JAMAICA DEFENCE FORCE
CO-OPERATIVE CREDIT UNION LIMITED

ONE FAMILY

Marching Forward... Building Wealth

ANNUAL REPORT
2018


JAMAICA DEFENCE FORCE
CO-OPERATIVE CREDIT UNION LIMITED
JDF CO-OPERATIVE
CREDIT UNION LTD.
A Strong Family
...where members get more
• High Yield Savings & Investments
• Competitive Loan Rates & Terms
• Affordable Insurance
• Low Fees
Marching forward...building wealth
www.jdfcreditunion.com 1(876) 926-3870

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED

The Award Winning JDF Co-operative Credit Union Ltd.

Credit Union of the Year 2017!

MISSION STATEMENT

To enhance the financial well-being of our members

Core Values

Integrity ■ Efficiency ■ Member-Centric

Professionalism ■ Innovation

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THE PRAYER OF

St Francis of Assisi

Lord, make me an instrument of Thy peace; Where there is hatred, let me sow love;
Where there is injury, pardon; Where there is error, the truth;
Where there is doubt, the faith; Where there is despair, hope;
Where there is darkness, light; And where there is sadness, joy.
O Divine Master, Grant that I may not so much seek
To be consoled, as to console; To be understood, as to understand;
To be loved as to love. For it is in giving that we receive;
It is in pardoning that we are pardoned; And it is in dying that we are born to eternal life.
Amen.

The Agenda

ANNUAL GENERAL MEETING 2019

1. Ascertainment of Quorum
2. Notice of the Meeting
3. Call to Order and Prayer
4. Chairman's Opening Remarks
5. Reading and Confirmation of the Minutes of the 55th Annual General Meeting
6. Matters Arising
7. Guest Speaker - Lt Gen Rocky R. Meade
8. Reports:
   - Board of Directors
   - Auditor and Treasurer
   - Credit Committee
   - Supervisory Committee
9. Appointment of Returning Officer
10. Election of Volunteers
    - Nominating Committee Report
    - Elections to:
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11. Resolutions
12. Recognitions and Awards
13. Other Business
14. Vote of Thanks
15. Adjournment

MINUTES of the 55th Annual General Meeting

Notice of Meeting

Notice is hereby given of the 56th Annual General Meeting of the Jamaica Defence Force Co-operative Credit Union Limited to be held on Wednesday, April 24, 2019 at the No. 1 Hockey Field, Up Park Camp, Kingston 5 and beginning at 12:30 pm.

Andre Shakespeare
Warrant Officer Class 2
Secretary

MINUTES OF THE 55TH ANNUAL GENERAL MEETING

Minutes of The 55Th Annual General Meeting Held On 18 April 2018 At The No. 1 Hockey Field.

Call to Order

The Meeting was called to order at 1:38 pm by the President and Chairman, Maj Michael ANGLIN, after having ascertained that a quorum was satisfied.

Opening Prayers

Prayers were offered by Maj Heleda THOMPSON, following which the prayer of St Francis of Assisi was recited by all.

Notice of the Meeting

The Notice was read by the Secretary WO2 Andre SHAKESPEARE.

Chairman's Opening Remarks

The Chairman on behalf of the Board of Directors, Volunteers, Management and Staff of the Jamaica Defence Force Co-operative Credit Union Limited welcomed visiting friends and members to the 55th Annual General Meeting. He extended special welcome to the Chief Executive Officer of the Jamaica Co-operative Credit Union League, Mr Robin LEVY; the Brigade Commander of the Jamaica Regiment, Col Daniel PRYCE; from the Department of Co-operatives and Friendly Society, Mr Mario CLARKE, Richard McDONALD, Mrs Sophie PETERS-JOHNSON and Ms Tanisha FACEY; from Quality Network, Mrs Bethune LUGG-BANTON; Chief Executive Officer of Community and Workers Co-operative Credit Union, Mr Carlton Bartley; and from the Credit Union Fund Management Company, Mrs Georgia MORRISON,

Obituaries

One minute of silence was observed for members who had passed on during the year.

Mr. Devon Vanriel, Jr.
Mr. Michael Fraser
Mr. Linton Lynch
Mr. Desland Morrison
Mr. Danny Brissett
Mr. Lorenzo Ferrigon
Mr. Gawain Brown

Minutes of The 54th Annual General Meeting

The Minutes of the 54th Annual General Meeting was read by the Chairman, Maj Michael ANGLIN.

Confirmation of the Minutes

There was no correction to the Minutes. There being no correction, a motion for the confirmation of the minutes was moved by Mr. Peter PLUMMER and seconded by Mr. Martin MORGAN. The motion was carried.

MATTERS ARISING FROM THE MINUTES

The Board of Directors Report

The motion for the Board of Directors' Report to be taken as read was moved by Sergeant Paul PALMER and seconded by Miss Merice CAMPBELL. The Chairman gave highlights from the Report. He noted that 2017 had been a testing year for the JDF Credit Union in various ways. The Jamaican economy, he highlighted, continued to improve in 2017 with a GDP growth of 2% compared to 1.5% the previous year. The foreign exchange rate ended the year at $125.55 to US$1, an improvement of J$3.09 over the previous year. Lending rate closed out at 10.25% compared to 11.58% for the previous year. Also of importance, the unemployment rate improved from 12.84% in 2016 to 12.2% in 2017. The Chairman drew attention to some favourable conditions that existed in 2017 and indicated that some strategic objectives were set at our 2016 Annual Retreat that were to be achieved within those economic contexts. He noted that the strategic objectives were aimed at improving the overall success of the credit union and included an increase in our asset by $292 Million, value added to our members of $60 Million, keeping operating expenses within the 9% rate, growing our membership by 1300, having a loan growth of $174 Million and a saving growth of $438 Million. He admitted that the objectives were very ambitious from the start, especially the savings target, as historically JDF Credit Union members were not known for their willingness to save, noting that the other credit union practitioners present would probably say the same thing about their membership, outside of JTA. One of the objectives that was set was the extension of the credit union bond. He reminded the meeting that last AGM when the option was put to the membership, it was not carried and that it meant that a lot more work needed to be done with our existing bond, directing the team to go back to the drawing board with other strategies in an attempt to meet the credit union's objectives.

The Chairman informed that at the Movement's AGM in May, the JDF Credit Union was once again awarded the Renford Douglas Trophy for Credit Union of the Year in the Large Category. This he noted, was being won for the third consecutive year with one year as Runner-up. The JDF Credit Union was also awarded prizes for being the credit union with the highest solvency rate, Champion Investor For The Year with CUFMC and the 1st Runner-Up for the Highest Number of New Accounts for Golden Harvest in the large category. He noted that at the AGM in May 2018, we were expected to return with more awards. As part of the celebration of those achievements, the Chairman indicated that cash back was given to the members in their accounts, interest rates on loans were reduced and a Members Appreciation Movie Night was held at the Carib Cinema.

The Chairman further reported that in July 2017, Col Radgh MASON resigned from the Board of the credit union as a result of being selected to go overseas on a course. He advised that Mr. Everton Hay was co-opted to fill the vacancy on the Board.

The Chairman highlighted the performance for 2017 as far as our objectives were concerned, noting that our assets grew 12%, our loans grew by 14%. We had external credit was procured, especially with CUFMC, as part of our proactive and prudent management approach however we sought to borrow less from external credit, reducing from $187 Million last year to $88 Million. He noted that this reduction had not resulted in the credit union having less money to lend but that a more proactive approach was used to manage funds. He continued that savings grew by 21% and expenses were within the 9% benchmark. The Chairman concluded that membership grew by 65% of the target that was set, Institutional Capital grew by 12% and Value Added was at 18% and only 50% of what we had projected. The Chairman drew members' attention to the Attendance Register, noting that the Board had to meet as much as forty times last year to attend to the business of the credit union.

The Chairman pointed out that some important changes that were coming to the Credit Union Moment, as was happening all over the world. IFRS9 was one such change he reported, that came into being on the 1st of January notwithstanding that the preparations started in July 2017. He noted that the full financial impact would not be felt until the end of 2018 when we looked at the year's performance of our financials. He further informed the meeting that a local company was contracted to develop and implement the software for the management, calculation and categorizing of loans. He underscored the Guest Speaker's point that, after speaking for so many years about the BOJ regulations and the licensing process, credit unions will now have to be governed by the BOJ Regulations and that it is expected to be rolled out in 2018. He advised that licensing processes and the preparation for same was well advanced.

The Chairman highlighted that challenges in our physical space continued and that plans on the table for the Wellness Square at the main car park area in Up Park Camp was placed on hold by the investor/developer. The already existent Business Continuity Centre would therefore be reviewed for further expansion, to provide additional work space for both staff and volunteers. He also reported that it was now possible to do real-time online banking through the credit union's website. Further, with the continued expansion of the JDF across Jamaica, he posited that there was need to improve face-to-face services to members, and so there was a plan to purchase a customized mobile bus that would be used to provide credit union services across Jamaica.

In conclusion, the Chairman indicated that the Board would continue to work assiduously to pursue the objectives that were set, to improve the members' well-being as we continue to march forward and build members' wealth.

Independent Auditor's Report

The Independent Auditor's Report was read by Mr Gihan DeMEL from KPMG Chartered Accountants. It was contained in pages 3 to 38 of the booklet. The Report expressed the opinion that the financial statements gave a true and fair view of the financial position of the Co-operative as at 31 Dec 17, noting that the audit evidence obtained was sufficient and appropriate to provide a basis for the Auditors' opinion. Mr De Mel concluded that in their opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, are correct, duly vouched and in accordance with the provisions of the Co-operative Societies Act.

Treasurer's Report

The Treasurer reported that Asset growth was 12%, capital growth was 16% and savings grew by 26%. Voluntary shares grew by 12%, Interest Income grew by 41%, personal expense increase by 16%, general overhead increased by 27%, interest expense increased by 0.5% and affiliation and representation increased by 22%. He highlighted that although the $2B asset benchmark was not achieved at the end of 2017, it was achieved in February 2018.

Questions were asked about the increased delinquency rate, BOJ becoming our regulator and the effect this would have on the membership and external liabilities. These were addressed by the Treasurer and Chairman. The Report was accepted on a motion moved by Col D PRYCE and seconded by Mr Henry WILLIAMS.

Committees' Reports

The Chairman of the Credit Committee, Maj H THOMPSON, presented the Committee's report. She highlighted the role of the Committee and new policies that were implemented to bring greater transparency and efficiency to the loan process. She noted that there was an increase in the amount of loans that required waivers from the Board and encouraged the membership to honor their debts to prevent the delinquency rate from increasing. She further encouraged them to save with the credit union. The Report was accepted on a motion moved by Ms T JONES and seconded by Ms B SPENCER.

The Chairman of the Supervisory Committee, Capt A PIERCE, presented the Committee's report. He highlighted the role of the Committee and the various credit union operations and activities that were audited in 2017. He noted that the issues that were discovered by the Committee, assisted by the Internal Auditor, were brought to the attention of the Board and were addressed to the satisfaction of the Committee. The Report was thereafter accepted on a motion moved by WO2 SMITH, D and seconded by WO2 ROBERTS, H.

The Chairman thereafter presented the recommendation for the Distribution of Surplus as follows: Dividend of $6.1M, Capital Reserve of $23.7M, IFRS9 Reserve of $75M, Honorarium of $2.7M, Scholarship of $1.5M, IT Enhancement of $3.7M, Other Reserves of $2.72M and an Undistributed Surplus of $95.8M. The proposal was accepted on a motion moved by Col D PRYCE and seconded by Mr Andre FRANCIS.

Resolutions

A special resolution was presented by the Chairman for re-formatting of the Rule Book as Rules 1 to 160. By a count of 149 to 1, this resolution was passed. Resolution 3 (Rule 55) which spoke to a change in the years to serve after an AGM for board members from 2 to 3 years; Resolution 4 (Rule 52) which spoke to a change in term limits by desk officers from three consecutive terms to six years; Resolution 5 (Rule 78) which spoke to a change in the years to serve after an AGM for credit committee members from 2 years to 3 years; Resolution 6 (Rule 94) which spoke to a change in the term limit for supervisory committee members from 3 to 5 years; Resolution 8 (Rule 125 c) which spoke to a change for a person being delinquent for 1 year or less, instead of 6 months, prior to the deliberation of the Nominating Committee for vacancy on the Board of Directors, Credit or Supervisory Committees; and Resolution 9 (Rule 157) which spoke to the inclusion of electronic notice to members on any resolution to amend the Rules; were all passed en bloc on a motion moved by Maj H THOMPSON and seconded by WO2 ROBERTS, H. Resolution 2 which spoke to a transfer from the Unsecured Loan Reserve to the Undistributed Reserve of $80M to assist with the preparations for IFRS9, was passed on a motion moved by Ms C LUMSDEN and seconded by Ms B SPENCER. Resolution 7 for the new term limits to take effect April 2018, was also passed on a motion moved by Ms A PESSOA and seconded by WO2 SMITH, D. Resolution 10 regarding the fixing of maximum liability was passed on a motion moved by Director E HAY and seconded by Ms V CAMPBELL.

Election of Volunteers

Mr CLARKE from the Registrar's Office conducted the Elections for Volunteers, the results of which were: To the Board of Directors – Counting was to be concluded at the Registrar's Office. To the Credit Committee – WO1 C DRYSDEN, WO2 ROBERTS, H, WO2 JOHNSON, R and Sgt ROWE, M. To the Supervisory Committee – Counting was to be concluded at the Registrar's Office.

Any Other Business

A member queried the need to lower interest lending rates which he indicated, was causing members to go elsewhere, as well as providing 100% financing for loans. The Chairman responded that lowering of interest rate was something that was currently being considered, while 100% financing would be taken under consideration. He cautioned that such a move would necessitate more savings from members, among other necessities.

In closing, the Chairman thanked the members for their discipline in maintaining the quorum for the meeting and assured that all effort will continue to be made to strengthen the institution, with special focus being given to adding more value to the members.

Vote of Thanks

The vote of thanks was moved by Mrs Shakera MARSHALL-FENDER of the Credit Committee. Mrs MARSHALL- FENDER expressed appreciation to all who contributed to the success of the Jamaica Defence Force Co-operative Credit Union Limited 55th Annual General Meeting. She thanked the President and Board of Directors, Volunteers, Management and Staff of the Credit Union, Chief of Defence Staff - Maj Gen Rocky MEADE, Lt Col Dionne SMALLING, Lt Col Maurice MATTHEWS, Lt Col Roderick ROWE, Lt Col Winston WALCOTT, Lt Col Godphey STERLING, Major Carlington BRISSETT, Lt Col Murphy PRYCE and Commander Antonette WEMYSS-GORMAN for their attendance. She also thanked the following individuals for gracing with their presence: Mr Elvis KING – EDUCOM, Miss Hope MOWATT - Grace Kennedy CU, Miss Joydene JARRETT - JPS CO, Mr Osmond BROMFIELD - National Security CU, Ms. Claudette CHRISTIE – JCCUL, Mrs Lavern ECCLESTON and Miss Karen LYTTLE - Dept of Friendly Societies, Mr. Gihan De- MEL and Miss Janiene FACEY - KPMG, Miss Vera LINDO - JCCUL, Mrs Joan GARFIELD - NCB CU, Mrs Georgia MORRISON – CUFMC, Miss Maureen DELEVANTE - BOJ CU, Mr Mark BOWEN - Insurance Employees CU, Miss Roxann LINTON and Saint Beverley TOMLINSON - FHC, Mrs Bethune Lugg-Banton – QNET and the honourable Guest Speaker - Mr Robin LEVY.

