.

An Appreciation award was presented (in absentia) to Mrs. Susan Thompson, former Chief Operating Officer at the Jamaica Co-operative Credit Union League and another to Ms. Phillipa Beckford, former Sales and Marketing Manager at CUNA Caribbean Insurance Jamaica Ltd for their work with the Credit Union Movement.

RULE CHANGE

There were no rule changes.

RESOLUTIONS

Three (3) congratulatory resolutions were passed:

- **BJ Staff Credit Union – 55th anniversary**
- **Postal Credit Union – 60th Anniversary**
- **JTA Credit Union – 60th anniversary**

AWARDS

The guest speaker for the awards function was motivational speaker, Mrs. Nadine Burrowes-Seaga, founder of People Development Consultants.

Several Credit Unions were presented with awards for achievements in 2018.

- **First Regional Co-operative Credit Union** won the O.J. Thorbourne trophy for Mega Credit Union (Educom Co-operative Credit Union was the runner-up)
- **JDF Co-operative Credit Union** copped the Renford Douglas trophy for large credit Unions (Palisadoes Co-operative Credit Union was declared the runner-up)

ANNUAL CREDIT UNION BOARD CONSULTATION

Given the decrease in the number of boards as a result of mergers which has led to fewer participants in each region, the League took the decision to combine the usual three regional Board Exchanges into one event called CONSULTATION 1 to be held in the month of March. Board Consultation 2 remains in the month of November.

Board Consultation 1 held March 02, 2019 at the Jamaica Conference Centre gave delegates the opportunity to be sensitized on a number of game changing initiatives which were being undertaken by the League: Initiatives such as the members being able to deposit their Net Salary with the Credit Union and thereafter have immediate access to same, upgrading of our Access Plus debit card to EMV chip enabled technology and the strategic alliance formed with MasterCard were just some of the presentations made to delegates. It is important to communicate to you our members that the alliance with MasterCard will allow you to use their debit cards not only locally but also internationally. We urge you to participate when the project is rolled out.

Board Consultation 2 was held on November 21, 2019. The venue was again the Jamaica Conference Centre. At this meeting delegates were provided with updates on the debit card and other projects initiated by the League and communicated at Board Consultation 1, the issuing of deferred shares by Credit Unions in order to raise capital,

League Delegates Report (Continued)

the re-formation of the National Union of Co-operative Societies (NUCS) and changes to League Rules and Peer Groups were just some of the topics on which presentations were made by the various League Representatives. The changes to the peer groups resulted in a reduction in the number of peer group categories ie from small, medium, large and mega categories to small, medium and large. This reduction in categories saw our credit union moving from the mega to the medium category. Peer group categories are based on the asset size of a credit union.

CARIBBEAN CONFEDERATION OF CREDIT UNIONS (CCCU)

The 2019 annual Caribbean Confederation of Credit Unions (CCCU) conference was jointly hosted with the World Council of Credit Union (WOCCU). The conference was held at the Atlantis Paradise Island in the Bahamas. From July 28-31, 2019. More than one thousand nine hundred and forty six (1,946) Credit Union executives and volunteers from over fifty seven (57) countries attended the four-day conference.

The four- day convention provided educational and social opportunities for participants to optimize the Co-operative difference. It also provided the opportunity for Credit Union leaders to interact with other Credit Union professionals from around the world who face similar challenges: regulatory burdens, disruptive technologies, membership

growth especially among the youth all in an increasingly competitive environment and the future of cross-cultures, countries and people. The conference also allowed for participants to refocus on the critical elements that have allowed the Movement to compete in this global financial warfare, maintain our uniqueness while grasping the opportunities to empower our members in critical times. Participants received valuable information from over thirty (30) educational sessions throughout the four-day conference. This extensive educational program included (twenty-five (25) concurring breakout sessions, lunch and learns and keynote speakers sessions.

CONCLUSION

We are pleased to have served you as delegates and alternate delegates, proud to be members of this great Movement, and grateful for the confidence you have placed in us. We look forward to serving you in 2020.

On behalf of the Delegates and Alternate Delegates



David Grey (Mr.)
Delegate



WECU

Doing 'Credit Union'
TOGETHER.

Nominating Committee Report



Donovan Cunningham



Kim Robinson



Vaughn McDonald



Allentia Brown



Carl Grant

In keeping with Rule (65(1)) of the JPS & Partners Co-operative Credit Union, the Board of Directors appointed the following persons to serve on the Nominating Committee:

- Donovan Cunningham Chairman
- Kim Robinson Member
- Vaughn McDonald Member
- Allentia Brown Member
- Carl Grant Member/Staff

The Committee acting in accordance with its mandate considered all retiring members from the Board of Directors, Supervisory and Credit Committees. Having fully complied with the guidelines in its selection of candidates, the Committee hereby submit nominations to fill the positions which will become vacant at the 65th Annual General Meeting.

