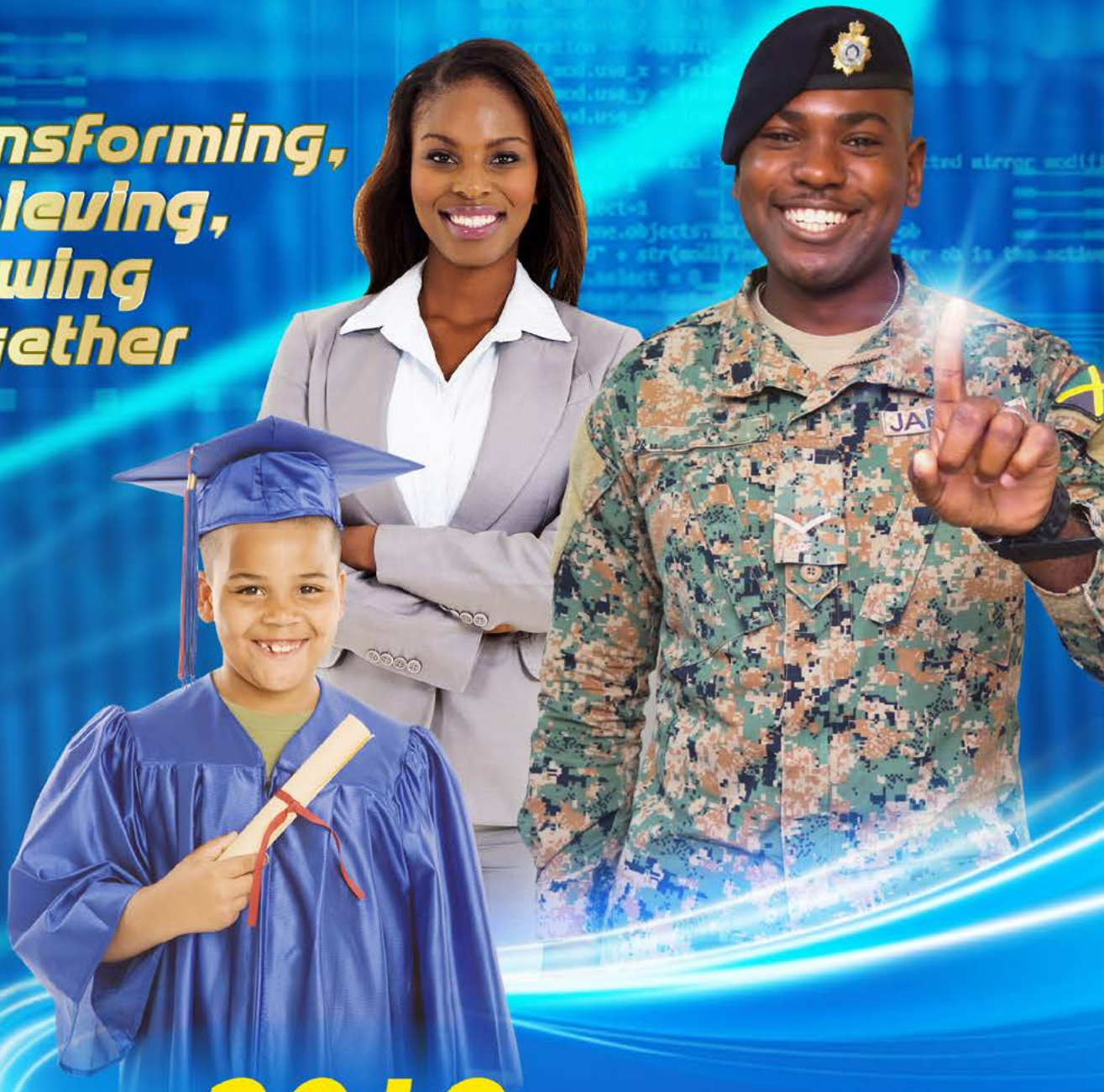




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CO-OPERATIVE CREDIT  
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Growing  
Together***



**2019**  
**ANNUAL**  
**REPORT**







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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.