Finally, appreciation was expressed to Kerry-Ann Bethune for the décor, Alvin Davis Music & PA, Booth Holders: PICA, TAJ, PriceSmart, LAMP, Cable and Wireless, JCIA, Kendel, CUNA Mutual, PCC, Magna Motors, Credit Info and the Jamaica Legion for their continued support and involvement.

Termination

With no other business to discuss, the 55th Annual General Meeting of the Jamaica Defence Force Co-operative Credit Union Limited was terminated at 5:05 pm.

Andre Shakespeare
Warrant Officer Class 2
Secretary

BOARD of DIRECTORS

Top Row L-R:

Major Heleda Thompson
Assistant Secretary

Major Michael Anglin
President

Major Garth Anderson
Director

Second Row L-R:

Warrant Officer Class 2 Andre Shakespeare
Secretary

Lieutenant Colonel Oneil Bogle
Vice-President

Mrs Donna Boland-Brown
Director

Third Row L-R:

Ex-Warrant Officer Class 2 Everton Hay
Assistant Treasurer

Major Andres Pierce
Treasurer

Captain Kwame Gordon
Director

ASSISTANT SECRETARY

SECRETARY

ASSISTANT TREASURER

PRESIDENT

DIRECTOR

VICE PRESIDENT

DIRECTOR

TREASURER

DIRECTOR

Board of Directors' REPORT

Major Michael Anglin, President

INTRODUCTION

Once again fellow co-operators, your Board of Directors 'stands' ready before you to give account of its stewardship of your credit union for 2018 and to present its plan for the organisation over the next year or so. In that respect, we are happy to report that your credit union continues to be on solid footing in this dynamic and innovative financial environment. Let us, however, do a review of the financial and economical environments of 2018, which will set the framework for a clearer understanding of the stewardship of your Board of Directors.

The Jamaican economy continued its recovery in 2018 with a Gross Domestic Product (GDP) growth rate of 2%, similar to 2017. The foreign exchange rate ended the year at J$127.45 to US$1, a loss of J$0.18. Also of importance was the unemployment rate which improved from 12.2% for 2017 to a remarkable 9.1% in 2018, with lending rates continuing to trend down the single digits scale. These eventually influenced the performance of our credit union on the major targets that we set at the beginning of the year. These targets were aimed at improving the overall success of the organization, and included increases in our Assets of $375.69M, Value Added to our members of $30.49M, Operating Expenses being kept within the traditional 9% rate, Membership being targeted to grow by 459, Loans growth of $203.57M and Savings Growth of $245.84M.

ACHIEVEMENTS

The new International Financial Reporting Standard (IFRS) 9 was enacted in Jamaica on 1 January 2018 and this caused significant changes in how we managed our financial affairs. We were now required to categorise and make loan loss provisions for all our loans from Day 1 and to implement a software programme that would satisfy the Bank of Jamaica (our soon to be Regulator) that the required infrastructure was in place to assess and efficiently report on the new standards under IFRS 9. This, fellow co-operators, was generally achieved with much work in the month of October 2018, and the finishing activities are expected to be done by the end of May 2019.

The Annual General Meeting for the credit union movement was held, as usual, in May and once again, the JDF Credit Union outperformed the other five (5) credit unions in the Large Category, one of four categories in the Jamaican credit union movement. The Renford Douglas Trophy for Credit Union of the Year was again won by the JDF Credit Union for the fourth consecutive year. Additionally, your credit union also walked away with the Highest Solvency Award in our category, an award which speaks to the soundness of your credit union. As part of our celebration of this achievement, the Board of Directors made the decision to reduce the interest rate for all existing loans by 1 % and to host a movie night at the Carib Cineplex in Cross Roads, which was fully attended.

> **"Your credit union also walked away with the Highest Solvency Award in our category."**

The results of our performance against the major targets that were set are as follows:

- Assets grew by 12% over 2017 but was 40% short of the 2018 target.
- The Loans portfolio declined by 2% and 20% less loans were granted in 2018 compared to 2017.
- External Credit, which helped to support our liquidity, declined by 83%, from $89.8M to $15.5M, which meant that we had to borrow less from the market to lend to our members.
- Savings saw a 14% growth but this was only a 44% achievement of the target.
- Expenses performed better than projected, coming out at 8% of the 9% that was set.
- Institutional Capital grew by 8%.
- Membership growth was 65% of the target.
- Our surplus declined by 8% from the amount achieved in 2017.

The Attendance Record below is partly, an indication of the level of work that was put in by your Board of Directors for 2018. Thirty six sittings were held during the year as follows:

Board Members	Possible	Regular	Special	Apology
Lt Col O A BOGLE	36	10	16	10
Maj M A ANGLIN	36	12	24	-
Maj G O ANDERSON	36	4	6	26
Maj H THOMPSON	36	8	18	27
Maj A PIERCE	36	7	14	15
Capt K GORDON	36	10	2	24
WO2 A SHAKESPEARE	36	12	23	1
Mr E HAY	36	11	21	14
Mrs D BROWN	36	11	23	2

MOVING FORWARD

The JDF continues to expand in earnest. Hundreds of young and ambitious men and women have joined our ranks and are yearning to build their future on a sound financial footing. The JDF Credit Union stands ready to march forward with you. Many other members continue to be employed in the West and Central regions of Jamaica, and still require the services of their credit union; they must be served. As promised last year, a Mobile Bus has been procured to enable the staff to better connect face to face with the members. This will be complemented in the near future with credit union offices being established on or near JDF main bases that are to be constructed.

In addition to our online payment of cheques and transfers with our Banks, we have also recently improved our online services through the modernization of our Mobile App which facilitates better connection to a myriad of online services. Our Website has been revamped and now better fits the status of a JDF Credit Union, providing more online services at your convenience. Your Board believes that online services supported by the requisite Information Technology infrastructure is the way forward. This will be further enhanced in 2019.

Last year, your credit union not only lowered lending rates but also extended repayment periods to ensure that our products and offerings were affordable and competitive. . Since then, we have seen lending and savings rates being lowered within the financial market and a significant push to win the business of our membership. We realised the need to review and further reduce our fees and interest rates while maintaining the requisite inflows to adequately meet the expenses of running the credit union. Consequently, new products are being looked at that will provide greater flexibility to you, especially those of you who are in the lower economic strata, to access and benefit from more loans and saving benefits. We believe that the credit union belongs to you and as such, you should be the ones receiving the greatest benefits as we remain focussed on marching forward to build your wealth.

The Bank of Jamaica Regulations are scheduled to be enacted in mid-2019 and all the requisite provisions have been made to satisfy the licensing and governance requirements.

CONCLUSION

The Board of Directors wishes to thank you the members for having given us the responsibility and trust to oversee the affairs of your credit union. The efforts of the volunteers have been so important and rewarding in ensuring that the services are efficient and adequately audited to ensure a well run organisation. Special thanks to the volunteers who continue to oversee the functions of management and staff in their duties and responsibilities. Lastly, and by no means least, special thanks to the management and staff who continue to shoulder the bulk of the tasking and demands of the Board. You have performed well, despite the challenges that were experienced in 2018.

I encourage you, the members, to continue to build your credit union with the financial choices you make, while encouraging others to take advantage of the offerings of the Jamaica Defence Force Co-operative Credit Union Limited.

Michael Anglin
Major
President

Treasurers' REPORT

Major Andres Pierce, Treasurer

OVERVIEW OF THE ECONOMY

The Economic Programme Oversight Committee (EPOC) continued to monitor the implementation of Jamaica's economic reform measures under its agreement with the International Monetary Fund (IMF). The Economic Programme remained on track in closing 2018, as the macro fiscal indictors was stable and positive which provided a platform for increased growth for the Jamaican economy. Fiscal space continued to open up as tax revenues outperformed. One notable feature of 2018 was increased employment levels which resulted in unemployment reaching historically low levels of 8.7%. Government of Jamaica (GOJ) debt levels also fell in relation to Jamaica's Gross Domestic Product (GDP). The Bank of Jamaica (BOJ) was accommodative with interest rates at all-time lows, increasing the pool of liquidity available for lending to the Private Sector. Whilst Private Sector credit levels increased during 2018 however, these levels will have to be pushed even further in 2019, for there to be greater impact on investments and growth in the economy.

PERFORMANCE

In looking at the year in review, I am pleased, as Treasurer, to report that our Credit Union has recorded another year of positive growth. Directed by aggressive Strategic Objectives and Major Performance Targets, our Credit Union navigated the challenges resulting from an economy under reform. These challenges were however not only faced by our Credit Union but the entire Credit Union Movement.

Our Credit Union remained proactive in meeting the regulatory requirements of the Bank of Jamaica and so provide you, our members, with the best and most competitive suite of Products and Services in the Credit Union Movement.

> "Our Credit Union has recorded another year of positive growth."

FINANCIAL HIGHLIGHTS

Let me share with you some of the significant financial accomplishments of our JDF Co-operative Credit Union as they appear in our Balance Sheet and the Income Expenditure Accounts respectively:

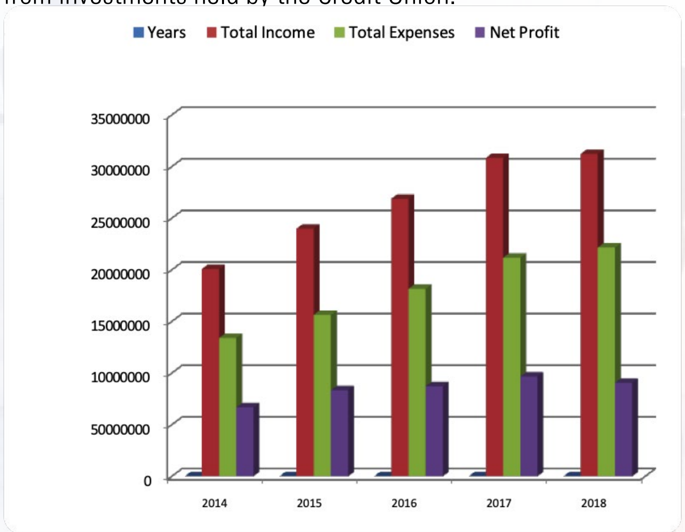
Asset Base
As at December 31, 2018 the JDF Co-operative Credit Union's assets stood at $2,187,950,000, a growth of 11% over the previous year. The Loan Portfolio stood at

$1,683,065,000, a growth of 2% over 2017. Savings stood at $1,404,991,000, a growth of 14%.

Capital
The accumulated Institutional Capital set aside from the annual appropriation of funds retained as regulatory reserves experienced an 8% growth over 2017, and therefore as at 31 December 2018 stood at $673,242,000.

Liabilities
Total liabilities stood at $1,514,708,000 with members' savings increasing by $107,279,000 or 13% over 2017. External credit reflected an 82% decrease when compared to 2017 which speaks to the repayment of our facility with the Credit Union Fund Management Company Limited (CUFMC).
Similarly, members' Voluntary Shares increased by 30% over 2017 and now stands at $517,985,000.

Income and Expenditure Account
Our Credit Union realized a surplus of $90.6M. This however was (7%) less than the previous year's surplus of $96.6M. This surplus was achieved against the backdrop of a 3% reduction in interest rates on loans during 2018 as well as reduced returns from investments held by the Credit Union.



* **Interest Income on Loans**
  Loan interest income moved from $232,248,000 last year to $249,468,000 in 2018. This reflected an increase of $17,220,000 or 7% over the previous year.

* **Interest earned on Investment**
  The Credit Union however recorded a decrease on investment income during the period under review and earned of $4,844,000 compared to $7,209,000 in 2017. This 33% decline was due mainly to the general reduction in interest rates in the financial space, consistent with the Government of Jamaica inflationary and economic stimulation targets.

* **Operating Expenses**
  Total Operating Expenses during the year closed out at $140,869,000. This reflected a 11% increase when compared to $126,466,000 for 2017. This was due to an overall increase in professional and accounting fees, insurance premiums, repairs and maintenance costs as well as affiliation and representation costs.

Table 1 below displays a simplified version of the Income and Expenditure Statement for the periods ended December 31, 2018 and December 31, 2017.

Table 1

Income	2018	2017	Variance	% Variance
Interest on loans	249,468,000	232,248,000	17,220,000	7%
Interest on Investments	4,844,000	7,209,000	-2,365,000	-32%
Non-Interest Income	57,946,000	68,992,000	-11,046,000	-16%
Expenditure	**2018**	**2017**	**Variance**	**% Variance**
Personnel	81,778,000	76,889,000	4,889,000	6%
General Overheads	41,589,000	33,423,000	8,166,000	24%
Interest Expense	63,369,000	67,110,000	-3,741,000	-5%
Affiliation & Representation	17,502,000	16,144,000	1,358,000	8%

THE WAY FORWARD

The JDF Co-operative Credit Union continues the process to prepare and pursue strategies that will enable an improved state of readiness in meeting the requirements under the BOJ Credit Union Regulations. Already, we have seen where these regulations have started to codify sound practices within the sector and standardize certain key definitions and terms in accordance with local and international standards.The Credit Union remains active in continuing the process to BOJ readiness and anticipates to be fully compliant within the timelines dictated by the Regulators.

In an effort to better reach our valued members and in recognition of the growth of the Force to the west of the island, the JDF Co-operative Credit Union will seek to establish a permanent presence in St James. The establishment of this new office will seek to cater to both our military and civilian members who have taken up residence in that side of the island. Technology is another area feature in our drive to better reach members. An increased investment will be made in our online banking platform, which will lead to fewer Credit Union visits, faster transactions, and faster payment options. As the

JDF grows, so will our Credit Union to better serve you through quality and convenience.

With the establishment of the Jamaica National Service Corps comes an added responsibility for the JDF Co-operative Credit Union to lead the charge on the financial education of the younger members of the Force, in the year ahead, the Credit Union will seek to equip its members with the knowledge and skills necessary to manage money effectively. Without this, our members' financial decisions and the actions that they take or do not take, may lack an informed foundation to maximize their success.

In further meeting the success of all our members, the JDF Co-operative Credit Union will continue to meet the financial needs of our members through the provision of the most competitive products in the Credit Union Movement. Going forward, our products will continue to evolve to keep pace with the fresh financial demands of life whilst improvements in efficiency and effectiveness shall result in reduction in costs to you, our members. As we "March Forward, Building Wealth" through better Savings and Loans", let us continue to remain committed to our Credit Union and continue the dialogue on better serving you, our members, for the year ahead 2019.

ACKNOWLEDGEMENT

Thanks to the team of Volunteers, Management and Staff which collectively and consistently takes responsibility for the success of our Credit Union. Without their insight, diligence, governance and commitment, the Credit Union's strategic objectives and targets which resulted in more than commendable performance for the year ended December 31, 2018, could not have been realized.