MEMBERS OF THE BOARD OF DIRECTORS

<i>Retiring</i>	<i>Nominated</i>	<i>Term in Office</i>
Tricia Robinson	Tricia Robinson	2 years
Clive Segree	Clive Segree	2 years
Devon Wright	Devon Wright	2 years
Natalie Sparkes	Dacia Barnes-Young	2 years
David Fleming	David Flemming	2 Years

Based on the term limits for Board members – three (3) consecutive terms, Ms. Natalie Sparkes will not seek re-election.

The following Directors will continue to serve:

<i>Name</i>	<i>Remaining Term in Office</i>
Deborah Campbell	1 Year
Terrence Knight	1 Year
Donovan Cunningham	1 Year
David Grey	1 Year

MEMBERS OF THE SUPERVISORY COMMITTEE

Volunteers on this Committee are elected to serve for one (1) year up to a maximum of three (3) consecutive terms. All members of this Committee save and except Ms. Janet Morrison-Plummer will retire at this Annual General Meeting. Ms. Morrison-Plummer has indicated her willingness to serve for another year. The following persons were elected to serve:

<i>Retiring</i>	<i>Nominated</i>	<i>Term in Office</i>
Corine McCalla	Althea Whyte-Sutherland	1 year
Caphanne March	Jodian Jolly	1 year
Janet Morrison-Plummer	Janet Morrison-Plummer	1 year
Ann Marie Raymond	Timain Campbell	1 year
Viris Jones-Reece	Diedre Codner-Campbell	1 year

Nominating Committee Report *(Continued)*

MEMBERS OF THE CREDIT COMMITTEE

Volunteers are normally elected to serve on this Committee for two (2) years. The following persons will retire from the Committee at this meeting: Nastassia Dixon, Nicole Goodin, Maxine Gardner, Sharlene Chunnu-Brown.

Ms. Maxine Gardner will not be seeking re-election.

<i>Retiring</i>	<i>Nominated</i>	<i>Term in Office</i>
Nastassia Dixon	Nastassia Dixon	2 Years
Nicole Goodin	Nicole Goodin	2 Years
Maxine Gardner	Tricia Hay	1 Years
Sharlene Chunnu-Brown	Sharlene Chunnu Brown	2 Years

The following Committee member will continue to serve:

<i>Member</i>	<i>Remaining Term in Office</i>
Cebert Mitchell	1 Year

The Committee wishes to thank all volunteers both returning and those retiring for their invaluable contribution over the years.

PROFILES OF THE NOMINEES

BOARD OF DIRECTORS

Clive Segree

Mr. Segree currently serves as a Director on the JPS & Partners Co-operative Credit Union Board. He is a Tax Administrator and Operations Manager with over thirty (30) years of progressive development in the tax administration.

Mr. Segree is employed to Tax Administration Jamaica since 1986. Currently he is the Assistant General Manager at the Cross Roads Tax Office. He demonstrates a holistic leadership, and people management skills that empowers and develop staff to perform at their maximum potential and abilities to produce results.

He holds a Post Graduate Diploma in General Management;

Bachelor of Science (BSc) in Management Studies and Accounts, and a Certificate in Accounting Technician (AAT). He is also a graduate of the Mannings School.

Clive sees it as paramount importance to fulfil his civic obligations in his community. Over the years he has held many positions in various organizations; President of the Parent Teachers Association (PTA) at the TAT Early Child Care Centre in Gregory Park, St. Catherine; also served as Chairman for CG Co-operative Credit Union Education, Supervisory and Credit Committees. He is the current Treasurer on Calvary Wesleyan Holiness Church Board, Greater Portmore, St. Catherine, he is as an executive member of Wolmer's Preparatory School, Parent Teachers Association (PTA). Clive is also a mentor at the University of the West Indies (Mona).

He is a proud husband and father.

Devon Wright

Mr. Wright has been employed at the Jamaica Public Service Company Limited for over 20 years. He currently holds the position of Project Officer. He has held other positions such as Budget Administrator, Financial Accounting Assistant, and Business Analyst. He previously served for over five (5) years as Chairman of the JPS & Partners' Supervisory Committee.

His qualifications include a Masters Degree in Logistics and Supply Chain, BSc. Degree in Finance and Accounting and certificates in Project Management and Electrical Installation (Level III). He also holds a Lean Process and Six Sigma Yellow Belt Certificate in Writing Business Process.

Devon is a UCASE Union Delegate at the Jamaica Public Service Company Limited. He is also a Justice of the Peace for the parish of St. Catherine. He is married with two sons.

Tricia Robinson

Tricia Robinson is employed to the Jamaica Public Service Company Limited (JPSCo.) as an Administrator in the Legal Division. She is the current President of Netball Jamaica.