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 56<sup>th</sup> Annual General Meeting
6. Matters Arising
7. Guest Speaker - Col (Ret'd) Daniel Pryce
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:
    - Board of Directors
    - Supervisory Committee
    - Credit Committee
11. Resolutions
12. Other Business
13. Vote of Thanks
14. Adjournment





# Minutes of the 56<sup>th</sup> Annual General Meeting

W01 Carlean Sutherland, Secretary



## Notice of Meeting

Notice is hereby given of the 57th Annual General Meeting of the Jamaica Defence Force Co-operative Credit Union Limited to be held on Wednesday, October 21, 2020 at the CMA Auditorium, Up Park Camp, Kingston 5 and beginning at 12:00 noon.

**Carlean Sutherland, BSc (Hons)**

Warrant Officer Class 1

Secretary

## MINUTES OF THE 56<sup>TH</sup> ANNUAL GENERAL MEETING

Minutes of the 56th Annual General Meeting held on April 24, 2019 at the No. 1 Hockey Field, Up Park Camp, Kingston 5.

## Call to Order

The meeting was called to order at 1:30 pm by the President and Chairman Maj Michael Anglin after ascertaining that a quorum was satisfied.

## Opening Prayers

Prayer was offered by Mrs Patricia Tomlinson, following which the Prayer of St. Francis of Assisi was recited by all.

## Notice of the Meeting

The Notice was read by the Secretary W02 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 56th Annual General Meeting and reminded the members that the motto for this year's meeting was 'One Family, Marching Forward, Building Wealth'. He extended special welcome to the Chief of Defence Staff Lt General Rocky Meade, Mr Gihan De Mel from KPMG, Brig Roderick Williams, Force Executive Officer, Cdre Wemyss-Gorman, Miss Vera Lindo from the League, Miss Hope Mowatt from Grace Kennedy Co-operative Credit Union, Miss Olive Mighty and Miss Rose-Marie Henry from CUNA Caribbean, Lt Col Andrew Sewell, Miss Tanisha Facey, from Quality Network, Mrs Joan Garfield from NCB Credit Union, Clara Ann Byfield, Col Radgh Mason, Ann-Marie Wallace, Mr Alvin Williams and Mr Mario Clarke from QNET, Kleo-Ann Errar from JACCUL, Col DaCosta and Col Powell.

The Chairman informed the members that the AGM was very important as it was where members could get information, make queries and get answers on anything that they were not satisfied with. It was also the only place that the Board of Directors and the members of the various Committees give account of their stewardship over the past twelve months.

He informed the members that over the history of the credit union it had grown financially even in bad economic conditions and continued to be viable within the Credit Union Movement.

### Obituaries

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

Anthony Reid	Jerome Richardson
Gabe Reid	Paul Lindsay
Hubert Thomas	Oniel Knowles
Jevaughnie Lewis	Allan Oswald
Oniel Phillips	Kymani Williams
Ryan Needhan	Davean Nelson
Delando Coriah	Junior Forbes
Henry Donaldson	Troy Rose

### Minutes of The 56<sup>th</sup> Annual General Meeting

Minutes of the 56th Annual General Meeting was taken as read on a motion moved by Staff Sergeant Dwight Smith and seconded by Brig Radgh Mason.

### Confirmation of the Minutes

There was no correction to the Minutes. There being no corrections, a motion for the confirmation of the Minutes was moved by Cpl Barnett and seconded accordingly. The motion was carried.

### MATTERS ARISING FROM THE MINUTES

There were no matters arising from the Minutes of the 55th Annual General Meeting.

### The Board of Directors Report

The motion for the Board of Directors' Report to be taken as read was moved by Miss Pauline Laing and seconded by Mr Henry Williams. The Chairman highlighted some sections of the report. He stated that the Board of Directors would give account for their stewardship of the Credit Union over the last year and present the plan for the Credit Union for the coming year. He reported that the Credit Union was solid financially in what had become a dynamic and innovative financial environment and that the Jamaican economy continued its recovery in 2018; GDP growth was 2%, unemployment rate improved from 12.2% in 2017 to 9.18% in 2018 and lending rates continued to trend down to single digits. He said that these conditions and variables would influence the performance of financial and other organizations in Jamaica going forward.

### Targets 2018

The Chairman further stated that targets were set as such, assets of \$375M, operating expenses were to be maintained within the 9% range, membership growth of 459, growth in loans by \$203.5M and improvements in savings by \$245M.

### Suspension of the Standing Orders

At this juncture a motion was moved for the suspension of the Standing Orders to accommodate the address of the guest speaker, Chief of Defence Staff, Lt Gen Rocky Meade. The motion was moved by Cpl Andrae Burnett and seconded by Mr Lawrence Powell.