On behalf of the Board, Volunteers, Management and Staff of the JDF Co-operative Credit Union, allow me to extend my heartiest, wholehearted and sincerest gratitude to you our invaluable members, as your demonstration of confidence, loyalty and trust in this Credit Union has not waned.

Andres Pierce
Major
Treasurer

RESOLUTION # 1

Proposal for the Appropriation of Surplus

	Proposed Allocation 2018 Financials
Undistributed Surplus	184,708,000
Net Surplus for the Year	82,914,000
Gross Available for Distribution	**267,622,000**
Previous Year Commitment	-52,761,000
Net Available for Distribution	**214,861,000**
Distribution	
Dividend Permanent Shares	6,571,368
Statutory Reserve	18,200,000
Additional Statutory Reserve	9,100,000
Honoraria Payment	3,162,500
Treasure Chest Scholarship & Education Grant	1,500,000
IT Enhancement	12,000,000
Building Reserve	20,000,000
Other Reserve	7,693,000
Total Distribution	**78,226,868**
Undistributed Surplus	**136,634,132**

RESOLUTION # 2

Article V111 – Executive Officers, Executive Committee, Treasurer and their Duties

Rule # 65–Executive Officers of the Credit Union

Proposal for the Increase in the number of Executive Officers

WHEREAS the Credit Union wants to increase the number of Executive Officers to include the Assistant Treasurer and Assistant Secretary

WHEREAS the Credit Union believes the inclusion of the assistants will improve the discussions and decisions at the executive level and

WHEREAS the current Rule # 65 states:

The Executive Officers of the Credit Union shall be a President, one or more Vice-Presidents, a Treasurer and a Secretary, all of whom shall be elected by the Board of Directors in accordance with Article XII, Rule 132, and the said Officers shall hold office until their successors are elected.

BE IT RESOLVED that Rule # 65 be amended to read as follows:

The Executive Officers of the Credit Union shall be a President, one or more Vice-Presidents, the Treasurer and the Assistant Treasurer, the Secretary and the Assistant Secretary, all of whom shall be elected by the Board of Directors in accordance with Article XII, Rule 132, and the said Officers shall hold office until their successors are elected.

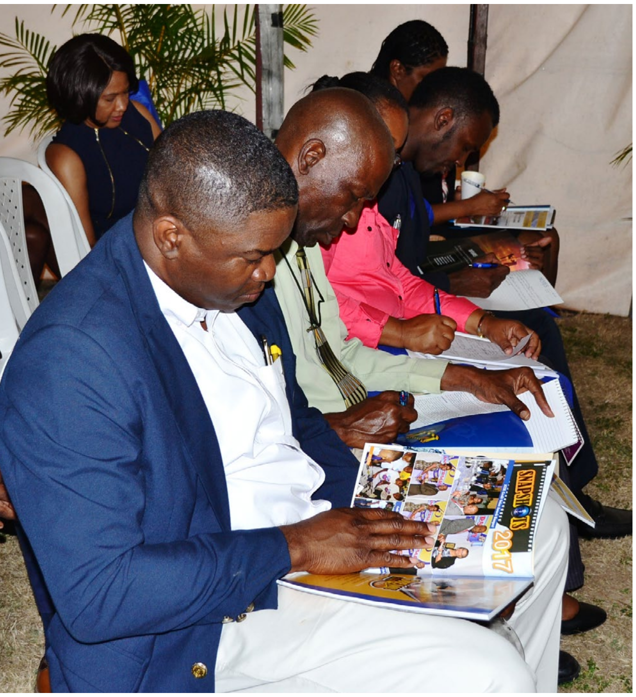

JAMAICA DEFENCE FORCE
CO-OPERATIVE CREDIT UNION LIMITED
You Can Enjoy
FINANCIAL FREEDOM
At Retirement
Speak to a JDFCU Financial Counsellor today about an investment option that can help you get there
Credit Unions of Jamaica
JDF Co-operative Credit Union Ltd.
Up Park Camp, Kingston 5.
Telephone (876)926-8121 Extn 6036 or 926-3870
Mobile: 419-9229 or 822-0134 (CUG)

THROWBACK 2018

Children's Christmas Party 2018 Highlights

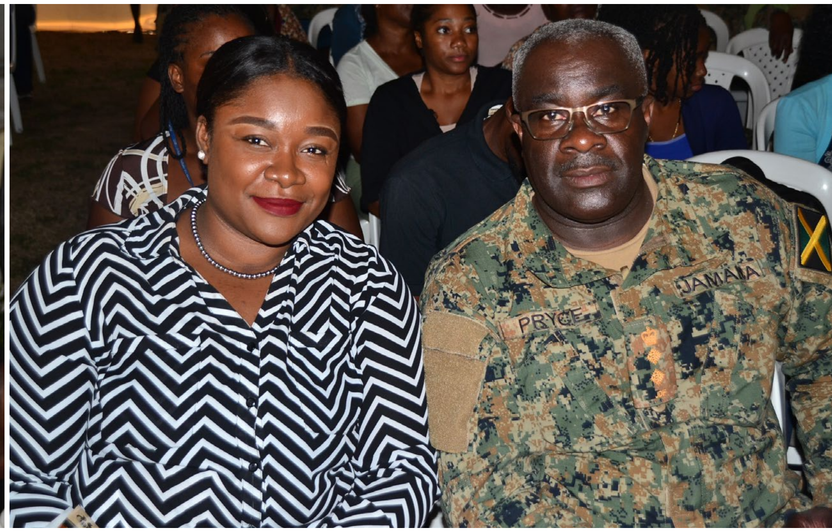
JDF CU Member Engagement

JDF CU Scholarship Awards




A.G.M.
MRS. DONNA BOLAND-BROWN
ASST. SECRETARY
CAPT. KWAME GORDON
DIRECTOR

JDF CU AGM 2018 Cont'd



CU of the Year Awards

DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES
(Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)
2 MUSGRAVE AVENUE
Kingston 10
Tel: 927-4912/927-6572 or 978-1946
Fax: 927-5832
E-mail: dcfs@cwjamaica.com

JAMAICA 56
One Love... One Family

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

S1
R 297/-687/03//19

March 29, 2019

The Secretary
Jamaica Defence Force Co-operative
Credit Union Limited
Up Park Camp
KINGSTON 5

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2018.

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

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

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

Yours truly,

....

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2018

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Registrar of Co-operative Societies
JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Defence Force Co-operative Credit Union Limited ("the Co-operative") set out on pages 5 to 57, which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Co-operative as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Co-operative Societies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operative Societies
JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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 Co-operative'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 Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operative Societies
JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered under the Co-operative Societies Act)

Report on the Audit of the Financial Statements (cont'd)

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

- 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 Co-operative'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 Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Co-operative 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operative Societies
JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered under the Co-operative Societies Act)

Report on additional matters as required by the Co-operative Societies Act

In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, are correct, duly vouched and in accordance with the provisions of the Co-operative Societies Act.

KPMG
Chartered Accountants
Kingston, Jamaica

March 29, 2019

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Statement of Financial Position
December 31, 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Earning assets:			
Loans, after provision for loan losses	5	1,683,065	1,648,252
Liquid assets	6	31,089	200,684
Financial investments	7	399,607	55,549
Total earning assets		2,113,761	1,904,485
Non-earning assets:			
Liquid assets	8	42,578	20,155
Other assets	9	10,072	7,061
Employee benefits	10	7,996	14,667
Property, plant and equipment	11	13,543	14,626
Total non-earning assets		74,189	56,509
TOTAL ASSETS		2,187,950	1,960,994
LIABILITIES			
Interest bearing:			
Savings deposits	12	887,006	779,727
Members' voluntary shares	13	517,985	396,952
External credits	14	15,540	89,824
		1,420,531	1,266,503
Non-interest bearing:			
Accounts payable and accruals	15	92,113	69,145
Deferred income	16	2,064	-
		94,177	69,145
TOTAL LIABILITIES		1,514,708	1,335,648
EQUITY			
Members' permanent shares	17	21,905	20,358
Non-institutional capital	18	109,816	191,542
Institutional capital	19	247,031	228,738
Undistributed surplus		294,490	184,708
TOTAL EQUITY		673,242	625,346
TOTAL LIABILITIES AND EQUITY		2,187,950	1,960,994

The financial statements, on pages 5 to 57, were approved for issue by the Board of Directors on March 29, 2019 and signed on its behalf by:

President
Major Michael Anglin

Asst. Treasurer
W02 (Ret'd) Everton Hay

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

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2018

	Notes	2018 $'000	2017 $'000
Interest income:			
Loans to members		249,468	232,248
Investments and deposits		4,844	7,209
		254,312	239,457
Interest expense:			
Members' deposits		(42,873)	(31,050)
Members' voluntary shares		(13,810)	(20,187)
Other financial costs		(6,686)	(15,873)
		(63,369)	(67,110)
Net interest income		190,943	172,347
Less: Provision for loan losses	5(b)	(4,720)	(10,058)
Direct loan write-offs	5	(12,636)	(8,122)
		(17,356)	(18,180)
		173,587	154,167
Non-interest income:			
Fees		48,074	64,685
Other income	16	7,316	4,307
Gain on investments		2,556	-
		57,946	68,992
Gross margin		231,533	223,159
Less: operating expenses	20	(140,869)	(126,466)
Surplus for the year before honoraria and other payments		90,664	96,693
Honoraria fees		(2,750)	(2,500)
Scholarship fund		(1,500)	(1,500)
IT Enhancement Fund		(3,500)	(2,000)
Disaster relief fund		-	(1,000)
Surplus for the year		82,914	89,693
Other comprehensive (loss)/income:			
Re-measurement of employee benefit asset	10(b)	(7,693)	(2,762)
Fair value reserve		-	386
Other comprehensive loss for the year		(7,693)	(2,376)
Total comprehensive income for year		75,221	87,317

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

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Statement of Changes in Equity
Year ended December 31, 2018

	Members' permanent shares $'000 (note 17)	Non-institutional capital $'000 (note 18)	Institutional capital $'000 (note 19)	Undistributed surplus $'000	Total $'000
Balance at December 31, 2016	15,368	187,018	204,932	133,531	540,849
Total comprehensive income:					
Surplus for the year	-	-	-	89,693	89,693
Re-measurement of employee benefit asset	-	-	-	(2,762)	(2,762)
Change in fair value of investments	-	386	-	-	386
	-	386	-	86,931	87,317
Transactions with members, recorded directly in equity; contributions by and distributions to members and others					
Transfer to business continuity fund (note 18)	-	5,000	-	(5,000)	-
Transfer to statutory reserve	-	-	23,700	(23,700)	-
Transfer to employee benefit reserve	-	(1,094)	-	1,094	-
Transfer to permanent shares	3,713	-	-	(3,713)	-
Share subscription and withdrawal	1,277	-	-	-	1,277
Dividends	-	-	-	(4,435)	(4,435)
Share transfer	-	232	-	-	232
Entrance fees	-	-	106	-	106
	4,990	4,138	23,806	(35,754)	(2,820)
Balance at December 31, 2017	20,358	191,542	228,738	184,708	625,346
Adjustment on initial application of IFRS 9 (note 3)	-	-	-	(27,209)	(27,209)
Restated balance as at January 1, 2018	20,358	191,542	228,738	157,499	598,137
Total comprehensive income:					
Surplus for the year	-	-	-	82,914	82,914
Re-measurement of employee benefit asset	-	-	-	(7,693)	(7,693)
	-	-	-	75,221	75,221
Transactions with members, recorded directly in equity; contributions by and distributions to members and others					
Transfer to unsecured loan reserve	-	(75,000)	-	75,000	-
Transfer to statutory reserve	-	-	18,200	(18,200)	-
Transfer to employee benefit reserve	-	(6,671)	-	6,671	-
Share subscription and withdrawal	1,547	-	-	-	1,547
Dividends	-	-	-	(1,701)	(1,701)
Share transfer	-	(55)	-	-	(55)
Entrance fees	-	-	93	-	93
Balance at December 31, 2018	21,905	109,816	247,031	294,490	673,242

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

JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Statement of Cash Flows
Year ended December 31, 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities:			
Surplus for the year		82,914	89,693
Adjustments to reconcile net surplus for year to cash flows provided by operating activities:			
Interest income		(254,312)	(239,457)
Interest expense		63,369	67,110
Depreciation	11	2,848	2,503
Employee benefit asset		(1,022)	(1,668)
Provision for loan losses	5(b)	4,720	10,058
		(101,483)	(71,761)
Interest received		254,062	239,408
Interest paid		(63,369)	(67,110)
Loans to members, net		(66,742)	(211,159)
Other assets		(2,761)	(131)
Accounts payable and accruals		22,968	16,418
Deferred income		2,064	-
Net cash provided/(used) by operating activities		44,739	(94,335)
Cash flows from investing activities:			
Purchase of property, plant and equipment	11	(1,765)	(3,695)
Investments less unrealised gains		(344,058)	(1,266)
Net cash used by investing activities		(345,823)	(4,961)
Cash flows from financing activities:			
External credits, net		(74,284)	(98,805)
Savings deposits		107,279	161,371
Entrance fees		93	106
Dividends		(1,701)	(4,435)
Members' permanent and voluntary shares, net		122,525	42,017
Net cash provided by financing activities		153,912	100,254
Net (decrease)/increase in cash and cash equivalents		(147,172)	958
Cash and cash equivalents at beginning of year		220,839	219,881
Cash and cash equivalents at end of year		73,667	220,839
Comprised of:			
Liquid assets - earning	6	31,089	200,684
Liquid assets - non-earning	8	42,578	20,155
		73,667	220,839

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

1. Identification

The Jamaica Defence Force Co-operative Credit Union Limited ("the Co-operative") is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act. The Co-operative is domiciled in Jamaica and its registered office is located at Up Park Camp, Camp Road, Kingston, Jamaica.

The Co-operative's main activities are the promotion of thrift, the provision of loans to members, exclusively for provident and productive purposes, at a reasonable rate of interest and to receive the savings of its members either as payments on shares or as deposits.

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

At December 31, 2018, the Co-operative employed 29 persons (2017: 31).

The Co-operative is a member of the Jamaica Co-operative Credit Union League (JCCUL).

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of the Co-operative Societies Act.

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. This is the first set of the Co-operative's annual financial statements in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

New and amended standards in issue but not yet effective:

Certain new and amended standards have been issued which are not yet effective for the current year and which the Co-operative has not early-adopted. The Co-operative has assessed them and determined that the following are relevant:

- IFRS 16, *Leases*

  IFRS 16 replaces existing leases guidance, including IAS 17, *Leases*, IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases - Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards in issue but not yet effective (continued):

- IFRS 16, *Leases* (continued)

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items of US$5,000 or less. Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The Co-operative is required to adopt IFRS 16 from January 1, 2019. The Co-operative has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below. The actual impact of adopting the standard on January 1, 2019 may change because the Co-operative has not finalised the testing and assessment of controls over its systems.

  Leases in which the Co-operative is a lessee

  The Co-operative has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 in the period of initial application will depend on future economic conditions, the Co-operative's assessment of whether it will exercise any lease renewal options and the extent to which the Co-operative chooses to use practical expedients and recognition exemptions.