She attended the University of Technology Jamaica, University of London and Caribbean Maritime University. She is a firm believer in service above self.

Nominating Committee Report *(Continued)*

Dacia Barnes-Young

Ms. Barnes-Young has been employed to the Jamaica Public Service Company Limited (JPSCo.) since August 2018. She is employed as Head, Capital Investments and O& M Management. Ms. Barnes –Young also possesses experience within the airline, manufacturing and Telecoms Industry. She holds a MBA in Banking and Finance from Mona School of Business, BBA in Finance from UTECH, Certificate in Project Management and Certificate in Jamaica Securities.

David A. Fleming

David is currently employed to the Jamaica Public Service Company Limited (JPSCo) as Legal Counsel. He holds a Certificate of Legal Education from the Norman Manley Law School, a Bachelor of Laws (Hons) from the University of the West Indies, Cave Hill Campus and a Bachelor of Arts (Hons) from the University of the West Indies, Mona Campus.

David was called to the Jamaican Bar in 2010 and has been a practising Attorney-at-Law since then. He has appeared as Counsel before the Parish Courts and Supreme Court of Jamaica.

David is also a member of the Jamaica Bar Association and is a member of the Commercial Law sub-Committee and the Mentorship Sub-Committee of the Jamaican Bar Association.

He is an active member of the Lions Club of Downtown Kingston and is currently a Director.

SUPERVISORY COMMITTEE

Janet R. Morrison Plummer, FCCA, FCA, DTM

Mrs. Morrison Plummer is employed to Tax Administration Jamaica (TAJ) as a Business Requirement Specialist (BRS). She is currently assigned to the Production Support Office on Harbor Street, where she serves as the BRS for Audit, Returns and Refunds on TAJ's integrated tax administration system (known as Revenue Administration and Information System - RAIS).

She is a Chartered Accountant who has spent all her professional life in Accounting and Audit. She is also a Fellow of both the Institute of Chartered Accountants of

Jamaica (ICAJ) and the Association of Chartered Certified Accountants (ACCA). She is a member of Council of ICAJ and serves as Chair of the Institute's Public Sector Committee.

Mrs. Morrison Plummer has experience with credit union affairs as she currently serves as Secretary of the Supervisory Committee. She is a Distinguished Toastmaster and served District 81B in a number of leadership roles including Area Director, Assistant Division Director-Program Quality and Division Director.

Althea Whyte-Sutherland

Ms, Althea Whyte-Sutherland was employed at the Jamaica Public Service Company Limited (JPSCo.) for the period 1995-2020. During this tenure, she held the positions of Accounting Assistant and Assistant Internal Auditor in the Accounting Payables and Internal Audit Department respectively.

Mrs. Whyte-Sutherland has achieved a Level 2 certification from the Association of Chartered Certified Accountant (ACCA), a Diploma in Financial Management and Accounting, and a Diploma in Information Management and Computer Application from the Jamaica Institute of Management. She is certified as an Accounting Technician (CAT) from the Accounting Body of ACCA and is a certified member of the Institute of Internal Auditors. She is currently pursuing the Certified Internal Auditor course.

Mrs. Whyte-Sutherland has received professional training in Governance, Risk Management and Controls, ISO 9001-2008 and Internal Auditing for Laboratories. Her voluntary contribution is extended to counseling and mentoring.

Jodian Kimberlin Jolly

Ms. Jodian Jolly is employed to Jamaica Public Service Company Limited (JPSCo.) as an Accounting Assistant; she has also served the company as a Customer Relations Representative in the Revenue Management Department.

She is a dedicated and detailed oriented individual. She holds a Bachelor's Degree in Business Administration from the University of Technology, Jamaica and a Certificate in Tax and Taxation from the Northern Caribbean University.

Nominating Committee Report *(Continued)*

Ms. Jolly is passionate about the community and is a member of the JPSCo. Volts outreach program,

Timain Campbell

Ms. Timain Campbell is a Chartered Accountant and a member of the Association of Chartered Certified Accountants (ACCA). She is employed to the Jamaica Public Service Company (JPSCo.) as Accountant- Tax Compliance and Bank Reconciliation. Her professional background spans over nine (9) years of progressive tax experience in Accounting firms- Ernst & Young Chartered Accountants and KPMG.

She holds a Bachelor of Science Degree in Accounting from the University of the West Indies as well as Certification in Business Writing from the University College of the Caribbean.

Timain enjoys performing taxation services as well as volunteering.

Diedre Codner-Campbell

Mrs. Codner-Campbell has been employed to the Tax Administration of Jamaica (TAJ) since July 2007. She currently holds the position of Senior Technical Specialist in the Commissioner Generals' Executive Office. Prior to that, she worked at the Jamaica Public Service Company Ltd. as Junior Analyst and Accounting Assistant in Financial Reporting and Payroll respectively.