### Introduction and Presentation of Guest Speaker

Capt Kwame Gordon introduced the guest speaker as a man with a great mission and even a greater vision.

Lt Gen Rocky Meade greeted the President and other members of the Board, the General Manager Mrs Patricia Tomlinson, other staff members, Jamaica Defence Force civilian staff, representatives from other credit unions, specially invited guests, and members of the credit union.

He said that his mantra was 'mission, men, merit'. He commended the credit union volunteers and staff for the hard work they were doing in providing professional service, to fulfill their mission of enhancing the financial wellbeing of the men and women of the JDF, serving retired families and civilians. He thanked the President for the selection of the theme 'One Family Marching Forward Building Wealth' which aptly suggested that they were all one, marching in the same direction towards the same goal.

He informed the members that the Force and the credit union were on a path of simultaneous expansion for many years. As the Force expanded so too the credit union moved to meet the needs of the increasing number of members, by not only providing increased facilities but products and services.

In closing he said that the JDF Credit Union belonged to all members and was a financial institution designed to serve members' needs in the short, medium, and long term. He encouraged all to continue supporting and building the credit union and to ensure its growth and development, he also asked persons who were not yet members to join the credit union.

Miss Tahnee Taylor presented a gift to Chief of Defence Staff, Lt Gen Rocky Meade, thanked him for addressing the topic and encouraging members to achieve their dreams

### Resumption of the Standing Order

The motion to resume the Standing Order and the Board of Directors Report was moved on a motion by W02 Smith and seconded by Captain Calvin Dryden.

### Continuation of the BOD Report and Achievements

The Chairman continued by informing the meeting that at the beginning of 2018, the Jamaica Credit Union Movement and other financial institutions had adopted the new International Financial Reporting Standards (IFRS9 and this had



significant changes on how the financial affairs were managed. New policies and processes were also implemented in keeping with IFRS9 including procedures for provisions for bad loans. Technology were also installed to facilitate these operations. He said that much of it was already achieved and the rest will be completed by the end of May 2019.

He further reported that at the JCCUL Annual General Meeting in 2018, the JDF Co-operative Credit Union won the Renford Douglas Trophy for the Credit Union of the Year in the Large Category for the fourth consecutive time. They were also awarded the Highest Solvency Award in the category. As a give back to members loans were reduced by 1%. They also celebrated by having a Members Appreciation Movie Night at Carib, which was well supported.

### **Performance 2018**

The Chairman informed that measurement against the objectives that were set last year saw assets growth of 12% over 2017, loan portfolio increase of 2%, external credit was also reduced by 83%, resulting in no external borrowing. Savings grew by 14% over 2017, expenses performed budget and institutional capital grew by 8%. Surplus at the end of the year saw a slight decline of 8% and would continually be monitored.

He further informed the meeting of the increase in new recruits, many of whom would be employed at out-stations. Plans were afoot to expand CU services to these out-stations and eventually erect offices on these bases. Members at out stations would also now be served by the JDFCU Mobile Unit which was promised last year and now in operation.

### **Information Technology and Marketing**

He further informed the meeting that online services at the CU were also modernized to include new and improved features and that Information Technology would continue to be at the centre of the service build out. Plans were also afoot to expand the CU services to out-stations and eventually erect offices on these bases. Members at out-stations would also now be served by the JDFCU Mobile Unit which was promised last year and now in operation. The Chairman further stated that throughout 2018 some changes in the financial sector resulted in the lowering of interest rates. This wrought significant competition for members' business, causing the CU to adjust some fees to attract new members and encourage loans.

### **BOJ**

The Chairman said that the credit union was ready for the BOJ regulations.

### **Conclusion**

The Chairman thanked the members on behalf of the Board of Directors for placing confidence in them by giving them the responsibility and trust to oversee the management of the credit union. He also thanked the volunteers, management,

and staff for the work that they had been doing despite the challenges that were experienced during 2018.

He encouraged the members to continue building the credit union by the financial choices that they make while encouraging others to take advantage of the offers of the JDF.

### **Independent Auditor's Report**

The Independent Auditors Report was read by Miss Janiene Facey from KPMG, Chartered Accountants. It was contained at page 22.

### **Treasurer's Report**

The Treasurer, Maj Andres Pierce, presented the Treasurer's Report which was found on pages 27 and 28 in the booklet. A motion was moved for the Treasurer's Report to be taken as read.