  The Co-operative will recognise new assets and liabilities for its operating leases of office premises. The nature of expenses related to those leases will now change because the Co-operative will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

  Previously, the Co-operative recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

  In addition, the Co-operative will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Co-operative will include the payments due under the lease in its lease liability.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards in issue but not yet effective (continued):

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (continued)

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The Co-operative is assessing the impact that the amendment will have on its future financial statements when it is adopted.

- Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  The Co-operative does not expect these amendments to have a significant impact on its future financial statements when it is adopted.

- Amendment to IAS 19*, Employee Benefits* is effective for annual periods beginning on or after January 1, 2019, and specifies how an entity should determine pension expenses when there are changes to a defined benefit pension plan.

  The amendment requires an entity to use updated actuarial assumptions to determine its current service cost and net interest for the remaining period when there is an amendment, curtailment or settlement of a defined benefit plan. The effect of the net asset ceiling is disregarded when calculating the gain or loss on the settlement of the defined benefit plan and is dealt with separately in other comprehensive income.

  The Co-operative is assessing the impact that the amendment will have on its future financial statements when it is adopted.

2. Statement compliance and basis of preparation (continued)

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, except for investments that are measured at fair value.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Co-operative and have been rounded to the nearest thousands.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity to IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for loan losses:

Policy applicable from January 1, 2018

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainty inherent in such estimates.

Policy applicable before January 1, 2018

In determining amounts recorded for loan losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loan portfolios with similar characteristics, such as credit risks.

2. Statement compliance and basis of preparation (continued)

(d) Use of estimates and judgements (continued):

(ii) Defined benefit plan:

The amounts recognised in the statement of financial position and statement of profit or loss and other comprehensive income for pension benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets and the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations.

The expected return on plan assets are assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Co-operative's obligations; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

3. Changes in significant accounting policies

The Co-operative has initially applied IFRS 9 and IFRS 15 from January 1, 2018. A number of other new standards are also effective from January 1, 2018, but they do not have a material effect on the Co-operative's financial statements.

Due to the transition methods chosen by the Co-operative in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, and separately presenting impairment loss on loans receivable.

The adoption of IFRS 15 did not impact the timing or amount of fee income from contracts with customers and the related assets and liabilities recognised by the Co-operative. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9 (see notes 4 and 25);
- additional disclosures related to IFRS 15 [see note 4(c)].

Except for the changes below, the Co-operative has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising 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*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Co-operative has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method.

Additionally, the Co-operative has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosure*s that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Co-operative's accounting policies and the full impact resulting from its adoption of IFRS 9 are summarised below.

The impact of transition to IFRS 9 on the opening retained earnings is as follows:

	$'000
Closing balance under IAS 39 (December 31, 2017)	184,708
Recognition of expected credit losses on loans under IFRS 9	(27,209)
Opening balance under IFRS 9 (January 1, 2018)	157,499

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which financial asset is managed and its contractual cash flow characteristics.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 did not have a significant effect on the Co-operative's accounting policies related to financial liabilities.

For an explanation of how the Co-operative classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see note 4(a).

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Co-operative's financial assets as at January 1, 2018. There were no significant changes to classification and measurement of financial liabilities under IFRS 9. The effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 $'000	Remeasurement $'000	New carrying amount under IFRS 9 $'000
Financial assets						
Loans	(a)	Loans and receivables	Amortised cost	1,648,252	(27,209)	1,621,043
Earning assets - liquid assets						
Resale agreements	(a)	Loans and receivables	Amortised cost	58,951	-	58,951
Financial instruments - deposits	(a)	Held to maturity	Amortised cost	32,840	-	32,840
Financial instruments - equity instruments		Available for sale	FVTPL	4,572	-	4,572
Cash and bank balances		Loans and receivables	Amortised cost	20,155	-	20,155
Other assets		Loans and receivables	Amortised cost	7,061	-	7,061
Other investments - units		Available for sale	FVTPL	18,137	-	18,137
				1,789,968	(27,209)	1,762,759

(a) Investment securities were categorised under IAS 39 as loans and receivables and held to maturity. Securities acquired which are not quoted in an active market, were classified as loans and receivables. Securities with fixed or determinable payments and fixed maturities that the Co-operative has the positive intent and ability to hold to maturity were classified as held-to-maturity. As permitted by IFRS 9, the Co-operative has designated these investments at the date of initial application as measured at amortised cost.

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Co-operative has determined that the application of IFRS 9's impairment requirements at January 1, 2018 results in an additional allowance for impairment as follows:

	$'000
Loss allowance at December 31, 2017 under IAS 39	20,178
Additional impairment recognised at January 1, 2018 on:	
Loan receivables as at December 31, 2017	27,209
Loss allowance at January 1, 2018 under IFRS 9	47,387

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and have been consistently applied to all the years presented unless otherwise stated.

(a) Financial instruments – Classification, recognition and derecognition and measurement:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include loans to members, financial investments, liquid assets and other assets. Similarly, financial liabilities include savings deposits, members' voluntary shares, external credits and accounts payable.

(i) Recognition and initial measurement

Loans are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Co-operative becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from January 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Co-operative changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition and measurement (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from January 1, 2018 (continued)

On initial recognition of an equity investment that is not held for trading, the Co-operative may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Co-operative may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Co-operative makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Co-operative’s management;
- the risks that affect the performance of the business model (and financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition and measurement (continued):

(ii) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Co-operative considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Co-operative considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Co-operative's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Co-operative changes its business model for managing financial assets.

Policy applicable before January 1, 2018

Management determined the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition and measurement (continued):

(ii) Classification and subsequent measurement (continued)

Policy applicable before January 1, 2018 (continued)

The Co-operative classified non-derivative financial assets into the following categories:

- *Loans and receivables*: Securities acquired or loans granted or other receivables with fixed or determinable payments and which were not quoted in an active market, were classified as loans and receivables. The Co-operative's financial instruments included in this classification were resale agreements.

- *Held-to-maturity*: Securities with fixed or determinable payments and fixed maturities that the Co-operative had the positive intent and ability to hold to maturity were classified as held-to-maturity. The Co-operative's financial instruments included in this classification were certificates of deposits.

- *Other financial liabilities*: The Co-operative classified non-derivative financial liabilities into this category.

(iii) Derecognition

Financial assets

The Co-operative derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Co-operative neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Co-operative derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Co-operative also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition and measurement (continued):

(iii) Derecognition (continued)

Financial liabilities (continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Measurement and gains and losses:

Policy applicable from January 1, 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Policy applicable before January 1, 2018

Loans and receivables: On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Held-to-maturity: On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at amortised cost, using the effective interest method, less impairment losses.

Any sale or reclassification of a significant amount of held-to-maturity investments that was not close to their maturity resulted in the reclassification of all held-to-maturity investments as available-for-sale, and prevented the Co-operative from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurred and the following two financial years.

4. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition and measurement (continued):

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Co-operative currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Co-operative's trading activity.

(vi) Specific financial instruments:

(1) Cash and cash equivalents:

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments rather than for investment purposes (these include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

(2) Resale agreements:

A resale agreement ("reverse repo") is a short-term collaterised transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending and are measured at amortised cost.

The difference between the purchase and resale consideration is recognised in interest income using the effective interest method.

(3) Other assets:

Other assets are measured at amortised cost less impairment losses [see note 4(l)].

(4) Other payables and accruals:

Other payables and accruals are measured at amortised cost.

(5) External credits:

External credits are recognised initially at cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

4. Significant accounting policies (continued)

(b) Interest income:

Policy applicable from January 1, 2018

Interest income is recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount. When calculating the effective interest rate for financial instruments, the Co-operative estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Policy applicable before January 1, 2018

Interest income was recognised in profit or loss as it accrued, taking into account the effective yield of the asset.

(c) Fee income

Policy applicable from January 1, 2018

Fee income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Co-operative recognises revenue when it transfers control over a service to a customer. Fee income are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Co-operative's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Co-operative first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Policy applicable before January 1, 2018

Fee income was recognised when the related service was provided.

4. Significant accounting policies (continued)

(d) Dividend income

Dividend income is recognised in profit or loss when the Co-operative's irrevocable right to receive payment is established.

(e) Interest expense

Policy applicable from January 1, 2018

Interest expense is recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of financial liability.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The effective interest rate of a financial liability is calculated on initial recognition of a financial liability. In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

Policy applicable before January 1, 2018

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount. The effective interest rate is established on initial recognition of the financial liability and not revised subsequently.

(f) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

4. Significant accounting policies (continued)

(g) Employee benefits:

Employee benefits are all forms of consideration given by the Co-operative in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, National Insurance Scheme (NIS) contributions, annual vacation leave, and non-monetary benefits such as post-employment benefits in the form of pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

Employee benefits comprising pension asset included in the financial statements have been actuarially determined by a qualified independent actuary, appointed by JCCUL. The actuarial valuation was conducted in accordance with IAS 19, and the financial statements reflect the Co-operative's pension asset as computed by the actuary.

In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The Co-operative's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government bonds with dates approximating the terms of the related liability. The calculation is performed using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Co-operative determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Co-operative recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Where the calculation results in a benefit to the Co-operative, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

4. Significant accounting policies (continued)

(h) League fees and stabilisation dues:

JCCUL has determined the rate of calculating league fees at 0.20% (2017: 0.20%) of total assets. Stabilisation dues are computed at a rate of 0.15% (2017: 0.15%) of total savings.

(i) Related parties:

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, in this case the Co-operative").

(a) A person or close member of that person's family is related to the Co-operative if that person:

(i) has control or joint control over the Co-operative;

(ii) has significant influence over the Co-operative; or

(iii) is a member of the key management personnel of the Co-operative.

A related party is a person or entity that is related to the Co-operative if:

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

(i) The entity and Co-operative 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 Co-operative or an entity related to the Co-operative.

(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 Co-operative or to the parent of the Co-operative.

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

4. Significant accounting policies (continued)

(j) Property plant and equipment:

(i) Property plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses [see note 4(m)]. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Co-operative and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss.

(iii) Depreciation:

Depreciation is recognised on the straight-line basis at annual rates estimated to write-off the relevant assets over their expected useful lives. However, depreciation is prorated on a monthly basis during the year of purchase. The rates used are as follows:

Furniture and fixtures	-	10% per annum
Computers	-	20% per annum
Equipment	-	20% per annum
Containers	-	2.5% per annum
Leasehold improvements	-	5% per annum
Generator	-	10% per annum

The depreciation methods, useful lives and residual values, are reassessed at each reporting date.

(k) Loans to members:

Policy applicable from January 1, 2018

Loans are measured at amortised cost less impairment losses. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. Impairment is recognised as indicated in note 4(l).

Policy applicable before January 1, 2018

Loans were initially recorded at cost, which is cash given to originate the loan including the transaction costs, and were subsequently measured at amortised cost using the effective interest method less allowance for loan losses [see note 4(l) below].

4. Significant accounting policies (continued)

(l) Impairment of financial assets:

The Co-operative recognises loss allowances for ECL's on financial assets measured at amortised cost.

The Co-operative measures loss allowances at an amount equal to lifetime ECL's, except for the following, which are measured at 12-month ECL's:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for loans receivable are always measured at an amount equal to lifetime ECLs.

The Co-operative considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Co-operative does not apply the low credit risk exemption to any other financial instruments.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Co-operative expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

4. Significant accounting policies (continued)

(l) Impairment of financial assets (continued):

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Co-operative assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Co-operative on terms that the Co-operative would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

4. Significant accounting policies (continued)

(l) Impairment of financial assets (continued):

Credit-impaired financial assets (continued)

Policy applicable before January 1, 2018

A provision for impairment was established if there was objective evidence that the Co-operative would not be able to collect all amounts due according to the original contractual terms. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

Policy applicable to 2018 and 2017

The guidelines stipulated by the Jamaica Co-operative Credit Union League ("JCCUL") require that the allowance for loan losses be stipulated percentages of total delinquent loans, the percentage varying with the period of delinquency, before considering securities held against such loans.

The allowance for loan losses required by the JCCUL that is in excess of the requirements of IFRS, is treated as an appropriation of undistributed surplus and included in a non-distributable loan loss reserve.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when the Co-operative has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

This is generally the case when the Co-operative determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Co-operative's procedures for recovery of amounts due.

4. Significant accounting policies (continued)

(l) Impairment of financial assets (continued):

Policy applicable before January 1, 2018

A provision for impairment was established if there was objective evidence that the Co-operative would not be able to collect all amounts due according to the original contractual terms. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

(m) Impairment of non-financial assets

At each reporting date, the Co-operative reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

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

5. Loans to members

	2018 $'000	2017 $'000
Balance at start of year	1,668,430	1,447,151
Loans granted	1,090,435	1,363,411
	2,758,865	2,810,562
Less: Repayments and write-offs*	(1,023,693)	(1,142,132)
	1,735,172	1,668,430
Less: Provision for loan losses	(52,107)	(20,178)
	1,683,065	1,648,252

*Direct write-offs during the year amounted to $12,636,000 (2017: $8,122,000).

5. Loans to members (continued)

(a) Delinquent loans:

The following is a summary of delinquent loans at December 31, 2018:

Period overdue	Loans in arrears		Savings held	Exposure	Rate of provision	Loan loss provision required
	Number	$'000	$'000	$'000	(%)	$'000
< 2 months	20	4,881	10	4,871	-	-
2 – 3 months	8	2,831	137	2,694	10	283
3 – 6 months	21	4,150	172	3,977	30	1,245
6 – 12 months	47	9,174	187	8,988	60	5,505
> 12 months	41	22,175	246	21,929	100	22,175
	137	43,211	752	42,459		29,208

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

Period overdue	Loans in arrears		Savings held	Exposure	Rate of provision	Loan loss provision required
	Number	$'000	$'000	$'000	(%)	$'000
< 2 months	4	4,343	41	4,302	-	-
2 – 3 months	6	3,362	42	3,320	10	336
3 – 6 months	26	6,672	706	5,966	30	2,002
6 – 12 months	39	12,234	122	12,112	60	7,340
> 12 months	16	8,270	43	8,227	100	8,270
	91	34,881	954	33,927		17,948

(b) Allowance for loan losses:

Allowance for loan losses determined during the year under the requirements of IFRS amounted to $52,107,000 (2017: $20,178,000). The movement is as follows:

	2018	2017
	$'000	$'000
Balance at December 31, 2018 (IAS 39)	20,178	10,120
Remeasurement on January 1, 2018 (IFRS 9)	27,209	-
	47,387	10,120
Movement during the year recognised in profit or loss	4,720	10,058
Balance at end of year	52,107	20,178

As the IFRS provision exceeded the provisioning requirements of JCCUL, no appropriation of undistributed surplus to the loan loss reserve was considered necessary.