Her qualifications include a MBA – International Business from the Mona School of Business and Management and a Post Graduate Diploma in Education from the Mico University. Mrs. Codner-Campbell is also a Fellow Chartered Accountant with the Association of Certified Chartered Accountants and the Institute of Chartered Accountants of Jamaica. She also has a Post Graduate Diploma in Taxation.

Her extra-curricular activities include being the Vice Chairman of the Public Relations and Marketing Committee at the Institute of Chartered Accountants of Jamaica, Member Advocate for the Jamaica Chapter of ACCA Caribbean and President of the National Children's Auxiliary of the Pentecostal Assemblies of the World (Jamaica

Council). She is currently involved in mentorship and charitable activities in particular assisting needy students.

CREDIT COMMITTEE

Sharlene Chunnu-Brown

Mrs. Chunnu-Brown is currently employed to the Jamaica Public Service Company Ltd. as Manager, Risk & Insurance. Her professional and educational qualifications include Master of Business Administration and Bachelor of Arts from the University of the West Indies, Mona and a Diploma from the College of Insurance. Prior to working at JPS, she was employed in the banking and airline industries.

Sharlene loves gardening and is an avid reader. She is married to Glenroy Brown and together they have a son, Thair.

Nicole Goodin

Nicole is employed to the Jamaica Public Service Company for twelve (12) years and is currently the Manager – HR Operations and Processes. She has a wealth of experience in Business Analysis and Process Management including designing and implementing policies and control mechanisms to ensure accountability and efficiency of organization's processes in alignment with strategic objectives.

She holds an MBA with a specialization in Banking and Finance from the Mona School of Business – University of the West Indies (UWI) and is also a Certified Business Process Practitioner and Customer Service Professional.

Nicole has previously served at various levels of the Rotaract Club of Kingston including President and is very passionate about community service and youth mentoring.

Nastassia Dixon

Ms. Dixon is currently employed to the UC Rusal as Fixed Assets and Capital Projects Accountant. Her qualifications include a Bachelor of Science in Management Studies Accounting from the University of the West Indies as well as an Associate's degree in Business Studies. She is currently pursuing the ACCA qualification.

Nominating Committee Report *(Continued)*

Nastassia has over six (6) years work experience, majority of which is in the field of accounts and finance. These experiences have shaped her to be a very competent and astute individual. She is also a firm advocate for the importance of nutrition, fitness and exercise and as such she is an active member of her local fitness centre and enjoys activities such as hiking and long distance running.

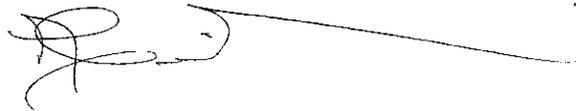
Tricia Hay

Ms. Tricia Hay is currently employed to the Jamaica Public Service Company Limited supporting the office of the Senior Vice President- Customer Services Division. During her thirteen (13) years of service at JPS, she has also served as a Quality Assurance Analyst and Business Analyst.

Ms. Hay holds a BBA from the University of Technology Jamaica –UTECH with a major in General Management and a minor in International Business (with Honors).

Her mantra “Service to humanity is service to God.” reflects one of her purpose which is to give back to others through voluntary service. By this, she has given her time in supporting initiatives and projects for the JPS Foundation, other organizations, communities and individuals to enhance the lives of others.

Ms. Hay’s service also extends to the JPS and Partners Credit Union where she currently serves as a Location Representative at the JPS head office since September 2010.



Donovan Cunningham
Chairman.



WECU
Doing ‘Credit Union’
TOGETHER.

Resolutions

CURRENT MAXIMUM LIABILITY

WHEREAS Credit Unions are required to obtain the approval of the General Meeting for the maximum liability they may incur in voluntary shares, loans and deposits and whereas the current limit approved by the last General Meeting was for this Board to borrow up to an amount not exceeding a ratio of sixteen (16) times of the Society's capital and reserve fund;

WHEREAS the Board of Directors is satisfied that the present functions of the JPS and Partners Co-operative Credit Union can be discharged within the limit of sixteen (16) times previously established;

BE IT RESOLVED THAT The Board of Directors may incur a liability in voluntary shares, deposits and/or loans from any source on such terms of payment or security provided that the total liability shall not exceed a ratio of sixteen (16) times of the Society's capital and reserve fund.



JPS & PARTNERS

CO-OPERATIVE CREDIT UNION LTD.

Your Financial Partner For Life 

HALF WAY TREE • KIRKVINE • EWARTON • OCEAN BOULEVARD

 **876-881-8807** |  **wecare@jpscu.com** |  **876-968-3700/1115**

 **www.jpscu.com** |    **JPS & Partners Co-operative Credit Union**