5. Loans to members (continued)

(c) Loans, net of provision for probable losses are due from the reporting date as follows:

	2018 $'000	2017 $'000
Within 1-3 months	7,582	6,904
From 3 months to 1 year	56,298	44,676
From 1 year to 5 years	1,155,988	1,135,065
Over 5 years	463,197	461,607
	1,683,065	1,648,252

6. Earning assets – liquid assets

	2018 $'000	2017 $'000
Jamaica Money Market Brokers Limited – Resale agreement (i)	31,089	29,818
JCCUL – Resale agreement (i)	-	29,133
JCCUL – CUCASH	-	141,733
	31,089	200,684

(i) The fair value of securities held under resale agreements is assumed to approximate their carrying value, due to their short-term nature.

7. Financial investments

	2018			
	Remaining to maturity			
	Within 1 year $'000	1 to 5 years $'000	No fixed maturity date $'000	Carrying value $'000
Financial investments measured at amortised cost				
Financial assets:				
Deposits - JCCUL – CUETS	-	-	7,613	7,613
Deposits - JCCUL – CU PREMIUM	-	-	10,964	10,964
Deposits - JCCUL – Mortgage fund	-	-	12,817	12,817
Deposits - Victoria Mutual Building Society Mortgage fund	2,515	-	-	2,515
JMMB Investment Giltedge Fund – Units	2,181	-	-	2,181
Barita Money Market Fund – Units	16,496	-	-	16,496
Credit Union Fund Management Company CUMAX Fund-Units	342,449	-	-	342,449
Balance carried forward	363,641	-	31,394	395,035

7. Financial investments (continued)

	2018			
	Remaining to maturity			
	Within 1 year $'000	1 to 5 years $'000	No fixed maturity date $'000	Carrying value $'000
Balance brought forward	363,641	-	31,394	395,035
Financial investments designated as FVTPL				
JCCUL – permanent shares	-	-	837	837
JCCUL – unlisted shares	-	-	2,008	2,008
Credit Union Fund Management Company	-	-	1,500	1,500
Quality Network Co-operative – shares	-	-	227	227
	-	-	4,572	4,572
Total financial investments	363,641	-	35,966	399,607

	2017			
	Remaining to maturity			
	Within 1 year $'000	1 to 5 years $'000	No fixed maturity date $'000	Carrying value $'000
Loans and receivables (carried at cost)				
Deposits - JCCUL – CUETS	-	7,511	-	7,511
Deposits - JCCUL – CU PREMIUM	10,592	-	-	10,592
Deposits - JCCUL – Mortgage fund	-	12,331	-	12,331
Deposits - Victoria Mutual Building Society Mortgage fund	-	2,406	-	2,406
	10,592	22,248	-	32,840
Available-for-sale (carried at cost)				
JCCUL – permanent shares	-	-	2,008	2,008
JCCUL – unlisted shares	-	-	837	837
Credit Union Fund Management Company	-	-	1,500	1,500
Quality Network Co-operative – shares	-	-	227	227
	-	-	4,572	4,572
Carried at fair value :				
JMMB Investment Giltedge Fund – Units	-	-	2,103	2,103
Barita Money Market Fund – Units	-	-	16,034	16,034
	-	-	18,137	18,137
Total	10,592	22,248	22,709	55,549

8. Non-earning assets – liquid assets

	2018 $'000	2017 $'000
Cash in hand	6,475	4,609
Bank account balance	36,103	15,546
	42,578	20,155

9. Non-earning assets – other

	2018 $'000	2017 $'000
Withholding tax recoverable	2,755	2,601
Interest receivable	250	512
Other receivable	5,794	2,664
Prepaid expenses	1,273	1,284
	10,072	7,061

10. Employee benefits

The Co-operative participates in a defined benefit plan operated by the Jamaica Co-operative Credit Union League Limited. This plan that is jointly funded by payments from employees of at least 5% (with 5% optional additional contribution) and by the Co-operative at 8% of the employee's taxable remuneration, taking into account the recommendations of independent qualified actuaries.

(a) Employee benefit asset:

	2018 $'000	2017 $'000
Present value of funded obligations	(67,567)	(51,109)
Fair value of plan assets	75,563	65,776
Asset recognised	7,996	14,667

(b) Movement in the amounts recognised in the statement of financial position:

	2018 $'000	2017 $'000
Balance at beginning of year	14,667	15,761
Employer's contributions paid	3,508	3,391
Pension expense recognised in profit or loss	(2,486)	(1,723)
Re-measurement loss recognised in other comprehensive income	(7,693)	(2,762)
Balance at end of year	7,996	14,667

10. Employee benefits (continued)

(c) Movements in the present value of funded obligations are as follows:

	2018 $'000	2017 $'000
Balance at beginning of year	(51,109)	(38,401)
Current service and interest costs	(7,480)	(6,192)
Employees' contributions	(2,471)	(2,384)
Past service cost	-	(233)
Benefit paid	296	-
	(60,764)	(47,210)
Actuarial re-measurement gain/(loss) arising from:		
- experience adjustments	203	(1,061)
- changes in financial assumptions	(7,006)	(2,838)
	(6,803)	(3,899)
	(67,567)	(51,109)

(d) Movements in the plan assets are as follows:

	2018 $'000	2017 $'000
Balance at beginning of year	65,776	54,162
Contributions paid	5,979	5,775
Interest income on plan assets	5,489	5,134
Administrative expense	(495)	(432)
Re-measurement (loss)/gain	(890)	1,137
Benefit paid	(296)	-
	75,563	65,776

(e) Plan assets consist of the following:

	2018 $'000	2017 $'000
J$ Debentures	27,675	31,497
Resale agreements	2,020	2,400
Investment properties	17,930	10,648
US$ Debentures	3,665	2,919
Certificates of deposit	2,230	3,199
Quoted equities	12,747	9,466
Real estate investment trust fund	759	632
Local registered stocks	7,179	4,534
Unit trust	2,234	1,723
Net current liabilities	(876)	(1,242)
	75,563	65,776

10. Employee benefits (continued)

(f) Amounts recognised in profit or loss:

	2018 $'000	2017 $'000
Current service cost	3,304	2,629
Interest cost on obligation	4,176	3,563
Administrative expense	495	432
Interest income on plan assets	(5,489)	(5,134)
Past service cost	-	233
	2,486	1,723

(g) Amounts recognised in other comprehensive income:

	2018 $'000	2017 $'000
Re-measurement loss on obligation	6,803	3,899
Re-measurement gain/(loss) on plan assets	890	(1,137)
	7,693	2,762

(h) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2018	2017
Discount rate	7.0%	8.0%
Salary increases	5.0%	6.0%
Price inflation	3.0%	5.0%
Pension increases	2.5%	2.5%

(i) Sensitivity analysis of key economic assumptions:

Any change in the defined benefit obligation from one percent (1%) change in each of the key economic assumptions will have the following impact:

	2018		2017	
	1% Increase $'000	1% Decrease $'000	1% Increase $'000	1% Decrease $'000
Discount rate	(14,668)	20,166	(10,989)	15,160
Future salary increases	10,177	(8,499)	8,096	(6,722)
Future pension increases	7,852	(6,503)	5,482	(4,504)

This analysis assumes that all other variables remain constant.

(j) Impact on defined benefit obligation of a one year increase in life expectancy:

The effect on the defined benefit obligation of an increase of one year in the life expectancy is about $1,870,000 (2017: $1,290,000).

10. Employee benefits (continued)

(k) Liability duration:

	2018 years	2017 years
Active members and all participants	26.4	26.3

11. Property, plant and equipment

	Furniture and fixtures $'000	Computers $'000	Equipment $'000	Containers $'000	Leasehold improvement $'000	Generator $'000	Total $'000
Cost:							
December 31, 2016	3,515	4,353	5,876	7,026	8,724	2,467	31,961
Additions	227	756	1,081	1,596	35	-	3,695
December 31, 2017	3,742	5,109	6,957	8,622	8,759	2,467	35,656
Additions	706	359	602	30	29	39	1,765
December 31, 2018	4,448	5,468	7,559	8,652	8,788	2,506	37,421
Depreciation:							
December 31, 2016	2,875	3,029	4,522	4,153	3,249	699	18,527
Charge for the year	162	298	658	720	418	247	2,503
December 31, 2017	3,037	3,327	5,180	4,873	3,667	946	21,030
Charge for the year	176	377	824	806	418	247	2,848
December 31, 2018	3,213	3,704	6,004	5,679	4,085	1,193	23,878
Net book value:							
December 31, 2018	1,235	1,764	1,555	2,973	4,703	1,313	13,543
December 31, 2017	705	1,782	1,777	3,749	5,092	1,521	14,626

12. Savings deposits

	2018 $'000	2017 $'000
Term deposits	154,857	130,041
SHYDA deposits	433,424	373,616
Regular deposits	151,350	126,323
Partner plan	20,454	21,772
SWYS Plus	95,109	90,035
Christmas special	2,986	2,492
Golden harvest	28,826	35,448
	887,006	779,727

13. Members' voluntary shares

	2018 $'000	2017 $'000
Balance at beginning of the year	396,952	356,444
Add: New deposits	811,117	573,679
	1,208,069	930,123
Less: Withdrawals and transfers	(690,084)	(533,171)
	517,985	396,952

Voluntary shares have no par value and are not a part of risk capital. The following rights and restrictions are attached to members' voluntary shares:

(i) Monies paid into voluntary shares may be withdrawn in whole or in part on any day when the Co-operative is open for business, but the Board of Directors shall reserve the right at any time to require a member to give notice not exceeding six (6) months; provided, however, that no member may withdraw any shareholdings below the amount of his liability to the Co-operative as a borrower or co-maker.

(ii) Voluntary shares shall be treated as liabilities of the Co-operative.

(iii) Subject to the profitability of the Co-operative, the Board of Directors may recommend the declaration and payment of dividends on voluntary shares in amounts and at times as it may determine.

(iv) The Co-operative shall have a lien on all voluntary shares and deposits of a member for and to the extent of, any sum due to the Co-operative from the said member or any loan endorsed by him.

(v) Voluntary shares shall be required to utilize the products and services of the Co-operative as determined by the Board of Directors from time to time.

14. External credits

	2018 $'000	2017 $'000
JCCUL – Mortgage loan (i)	6,271	6,893
JCCUL – Liquidity support loan (ii)	7,841	41,936
JCCUL – Line of credit (iii)	178	39,433
Other (iv)	-	113
Development Bank of Jamaica – Energy Loan (v)	1,250	1,449
	15,540	89,824

(i) This represents two loans granted by JCCUL to the Co-operative and bears interest at 7% per annum. The loans are on-lent by the Co-operative to its members and bears interest at 12% per annum. The repayment terms are based on the tenure of the mortgage contracts.

14. External credits (continued)

(ii) This represents the balance on five loans granted to the Co-operative by JCCUL. Three loans with original amounts aggregating $100 million bear interest at 10.75% and the remaining two loans with original amounts aggregating $50 million bear interest at 11% per annum. All loans are repayable between October 2017 and July 2019.

(iii) This represents lines of credit granted by JCCUL to the Co-operative. These loans bear interest at 11% per annum and are repayable between October and November 2019.

(iv) This represented loans from various Jamaica Defence Force entities and related parties, which were not members of the Co-operative. These loans bore interest ranging between 5% and 11% per annum, depending on the deposit amount and were repaid during the year.

(v) This represents loans from The Development Bank of Jamaica. These loans bear interest at 6.5%, and are repayable up to 96 months after disbursement.

15. Accounts payable and accruals

	2018 $'000	2017 $'000
IT enhancements	8,403	5,265
Withholding tax	816	428
Audit fees	3,285	1,800
Other payables	35,682	21,327
Accruals	25,060	27,212
Unclaimed deposits	5,588	5,635
Standing order	4,722	3,824
Online ATM payable	7,470	2,697
Scholarship fund	1,087	957
	92,113	69,145

16. Deferred income

Deferred income includes an amount received from the Stabilisation Fund maintained by JCCUL to assist Credit Unions with the cost in respect of implementation of IFRS 9. An amount equivalent to the cost incurred during the year for IFRS 9 implementation has been transferred to profit or loss and is included in other income. Costs incurred amounting to $1,959,000, are included in professional fees in operating expenses.

	2018 $'000
Amount received from JCCUL during the year	4,023
Less: Transfer to profit or loss	(1,959)
Balance at end of year	2,064

The amount held as deferred income is earmarked to be used for IFRS 9 related expenses is 2019, at which time the amount will be transferred to profit or loss to offset any cost incurred.

17. Members' permanent shares

Permanent shares are shares issued at no par value, paid up in cash and invested as risk capital which forms a permanent part of the capital of the Co-operative, and are issued with rights and restrictions based on the rules of the Co-operative. Permanent shares may be redeemable subject to transfer, sale or re-purchase; but the Board of Directors reserves the right at any time to require a member to give notice not exceeding six months, provided that the member is not liable to the Co-operative as a borrower, endorser, co-maker or guarantor without the approval of the Board of Directors.

18. Non-institutional capital

	2018 $'000	2017 $'000
Building reserve	10,000	10,000
General reserve	2,704	2,759
Employee benefit reserve	7,996	14,667
Unsecured loans reserve	85,000	160,000
Investment reserve	4,116	4,116
	109,816	191,542

Building reserve:

This reserve represents an amount set aside for the construction of a building. The amount transferred is determined by the members at the Annual General Meeting and are treated as distributions from the Co-operative's surplus for the year.

General reserve:

General reserve is established from time to time by amounts appropriated from undistributed surplus, which in the opinion of the directors, are necessary to support the operations of the Co-operative and thereby protect the interest of the members. The amount transferred is determined at the Annual General Meeting.

Employee benefit reserve:

The employee benefit reserve represents pension surplus arising on the IAS 19 actuarial valuation of the pension plan in which the Co-operative participates. Annual changes in the value of the plan are shown in other comprehensive income, then transferred to this reserve.

Unsecured loans reserve:

The reserve represents an amount set aside to support unsecured loans granted to members. The amount transferred to or from the surplus is determined at the Annual General Meeting.

Investment reserve:

Annual changes in the fair value of certain available-for-sale investments are shown in the other comprehensive income then transferred to this reserve.

19. Institutional capital

	2018 $'000	2017 $'000
Statutory reserve	212,411	194,211
Capital reserve	34,078	34,078
	246,489	228,289
Entrance fees	542	449
	247,031	228,738

Institutional capital forms a part of the permanent capital of the Co-operative and is not available for distribution.

Statutory reserve:

The statutory reserve is maintained in accordance with the provisions of the Co-operative Societies Act, which requires that a minimum of 20% of net surplus be carried to a reserve fund. Upon application by a Registered Co-operative, the Registrar may allow the required percentage to be reduced, but not below 10%. The transfer is calculated on profits, net of loan loss reserve.

Capital reserve:

Capital reserve is increased from time to time by amounts appropriated from undistributed surplus, which, in the opinion of the directors, are necessary to support the operations of the Co-operative and thereby protect the interest of the members. The amount transferred is determined at the Annual General Meeting.

20. Operating expenses

	2018 $'000	2017 $'000
Staff costs:		
Salaries, allowances and contributions	70,486	67,376
Statutory deductions	6,217	5,865
Staff training	2,589	1,935
Pension [note 10(f)]	2,486	1,723
	81,778	76,899

20. Operating expenses (continued)

	2018 $'000	2017 $'000
General overheads:		
Administrative expenses	2,353	3,188
Audit fees	2,600	2,267
Depreciation	2,848	2,503
Electricity	3,028	2,779
Insurance premiums	7,027	6,537
Marketing expenses	5,761	4,923
Office expenses	3,604	4,238
Professional and accounting fees	5,111	1,577
Printing, stationery and office supplies	3,152	2,495
Repairs and maintenance	2,674	788
Travel and subsistence	1,337	773
Telephone, cable, postage and telegram	2,094	1,355
	41,589	33,423
Affiliation and representation:		
League fees and dues	7,478	6,967
League Annual General Meeting	1,766	1,984
Board and Committee Meetings	5,494	4,604
Annual General Meeting	2,764	2,589
	17,502	16,144
Total operating expenses	140,869	126,466

21. Staff and volunteers' loans and deposits

Loans to members include loans granted to members of staff, the Board of Directors and members of supervisory and credit committees as follows:

	2018		
	Number	Loans $'000	Shares and deposits $'000
Staff	21	72,004	11,895
Key management personnel	5	34,071	4,894
Volunteers	20	48,730	12,528
Staff's children and spouses	12	9,244	3,301
Volunteers' children and spouses	3	2,662	1,103

21. Staff and volunteers' loans and deposits (continued)

	2017		
	Number	Loans $'000	Shares and deposits $'000
Staff	24	68,978	15,586
Key management personnel	5	29,480	4,667
Volunteers	5	16,946	9,923
Staff's children and spouses	9	8,208	1,405
Volunteers' children and spouses	4	4,839	1,023

Loans to staff are granted at concessionary rates of interest. For other loans, no special conditions were attached and the conditions of repayment have been complied with.

22. Related parties

(i) Identity of related parties:

The Co-operative has a related party relationship with its directors and key management personnel and the pension scheme. Related party balances are disclosed in note 20.

(ii) Key management personnel compensation is as follows:

	2018 $'000	2017 $'000
Short-term employee benefits (included in staff costs in note 20)	18,925	17,560

23. Insurance

The Co-operative maintained life, savings and loan protection insurance coverage during the year. Premiums of $349,000 (2017: $300,000), which includes fidelity insurance coverage, were paid during the year.

24. Comparison of ledger balances

	Members' Savings deposits $'000	Loans, gross $'000	Members' Voluntary shares $'000
General ledger	779,727	1,668,430	396,952
Members' ledger	779,727	1,668,430	396,952
Differences as at December 31, 2017	-	-	-
General ledger	887,006	1,735,172	517,985
Members' ledger	887,006	1,735,172	517,985
Differences as at December 31, 2018	-	-	-

25. Financial instruments-risk management and fair values

(a) Introduction and overview

The Co-operative has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

(b) Credit risk

Credit risk is the risk of financial loss to the Co-operative if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Co-operative's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of off-balance sheet financial instruments such as loan commitments and guarantees. They expose the Co-operative to similar risks as loans and are managed in the same manner.

Credit review process

The Co-operative has an established credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and principal repayment obligations.

(i) Loans:

The Co-operative assesses the probability of default of individual counterparties using internal ratings. Loans to members are segmented into six rating classes. The Co-operative's rating scale, which is shown below, reflects the risk rating assigned:

Credit Score Bands		
From	To	Risk Rating
801	950	Low
651	800	Moderately Low
501	650	Average
351	500	Moderately High
200	350	High
Under 200		Very High

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Credit review process (continued)

(i) Loans (continued):

Exposure to credit risk is managed in part by obtaining collateral as well as corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Co-operative to re-assess the potential loss as a result of the risk to which it is exposed and take the necessary corrective action.

The credit quality of loans is as follows:

	2018 $'000				2017 $'000
	Stage 1	Stage 2	Stage 3	Total	Total
Loans receivable	1,632,910	57,555	46,707	1,737,172	1,668,430
Loss allowance	(19,702)	(4,041)	(28,364)	(52,107)	(20,178)
Carrying amount	1,613,208	53,514	18,343	1,685,065	1,648,252

(ii) Resale agreements

The Co-operative limits its exposure to credit risk associated with investment securities by investing mainly in liquid securities with counterparties that have high credit quality.

Credit quality

The Co-operative identifies changes in credit risk by tracking published external credit ratings.

Loss given default (LGD) parameters generally reflect an assumed recovery rate except when the security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The credit quality of resale agreements is as follows:

	2018 $'000	2017 $'000
Credit rating		
B3	31,089	58,951

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Credit review process (continued)

(iii) Cash at bank and in hand

Cash is held with banks and other financial institutions counterparties with '1' ratings. Impairment has been measured at 12-month expected loss basis and reflects the short maturities of the exposures. The Co-operative considers that cash at bank have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there was no change during the period.

Impairment

Inputs, assumptions and techniques used for estimating impairment

See accounting policy at note 4(l).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Co-operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Co-operative's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Co-operative uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Credit risk grades:

The Co-operative allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The Co-operative uses these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

Determining whether credit risk has been increased significantly:

The Co-operative assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security decreased by more than 150 points and if past due between 30 and 90 days. Both quantitative as well as qualitative considerations are included in determining whether there has been a significant change in credit risk (SICR) for the financial instrument since origination. Included in the Co-operative's assessment of a SICR on facilities extended to individual counterparties are material decline in credit scores as follows:

Loan Types	Decline in Credit Scores
Cash Secured	-60%
Unsecured	-30%
Real Estate	-50%
Motor Vehicle	-40%

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has been increased significantly (continued):

As a backstop, the Co-operative considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the Co-operative determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Co-operative monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Credit risk grades (continued):

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

Definition of default:

The Co-operative considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Co-operative in full, without recourse by the Co-operative to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Co-operative considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Co-operative for regulatory capital purposes.

Incorporation of forward-looking information

The Co-operative incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Co-operative formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 20% and 30% respectively, probability of occurring. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Jamaica.

The economic scenarios used as at December 31, 2018 assumed no significant changes in key indicators for Jamaica for the years ending December 31, 2019 to 2021.

For 2018, forward-looking information was incorporated in the ECL computation by use of a management overlay. Based on the economic scenario, a proxy of 0.6, 1.1 and 1.6 times ECL was determined to be appropriate for positive, stable and negative outlooks respectively.

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Measurement of ECLs

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Co-operative estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by property, Loan-to-Value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Co-operative derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Co-operative measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Co-operative considers a longer period. The maximum contractual period extends to the date at which the Co-operative has the right to require repayment of an advance.

The Co-operative established an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a group basis in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

25. Financial instruments-risk management and fair values (continued)

(a) Credit risk (continued)

Loss allowance

The loss allowance recognised is analysed as follow:

	2018 Loans $'000	2017 Total $'000
Balance at January 1, 2018 (IAS 39)	20,178	20,178
Remeasurement on January 1, 2018 (IFRS 9)	27,209	-
Recognised during the period	4,720	-
Balance at December 31, 2018	52,107	20,178

Credit exposure

The following table summarises the Co-operative's credit exposure for loans at their carrying amounts, as categorised by loan types:

	2018 $'000	2017 $'000
Cash secured	97,909	61,677
Motor vehicle	452,233	435,180
Real estate	240,476	265,855
Unsecured	944,554	905,718
	1,735,172	1,668,430
Loss allowance	(52,107)	(47,387)
	1,683,065	1,621,043

Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of different types of collateral. The main types of collateral obtained are mortgages over properties, lien over motor vehicles, other registered securities over assets and hypothecation of shares held in the Co-operative and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan (or other financial asset) is individually assessed as impaired. Collateral is not generally held against deposits and investment securities, except when the securities are held as part of resale agreements.

25. Financial instruments-risk management and fair values (continued)

(b) Credit risk (continued)

Collateral and other credit enhancements held against financial assets (continued)

Management monitors the market value of collateral held during its review of the adequacy of the provision for credit losses. An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

	Loans and advances	
	2018	2017
	$'000	$'000
Neither past due nor impaired financial assets		
properties	260,115	269,639
Liens on motor vehicles	530,929	542,912
Hypothecation of deposits	216,965	151,879
Total	1,008,009	964,430

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management process

The Co-operative's liquidity management process, as carried out within the Co-operative and monitored by the management team, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption of cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investments;

(v) Monitoring liquidity ratios against internal and regulatory requirements.

The Co-operative is subject to a liquidity limit imposed by the League and compliance is regularly monitored. The key measure used by the Co-operative for managing liquidity risk is the ratio of liquid assets, minus short-term liabilities, to total savings deposits. For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 7% (2017: 17%).

25. Financial instruments-risk management and fair values (continued)

(c) Liquidity risk (continued)

Items carried on the statement of financial position

The tables below present the undiscounted cash flows (both interest and principal) of the Co-operative's financial liabilities based on contractual and expected repayment rights and obligations.

	2018			
	Within 1 month	3 to 12 months	1 to 5 years	Carrying amount
	J$'000	J$'000	J$'000	J$'000
Savings deposits	168,367	359,304	359,335	887,006
Members' voluntary shares	255,658	42,411	219,916	517,985
External credits	1,436	7,833	6,271	15,540
Accounts payable and accruals	92,113	-	-	92,113
Total liabilities	517,574	409,548	585,522	1,512,644

	2017			
	Within 1 Month	3 to 12 months	1 to 5 years	Carrying amount
	J$'000	J$'000	J$'000	J$'000
Savings deposits	130,881	332,285	316,461	779,627
Members' voluntary shares	271,575	-	125,377	396,952
External credits	-	46,718	43,106	89,824
Accounts payable and accruals	69,145	-	-	69,145
Total liabilities	471,601	379,003	484,944	1,335,548

(d) 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 foreign currency rate interest rate and equity prices and will affect the Co-operative's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the nature of the Co-operative's exposure to market risks or the manner in which it manages and measures the risk.

(i) 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 Co-operative is not significantly exposed to foreign currency risk as it does not have significant balances that are denominated in currencies other than the Jamaica dollar.

25. Financial instruments-risk management and fair values (continued)

(d) Market risk (continued):

(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 because of a change in market interest rates.

Floating rate instruments expose the Co-operative to cash flow interest rate risk, whereas fixed interest rate instruments expose the Co-operative to fair value interest rate risk.

The Co-operative's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Asset and Liability Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the management team and treasury personnel.

At the reporting date, the interest rate profile of the Co-operative's interest-bearing financial instruments was:

	2018 $'000	2017 $'000
Fixed rate financial assets:		
Loans to members	1,648,252	1,447,151
Liquid assets	200,684	209,957
Financial investments	32,840	31,574
	1,881,776	1,688,682

	2018 $'000	2017 $'000
Fixed rate financial liabilities:		
Savings deposit	887,006	779,727
Members' voluntary shares	517,985	396,952
External credits	15,540	88,375
	1,420,531	1,265,054

Sensitivity analysis

Majority of the Co-operative's interest bearing financial instruments are at fixed rate therefore, a change in interest rates at the reporting date would not affect income. The Co-operative's variable rate instruments as at the reporting date are insignificant and therefore would not have a significant impact on the fair value of the instrument.

25. Financial instruments-risk management and fair values (continued)

(e) Capital management

The Co-operative's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the capital requirements set by the League;

(ii) To safeguard the Co-operative's ability to continue as a going concern, so that it can continue to provide returns to its members and benefits for other stakeholders and

(iii) To maintain a strong capital base to support the development of its business. The Co-operative defines its capital as members' permanent shares, institutional capital and non-institutional capital and undistributed surplus. Its dividend pay-out is made taking into account the maintenance of an adequate capital base.

The Co-operative is required by the League to maintain its institutional capital at a minimum of 8% of total assets. At the reporting date, this ratio was 11.3% (2017: 11.7%) which is in compliance with the requirements.

There were no changes in the Co-operative's approach to capital management during the year

(f) Fair value of financial instruments:

(i) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Co-operative using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques making use of available input data.

The Co-operative uses observable data as far as possible. Fair values are categorised into different levels in a three-tier fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable.

Fair value hierarchy: The different levels in the hierarchy have been defined as follows:

Level 1: Financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market 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.

25. Financial instruments-risk management and fair values (continued)

(f) Fair value of financial instruments (continued):

(i) Definition and measurement of fair values (continued)

Fair value hierarchy: The different levels in the hierarchy have been defined as follows (continued):

Level 2: Financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3: Financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The estimated fair values of liquid assets, financial investments with under one year to maturity, other assets and other liabilities, are assumed to approximate their carrying values due to their short-term nature.

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 due to their short-term nature. The estimated fair value of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature.

The estimated fair values of liquid assets, financial investments with under one year to maturity, other assets and other liabilities, are assumed to approximate their carrying values due to their short-term nature.

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 due to their short-term nature. The estimated fair value of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature.

26. Contingencies

There are legal proceedings against the Co-operative of which the outcome is not yet known. No provision has therefore been made in these financial statements.

JCIA

Jamaica Co-operatives Insurance Agency Ltd.

PLAN COVERS

- **Death** (if the policyholder dies in an accident) **$1.5M**
- **Permanent total disability** (loss of limbs, eyesight or other disabilities)
- **Permanent partial disability** (loss of one limb, or eye) etc.
- **Temporary total disability** (fractured limb) etc.
- **Accidental Medical Expense Reimbursement**

MEMBERS PERSONAL ACCIDENT INSURANCE PLAN

easy as 123 *Speak to your credit union representative*

- No Medical Required
- Hassle Free Enrollment
- For Members Ages 16-69 years
- Low Low Premium
- Get Covered Today!!!

MEMBERS LIFE INSURANCE PLAN

MAIN BENEFITS

- $1,000,000.00 - in the event of death from any cause
- NON Medical (No medical to join)
- For Members ages 18 - 74 years
- $500,000.00 - living benefit to Members diagonsed with a terminal illness (cancer etc) paid upfront
- Very low premium paid once or twice per year

ADDITIONAL BENEFITS

- Critical illness (stroke, heart attack etc.)
- Parents insurance
- Children insurance
- Access to an additional $2.5M in insurance coverage

Underwritten by Sagicor Life Jamaica Ltd. Sagicor Life

Covering the Co-operative Movement of Jamaica

Call - (876) 929-5360 / (876) 968-6719 (or your credit union) | ...w.jciai.com

MANAGEMENT

Patricia Tomlinson
General Manager

Marsha McGowan
Operations Manager

Alvin Reid
IT Manager

Allison Pessoa
Risk and Compliance Officer

Tahnee Taylor
HR & Admin Manager

Marva McGregor
Credit Risk Manager

Karlene Pitter-Cooper
Internal Auditor

Janice Blake
Marketing & Communications Manager

Howard Powell
Finance Manager

HR & ADMINISTRATION

Patricia Tomlinson
General Manager

Tahnee Taylor
HR & Admin Manager

Sonia Clarke
Office Attendant

Missing:
Frances Collie
HR & Admin Assistant

FINANCE

Howard Powell
Finance Manager

Georgia Cornwall
Accounting Officer

Devon Fray
Accounting Officer

CREDIT RISK

Marva McGregor
Credit Risk Manager

Clarine Bogle
Collateral & Delinquency Officer

Jason Stewart
Credit Risk Officer

INFORMATION TECHNOLOGY

Garth Beckford
IT Support Officer

Alvin Reid
IT Manager

OPERATIONS

Left - Right:

Shackeria Williams
Teller

Melissa Brown-Morgan
Member Service Officer

Marsha Morris-Barthley
Senior Teller

Marsha McGowan
Operations Manager

Tabinna Leighton
Telle

Kirlew Duncan
Teller

MARKETING

Rochelle Fearon
Business Development Officer

Janice Blake
Marketing and Communications Manager

AUDIT & RISK & COMPLIANCE

Karlene Pitter-Cooper
Internal Auditor

Allison Pessoa
Risk and Compliance Officer

Charlene Smith
Member Service Officer

Twinkle Small
Teller

Marsha Segree-Boothe
Member Service Supervisor

Sebrena Smith
Member Service Officer

Rodraine Gibson
Member Service Officer

Missing:

Romario Johnston
Member Service Officer

Credit Committee REPORT

Members of the Credit Committee for the year under review are:

Captain Calvin Dryden - Chairman
Sergeant William Gilzene - Secretary
Mrs. Shakira Marshall-Fender - Assistant Secretary
Warrant Officer Class 2 Ronald Johnson - Member
Warrant Officer Class 1 Lukel Miller - Member
Mr. Hamroy Roberts - Member
Staff Sergeant Michael Rowe - Member

The Committee met on Tuesday 24 April 2018 as required, after being elected at the AGM. In accordance with the revised rule, persons were selected to serve terms of one, two and three years respectively. Election of Committee officers was conducted and Captain DRYDEN was elected as Chairman and Sgt GILZENE elected as Secretary. This was done within the specified time after the Annual General Meeting of the Jamaica Defence Force Co-operative Credit Union held on 18 April 2018.

The year 2018, like previous years, came with its own set of challenges for the Jamaica Defence Force Co-operative Credit Union. The credit union, in meeting the mandate of the Bank of Jamaica, completed tasks and overcame obstacles in order to meet the more stringent measures of governance and accountability. The policies and procedures which were developed over the past few years saw full implementation. These not only allowed for greater transparency and efficiency but also resulted in greater member access to the the credit union's products and services with more ease.

The credit union continued its push to implement new initiatives in order to improve member saving, stability of loan instruments and the strengthening of our asset base. It also kept members' interest at heart, given that the members are the owners of the institution. Keeping this in mind, we take this opportunity to encourage members to continue saving with the credit union.

During the year under consideration the Committee observed that there was an increase in loans to consolidate debt. This gave an insight into how the credit union was assisting its members to become more financially stable and making the first step toward wealth creation. There was also a minor reduction in the number of loans which required waivers.

Below, fig:1.1 shows a breakdown of loans seen and approved by the Credit Committee during the 2 comparative periods:

Serial	Loan Description	2017	2018
1	Unsecured	$5,863,488.23	$20,076,065.99
2	Home Improvement	$12,715,066.68	$7,722,313.98
3	Moror Vehicle	$61,499,152.98	$62,425,861.25
4	Debt Consolidation	$95,808,399.57	$121,244,235.58
5	Furniture/Houseold Items	$1,600,000.00	$0.00
6	Educational Expense	$2,053,203.75	$1,298,897.50
7	Medical Expense	$867,121.83	$0.00
8	Personal Loan	$9,049,660.18	$1,789,280.00
9	Help Line	$450,000.00	$0.00
Total		**$189,906,093.22**	**$214,556,654.30**

Fig1.1

Below, Fig:1.2 is a comparative graph illustrating the movement of the loan which came to the Credit Committee over the period under review:

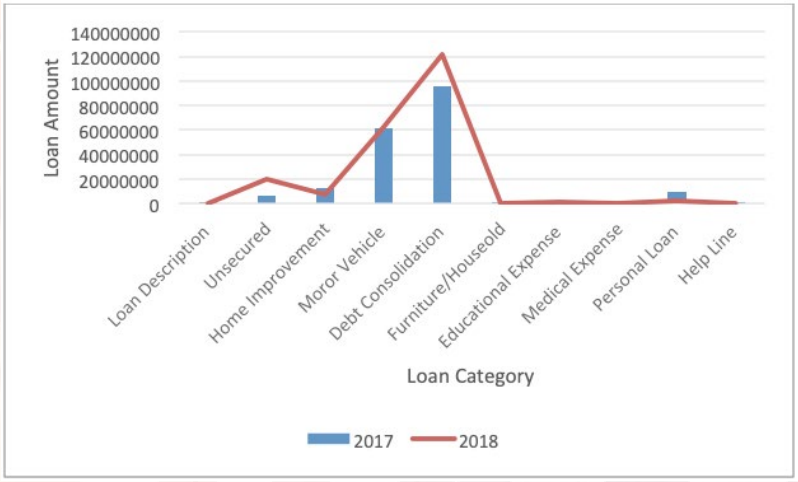


Fig 1.2

The $214 million shows an overall increase in value of the loan applications when compared with $189 million for the previous year. The increase in loan totals taken is an indication of the continued confidence in the institution's ability to improve their financial standing. However, the credit union still had a difficulty to remain competitive vis-a-vis banks and other financial institutions.

Delinquency continued to be a major challenge for the Credit Committee and the credit union and as such, it held a cardinal place in the decision making of the institution. We, the members of the Credit Committee, remind members that when they fail to meet their loan payments and thus become delinquent, it makes it quite difficult for other members to access loans, as the institution depends on the repayment of loans to offer new loans. Members are therefore encouraged to contact the credit union whenever they encounter financial difficulties. The credit union is people focused and will try its best to work with members to work through difficulties.

2018 saw a further increase in our delinquency portfolio. Our delinquency ratio at the start of the year was 2.13% and we closed the year at 2.13%. This showed an increase of 1.023%. Unemployment, migration, and the unwillingness of some of our members to pay, remained the major contributing factors to the rise in delinquency. We continued to employ the use of reminders and legal action as means of recovery where necessary. The steps taken continued to see less than ideal results but we remain resolute in our efforts. The total write off in loans for 2018 was $8,122,789.32.

The Credit Committee extends appreciation and recognition to the Board of Directors for their continued guidance and the Supervisory Committee for keeping us on track. Gratitude is also extended to the members of staff of the Jamaica Defence Force Co-operative Credit Union as well as to the general membership, for granting us the opportunity to serve the Credit Union in this capacity and for their continued support and contribution.

We look forward to providing exemplary service to our valued members and assure our general membership that a stable financial future is guaranteed with a financial institution that is 'marching forward building wealth'.

Calvin Dryden
Captain
Chairman, Credit Committee

Left - Right:

Warrant Officer Class 2 Hamroy Roberts
Member

Sergeant William Gilzene
Secretary

Captain Calvin Dryden
Chairman

Staff Sergeant Michael Rowe
Member

Warrant Officer Class 2 Lukel Miller
Member

Mrs. Shakera Marshall-Fender
Member

Warrant Officer Class 2 Ronald Johnson
Member

Nominating Committee REPORT

In accordance with Article XII of the Rules of the Jamaica Defence Force Co-operative Credit Union Limited ("JDF-CCU") the Nominating Committee advises that the following persons have been nominated to serve on the Board of Directors, Credit and Supervisory Committees and will be available for election at the next Annual General Meeting of the JDFCCU to be held in April 2019.

REPORT OF THE NOMINATING COMMITTEE TO THE 56th ANNUAL GENERAL MEETING OF JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LTD.

BOARD OF DIRECTORS

Retiring

Lieutenant Colonel O'neil Bogle
Major Michael Anglin
Major Garth Anderson
Warrant Officer Class 2 Andre Shakespeare

Not Retiring	Unexpired Term
Major Heleda Thompson	2 years
Major Andres Pierce	2 years
Captain Kwame Gordon	1 year
Mrs. Donna Marie Brown	1 year
Mr. Everton Hay	2 years

Recommended	Term
Lieutenant Colonel O'neil Bogle	3 years
Major Michael Anglin	3 years
Major Garth Anderson	3 years
Lieutenant Commander Aceion Prescott	3 years
Major Andre Duhaney	3 years
Warrant Officer Class 2 Carlean Sutherland	3 years
Sergeant Desmond Pringle	3 years

CREDIT COMMITTEE

Retiring

Warrant Officer Class 1 Lukel Miller
Sergeant William Gilzene
Mrs. Shakera Marshall-Fender

Not Retiring	Unexpired Term
Captain Calvin Dryden	2 years
Warrant Officer Class 2 Ronald Johnson	1 year
Staff Sergeant Michael Rowe	1 year
Mr. Hamroy Roberts	2 years

Recommended	Term
Major Alicia Thompson	3 years
Major Andre Duhaney	3 years
Warrant Officer Class 1 Lukel Miller	3 years
Warrant Officer Class 2 Lennon Edwards	3 years
Warrant Officer Class 2 Carlean Sutherland	3 years
Sergeant Mark Brown	3 years
Sergeant William Gilzene	3 years
Mrs. Shakera Marshall-Fender	3 years
Mrs. Michelle Goulbourne	3 years

SUPERVISORY COMMITTEE

Retiring

Staff Sergeant Ricardo Russell
Staff Sergeant Sherlon Campbell
Staff Sergeant Clayton Edwards
Sergeant Shelroy Johnson
Sergeant O'neil Shirley
Corporal Gawayne Brown
Corporal Andrae Burnett

Recommended	Term
Captain Leonard Wynter	1 year
Warrant Officer Class 2 Dwight Smith	1 year
Warrant Officer Class 2 Lennon Edwards	1 year
Staff Sergeant Ricardo Russell	1 year
Staff Sergeant Clayton Edwards	1 year
Staff Sergeant D-Wayne Graham	1 year
Sergeant Shelroy Johnson	1 year
Sergeant O'neil Shirley	1 year
Sergeant Sherlon Campbell	1 year
Corporal Andrae Burnett	1 year
Corporal Errol Carty	1 year
Corporal Gawayne Brown	1 year

DELEGATES

The Nominating Committee recommends that the Board be authorized to appoint the Delegates and Alternate Delegates to represent the Credit Union at the various fora where appropriate.

Profile of Nominees:

BOARD OF DIRECTORS

Lieutenant Colonel O'Neil Bogle has been a member of the JDF Credit Union for nineteen (19) years and has served on the Supervisory Committee before being co-opted to the Board of Directors. He previously served as Treasurer on the Board of Directors, a position he relinquished in 2013. He is currently the Vice President on the Board of Directors and Commanding Officer of the First Battalion, The Jamaica Regiment.

Lieutenant Colonel Bogle holds a Masters Degree in Security, Conflict and International Development from the University of Leicester, a second Masters Degree in National Security and Strategic Studies from the University of the West Indies, and a third Masters Degree in Military Science from the Nanjing Army Command College, China. He also has a Bachelor of Science Degree in Economics from the University of the West Indies.

Major Michael Anglin has been a member of the JDF Credit Union since March 1995 and currently serves as President on the Credit Union's Board. He has chaired several other Sub-Committees is a former Vice President on the Board. He holds a Bachelor of Science Degree in Human Resource Management, a Diploma in Supervisory Management (MIND), a Certificate of Merit in Paralegal Training and a Certificate in Public Administration.

Major Anglin has been decorated with Medals of Honour for Meritorious Service, Long Service and Good Conduct, and General Service, as well as the First Bar to the Medals of Honour for Meritorious Service, and Long Service and Good Conduct.

Major Garth Anderson has been a member of the JDF Credit Union since April 2008 and has served as the Chairman of the Credit and Supervisory Committee, the Treasurer on the Board and currently serves as a Board Director. He has over twenty-five (25) years of management experience and has been a member of the Jamaica Defence Force in excess of 19 years. Major Garth Anderson is a trained Accountant who worked as an Accountant and Auditor in a financial institution for four (4) years. He holds a Masters of Science Degree in Security and Risk Management from the University of Leicester, United Kingdom. He volunteers and serves in the capacity as a Justice of the Peace for Kingston, Chairman for St John Ambulance South East Region Committee, Treasurer of Brotherhood of St. Andrew (Anglican's Men's Fellowship) and a member of Church of Transfiguration Committee.

Lieutenant Commander Aceion Prescott has been a member of the JDF Credit Union since July 2003. He has held many leadership positions and is committed to the advancement of the JDF family and strives to bring initiative and creativity together towards that effort. He is currently employed as the Acting Commanding Officer for the 1st District JDF Coast Guard.

Lieutenant Commander Aceion Prescott holds a Bachelor of Science (Honours) in Zoology/ Botany and a Master of Arts in National Security and Strategic Studies from The United States Naval War College, in the United States of America.

Major Andre Duhaney has been an active member of the JDF Credit Union since September 2008. He is currently the Officer Commanding A Coy of The First Battalion, The Jamaica Regiment. Major Duhaney holds a Bachelors in Literature/Media and Communication from The University of the West Indies and a Masters in Business Administration from The University of South Wales.

Warrant Officer Class 2 Carlean Sutherland has been a member of the JDF Credit Union since August 1990 and served on the Supervisory Committee for several years. She has been an Administrator/Welfare Officer at the JDF since May 1990 and previously worked as a Student Social Worker at Jamaica College, National Housing Trust Jamaica and Kingston and St Andrew Family Court.

Warrant Officer Class 2 Sutherland has a Bachelors of Science Degree in Social Work (Second Class Honours) from the University of West Indies and has taken part in numerous volunteer activities.

Sergeant Desmond Pringle joined the JDF Credit Union family in November 1997 and is an active member. He is an experienced Intelligence Analyst and Administrative Office Supervisor with over 10 years of experience.

Sergeant Pringle holds a Bachelor of Science Degree in Information and Communication Technology, as well as a Diploma in Information and Communication Technology from the Vocational Training Development Institute.

CREDIT COMMITTEE

Major Alicia Thompson has been a member of the JDF Credit Union since January 2007. She believes that with current skills in accounting and organizing, she would be an asset to the Credit Union family. Major Thompson has served as the Treasurer for Flagstaff Officers' Mess and The Jamaica Officers' Club. She has held positions as Staff Officer Finance and Force Paymaster and she is currently a Company Commander of the Second Battalion, The Jamaica Regiment.

Major Thompson holds a Bachelors Degree in Accounting and a Masters in Business Administration from The Florida International University.

Major Andre Duhaney has been an active member of the JDF Credit Union since September 2008. He is currently the Officer Commanding A Coy of The First Battalion, The Jamaica Regiment. Major Duhaney holds a Bachelors in Literature/Media and Communication from The University of the West Indies and a Masters in Business Administration from The University of South Wales.

Warrant Officer Class 1 Lukel Miller has been a member of the JDF Credit Union for over twenty (20) years and previously served as a Credit Committee member. He was employed at the Planning Department of the JDF Headquarters and is currently the Chief Clerk. He holds a Diploma in Business Administration.

Warrant Officer Class 2 Lennon Edwards has been a member since February 1991. He is a highly motivated and self-directed individual with over 28 years of experience in Military Operations. This includes leadership and administration. His key competencies include excellent leadership and coaching skills, excellent training skills, good analytical and problem solving skills, as well as working knowledge of Microsoft Excel, Word and Power Point.

He has received training from the National Council for Technical and Vocational Education and Training and the Canadian Forces School of Communication and Electronics. Warrant Officer Class 2 Lennon Edwards is also the recipient of the Medal for Long Service and Good Conduct.

Warrant Officer Class 2 Carlean Sutherland has been a member of the JDF Credit Union since August 1990 and served on the Supervisory Committee for several years. She has been an Administrator/Welfare Officer at the JDF since May 1990 and previously worked as a Student Social Worker at Jamaica College, National Housing Trust Jamaica and Kingston and St Andrew Family Court.

Warrant Officer Class 2 Sutherland has a Bachelors of Science Degree in Social Work (Second Class Honours) from the University of West Indies and has taken part in numerous volunteer activities.

Sergeant Mark Brown has been a member of the JDF Credit Union since January 1997. Sergeant Brown volunteers and serves in the capacity as a member of the Old Harbour Citizens Organization Committee. His area of study is in Agriculture.

Sergeant William Gilzene has been a member of the JDF Credit Union since September 2001 and has been serving as volunteer since 2014. He was the Liaison Officer for The Second Battalion, The Jamaica Regiment and a member of the Marketing Committee in 2014 and he is now presently the Secretary of the Credit Committee.

Sergeant Gilzene is employed as the Company Clerk (Admin Coy, Support and Services Battalion). He holds Diplomas in Business Administration and Spanish. He is now pursuing his Bachelors in Management Studies (Human Resource Management).

Mrs. Shakera Marshall-Fender has been a member of the JDF Credit Union since December 2006 and has been serving as volunteer since 2015. She has been working at the JDF Pay and Records Office for fifteen (15) years in areas of Payroll, Audit, Final Accounts and Payments.

She holds an Associate of Science Degree in Accounting and a Diploma in Accounting, as well as a certificate in Supervisory Management. Mrs. Marshall-Fender is currently pursuing a Bachelor of Science Degree in Business Administration.

Mrs. Michelle Colquhoun-Goulbourne has been a member of the JDF Credit Union since February 1991. Her objective is to use her knowledge to assist with the upcoming visions and goals of the organization.

Mrs. Goulbourne has completed certificates in computing and supervisory management from the University School of Continuing Studies and has pursued studies in Government Accounting at the Management Institute for National Development (MIND).

SUPERVISORY COMMITTEE

Captain Leonard Wynter has been a member of the JDF Credit Union since April 2008. He believes that with the skills he possess and his experience in management, he can contribute to the mandate of the supervisory committee. Captain Wynter is presently the Commanding Officer HMJS Middlesex, Jamaica Defence Force Coast Guard. He is also currently pursuing his MBA at the University of the Commonwealth Caribbean and a past student of the University of the West Indies, where he pursued History and Archaeology.

Warrant Officer Class 2 Dwight Smith has been a member of the JDF Credit Union since September 1996. He has been a member of the JDF Finance office since 2007 and is currently employed as an Accounting Clerk.

Warrant Officer Class 2 Smith is a graduate of UTECH, where he pursued his studies in Procurement and Contract Management. He also attended the Management Institute for National Development where he attained a Certificate in Supervisory Management and a Diploma in Government Accounting.

Warrant Officer Class 2 Lennon Edwards has been a member since February 1991. He is a highly motivated and self-directed individual with over twenty-eight (28) years of experience in Military Operations. This includes leadership and administration. His key competencies include excellent leadership and coaching skills, excellent training skills, good analytical and problem solving skills, as well as working knowledge of Microsoft Excel, Word and Power Point. He has received training from the National Council for Technical and Vocational Education and Training and the Canadian Forces School of Communication and Electronics. Warrant Officer Class 2 Lennon Edwards is also the recipient of the Medal for Long Service and Good Conduct.

Staff Sergeant Ricardo Russell joined the JDF Credit Union in September 2001. He has recently served on the Supervisory Committee at the JDF Credit Union. Staff Russell is computer competent and a creative thinker, who possesses good communication skills.

Staff Sergeant Russell has a BSc. in General Management and a Minor in Human Resource Management.

Staff Sergeant Clayton Edwards has been a member of the JDF Credit Union since 1997 and currently serves as a member on the Credit Union's Supervisory Committee. He has been a member of the Jamaica Defence Force for the past twenty-two (22) years and has over seventeen (17) years experience in Finance/Accounts of which nine (9) years was at the JDF Pay and Records Office as the Payroll Supervisor.

He currently heads the Accounts Department at 1 ER as the Pay Sergeant. Staff Sergeant Edwards holds a Certificate in Forensic Accounting, a Diploma in Leadership Development and Certificates in Military Pay Clerk and Military Stores.

Staff Sergeant D-Wayne Graham joined the JDF Credit Union in November 1997. He has been a member of the Jamaica Defence Force for the past twenty-one (21) years and is currently employed at the Health Services Corps. He has served in several capacities in the Jamaica Defence Force and currently serving as a Combat Life Saver.

Sergeant Shelroy Johnson has been a member of the JDF Credit Union since June 2005 and currently serves as a member on the Credit Union's Supervisory Committee. He is currently employed at the JDF Pay and Records Office for over eight (8) years and is presently the Sergeant in charge of Payroll.

Sergeant Johnson has received training in Team Organization, Project Management, Mentorship, Documentation, Customer Service and Troubleshooting. He recently received certified in Techniques of Financial Investigation Audit Techniques, Fraud Detection and Governance.

Sergeant O'Neil Shirley has been a member of the JDF Credit Union since November 2002 and has been a part of the Supervisory Committee for a few years. He is currently employed as a Class1 Clerk (GD) and has worked in several capacities including Orderly Room Sergeant, Platoon Sergeant and Section Commander.

Sergeant Shirley holds a number of Certificates including Mechanical Maintenance Level 2 & 3, Business Administration Assistant Level 2 & 3 and Interior Decorating. He also has a Diploma in Business Administration (Level 3) and he is currently pursuing an Associate Degree in Plant Mechanics.

Sergeant Sherlon Campbell has been a member of the JDF Credit Union since 2002 and currently serves as a member on the Credit Union's Supervisory Committee. He is currently employed at the JDF Pay and Records Office as a Class one Pay Sergeant. Sergeant Campbell has experience in areas such as Auditing and Budgeting and also has training in Team Organization and Project Management, Mentorship, Documentation and Customer Service. He also has a certificate in Fraud Detection.

Corporal Andrae Burnett has been a member of the JDF Credit Union since 2009. He has been a member of the Supervisory Committee for a year. He has over seven (7) years experience working in the Finance Office HQ JDF as a Bills Clerk with two (2) years being in charge of the Bills Section. Corporal Burnett has a wealth of experience and training in Government Accounting, General Duties Clerical and Microsoft Office and also holds a Bachelor of Science Degree in Banking and Finance (minor in Economics) with Honours.

Corporal Errol Carty joined the JDF Credit Union in February 1998. He is currently a Estimator in the Projects Department at the 1 Engineer Regiment. Corporal Carty has a Post Graduate Diploma in Project Management and he is certified in Supervisory Management and General Construction with experience in Team Building and Leadership.

Corporal Gawayne Brown has been a member of the JDF Credit Union since 2013 and currently serves as a member of the Credit Union's Supervisory Committee for the past two (2) years. He was employed at the JDF Pay and Records Office and was the Class Two Pay Service Funds Clerk. Corporal Brown has experience in areas such as Accounting and Inventory Management. He has training in Team Organization and Project Management, Mentorship and Documentation, Customer Service, Data manipulation (MS Excel) and Troubleshooting. He holds Diplomas in Computer Professionals, Level 4 Certified Accounting Technician (UK), and is currently pursuing studies at the Association of Chartered Certified Accounts (ACCA) UK.

Lance Corporal Rohan Barrett has been a member of the Credit Union since 2011. He is currently employed at the Engineer Regiment PRI where he assists with the operation and management of the PRI. He has experience in procurement and inventory management from his previous employment where he was an Accounting Clerk.

Lance Corporal Barrett holds a Bachelors of Science in Business Administration where he majored in Banking and Finance and minored in Production and Operations Management from The University of Technology.

Supervisory Committee REPORT

Sergeant Shelroy Johnson, Chairman

THE COMMITTEE

Over the period in review, the Supervisory Committee assisted the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Credit Union's process for monitoring compliance with policies and regulations and the code of conduct. The Committee comprised of individuals from various backgrounds and consequently was quite balanced and dynamic in the execution of its corporate governance oversight responsibility.

The following persons were duly elected to serve on the Supervisory Committee at the last Annual General Meeting for one (1) year.

Staff Sergeant Clayton Edwards
Staff Sergeant Sherlon Campbell
Sergeant Shelroy Johnson
Sergeant O'Neil Shirley
Corporal Gawayne Brown
Corporal Andrae Burnett
Miss Shana Gay Mitchell

In November 2018 Miss Mitchell retired from the Supervisory Committee as a result of unforeseen additional obligations. As such due care and the required procedure was followed before Staff Sergeant Ricardo Russell was co-opted to fill the vacancy created by the resignation of Miss Mitchell.

SCOPE OF WORK

For the year in review, the Supervisory Committee embraced the demands of both the members and staff of the Credit Union in our audits. The use of the Credit Union's resources to effectively and efficiently meet this demand was the main priority of the Committee through its relentless regulatory efforts.

The areas that were examined by the Supervisory Committee during the year in review include but were not limited to:

- Corporate Credit Card
- Tax Compliance
- Employees' Salary
- Fraud & Confidentiality Policies
- Bank Reconciliation
- Employees' Attendance Records
- Members' Clearing Account
- Property Plant and Equipment
- Staff Uniforms
- Delinquency
- Marketing
- Financial Reporting, and
- Employment Contracts

OPERATIONS

In keeping with its mission, the Supervisory Committee throughout the year reviewed, along with management and the Internal Auditor, the policies, activities, staffing, and organizational structure of the Credit Union. The effectiveness of the system for monitoring compliance endured constant testing throughout the year to confirm that policies and regulations were being adhered to. On a monthly basis the Committee reported to the Board of Directors about Committee activities, issues, and related recommendations.

Although 2018 proved to be a rather challenging year for volunteers due to increased workload derived from the established States of Emergency, the Committee fulfilled its obligation to the membership of the JDF Co-operative Credit Union, at all times executing its function with the highest level of confidentiality, independ-

ence and professional skepticism. Opinions given were based on the analysis of sufficient appropriate evidence; as well as comparisons between the Credit Unions' daily operations and the related policy documentation of the JDFCCU.

The Committee acting as an independent, objective and consulting body, through its activities with the unwavering support of the Internal Audit Department, helped the Credit Union to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, transparency and governance.

The Supervisory Committee continues to encourage each and every member to save on a regular basis and to ensure that his or her account remains active and in good standing. It is through your savings that this Credit Union will grow to better serve you, our valued member, through first class service and products.

ACKNOWLEDGEMENTS

On behalf of the Committee I would like to express sincere gratitude to the Board of Directors, the General Manager along with her hard-working and dedicated staff. Special commendations and appreciation also to the Internal Auditor who maintained a high level of professionalism and dedication throughout the year in review. Most importantly, we thank you the shareholders who have entrusted us to represent you. Thank you very much.

Shelroy Johnson
Sergeant
Chairman, Supervisory Committee

Left - Right:

Corporal Gawayne Brown
Sergeant Shelroy Johnson
Staff Sergeant Clayton Edwards
Corporal Andrae Burnett
Sergeant O'Neil Shirley
Staff Sergeant Ricardo Russell
Staff Sergeant Sherlon Campbell

PARLIAMENTARY RULES

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

Suspension of Standing Order
In the event of any matter of urgency, however, the Chairman may accept a suspension of the Standing Order. The member moving such a suspension must clearly state the nature and urgency of his business, the numbers of the Standing Order affected and the length of time he desires such suspension shall take place except by majority vote of the members present.

Minutes
No motion or discussion shall be allowed on the minutes except in regards to their accuracy. After the confirmation of the minutes, they shall be signed by the Chairman, and the members shall then be at liberty to ask questions in regards to the matters arising out of them. Such questions shall be allowed for the purpose of information only, and no debate on the policy outlined in the minutes shall take place. All speakers are to make use of the microphone when addressing the meeting in order that it be recorded and make permanent record in the meeting proceedings, a point of order, or explanation, except the mover of the original motion. But on an amendment being moved, any member even though he has spoken on an original motion, may speak again on the amendment. No member for more than five minutes at a time. Members wishing to raise point of order or explanation must first obtain the permission of the Chairman and must raise immediately the alleged breach has occurred. Any accredited member shall have the right to speak and vote on all issues coming before the meeting. Persons other than accredited members, so certified, may speak with the permission of the Chair but shall not vote on any issue.

Speeches
No member shall be allowed to speak more than once upon any motion before the meeting, unless one member may formally second any motion or amendment and reserve his speech until later in the debate. No person shall interrupt another who is speaking except on a point of order, a parliamentary inquiry, or a point of information. If it should come to pass that speaker is called to order while speaking, the Speaker should take his seat until the question of order is determined.

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

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

Motions And Amendments
The first proposition on any particular subject shall be known as the original motion, and all succeeding propositions on the subject shall be called amendments. Every motion or amendment must be moved and seconded by members actually present at the meeting before they can be discussed and whenever possible, shall set forth in writing. It is permissible for a member to make his speech first and conclude with a motion. When an amendment shall be discussed until the first amendment is disposed of (Notice of any further amendment must be given before the first amendment is put to vote.

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

Right of Reply
The move of the original motion shall, if not amendment be moved, have the right of reply at the close of the debate upon such motion. When an amendment is moved it shall be entitled to speak thereon in accordance with standing order

#8 and at the close of the debate on such amendment shall reply to the discussion, but shall introduce no new matter. The question shall then be put to the vote immediately, and under no circumstances shall any further discussion be allowed once the question has been put from the chair. The mover of amendment shall not be entitled to reply.

Withdrawals or Additions

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

Closing Debate

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

Adjournment

Any member who has not already spoken during the debate may move the adjournment of the question under discussion or of the meeting, but must confine his remarks to the question and must not discuss any other matter. The mover of the motion upon which the adjournment has been moved, shall be allowed the right to reply on the question of the adjournment, but such reply shall not prejudice his right of reply on his own motion. In the event of such motion being lost, it shall not be moved again, except in accordance with Standing Order No. 18. Any member may demand a division of the question before the House, when the sense of it would permit. A motion to lay on the table shall be put without debate. A motion for reconsideration shall not be entertained unless at the same or following session by a member who voted on the prevailing side, and shall require a majority vote. Any two members shall have the right to demand (by majority vote) that the room shall be cleared of all but accredited delegates to transact business of a nature that precludes premature publicity. Whispering, loud talking, or other disturbances calculated to disturb anyone while speaking will not be tolerated.

OBITUARIES

The Board of Directors, Manangement and Staff of the JDF Credit Union acknowledges those deceased members who left us over the last year.

May their souls rest in peace

270058 DAVID HOWARD
228816 JERMEY CAMPBELL
208413 OMAR MALCOLM

NOTES

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ONE FAMILY

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