He highlighted that Jamaica's Economic Program Oversight Committee (EPOC) continued to monitor the implementation of Jamaica's economic reform measures under the agreement with the International Monetary Fund. The economic program remained on track at the end of 2018 as the macro physical indicator was stable and positive which provided a platform for increased growth for the Jamaican economy. Debt levels fell in relation to Gross Domestic Product and interest rates fell to all time low, increasing the pool of liquidity available for lending to the private sector.

### **Financial Highlights**

The Treasurer detailed the financial accomplishments of the credit union. Asset base increased by 11% and now stood at \$2,187,950,000. Loan portfolio increased by 2% over 2018. Capital grew by 8% for the year. Voluntary Shares increased by 30%. For 2018 the credit union realized a surplus of \$90.6M.

### **Way Forward**

Maj Pierce said that the CU products and services had evolved, to keep pace with new financial demands of life whilst improving on efficiency and effectiveness and this resulted in reduction in costs to members as they moved as 'One Family Marching Forward Building Wealth,' through better savings and loans. He encouraged the members to remain committed to the credit union and continue the dialogue towards better serving the members for the year 2019.

In closing Maj Pierce extended sincere gratitude to the invaluable members for never falling short in demonstrating confidence and loyalty in the credit union.

### **Matters Arising from the Treasurer's Report**

There were no matters arising from the Treasurer's Report. The Report was accepted on a motion moved by Lt Lenford Wynter and seconded by Lt Col Andrew Sewell. The motion was unanimously carried.



## Resolutions

The Treasurer moved a Resolution on behalf of the Board of Directors for the appropriation of surplus as follows:

### Resolution #1

The Proposal for the Appropriation of Surplus was presented by Maj Andres Pierce as follows:

Undistributed Surplus	\$184,708,000
Net Surplus for the Year	<u>\$82,914,000</u>

Gross Available for Distribution	\$267,622,000
Previous Year Commitment	-\$52,761,000
Net Available for Distribution	<u>\$214,861,000</u>

### 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 Schol. & Ed. Grant	\$1,500,000
IT Enhancement	\$12,000,000
Building Reserve	\$20,000,000
Other Reserve	\$7,693,000
Total Distribution	<b>\$78,226,868</b>

The acceptance of Resolution #1 was moved by Mrs Shakira Marshall-Fender and seconded by WO2 Edwards. The motion was unanimously carried.

### Resolution #2

The proposal for the increase in the number of Executive Officers was withdrawn.

## Credit Committee Report

The Credit Committee Report was presented by Mrs Shakira Marshall-Fender, member of the committee. The report which was located on pages 86 and 87 of the booklet, was taken as read on a motion moved by Sgt Shelroy Johnson and seconded by Mr Henry Williams.

Mrs Marshall-Fender highlighted that there was an increase in loans to consolidate debts, minor reduction in the number of loans that required waivers for the year 2018, an overall increase in the value of loan applications from \$189M in 2017 to \$214M in 2018 and delinquency continued to be a major challenge for the Credit Union and the Credit Committee. She further encouraged members to contact the Credit Union whenever they encounter financial difficulties.

Mrs Marshall-Fender expressed appreciation and recognition to the Board of Directors and Supervisory Committee for guiding them through their duties. Appreciation was also extended to the members of staff as well as the general membership

for granting the members of the Credit Committee the opportunity to serve and for their continued support and contribution to the credit union. She said that they looked forward to providing exemplary service to the valued members and assured all that a stable financial future is guaranteed with a financial institution that is 'marching forward building wealth'.

The acceptance of the Credit Committee Report was moved by Cpl Derrian Barrant and seconded by Miss Pauline Laing. The motion was unanimously carried.

## The Supervisory Committee Report

The Report was presented by the Chairman, Sgt Shelroy Johnson, and was located on pages 92 and 93 of the booklet. The motion for the report to be taken as read was moved by Sgt O'Neil Shirley and seconded by WO1 Lukel Miller.

The Chairman stated that the Supervisory Committee comprised of individuals of various backgrounds which allowed the team to be balanced and dynamic in its corporate governance and oversight responsibilities.

He informed that it was a challenging year as volunteers' primary jobs in the military were demanding based on the increased workload derived from established State of Emergencies. In spite of this, the members of the Committee honored their obligations to the membership of the credit union and at all times executed their functions with the highest level of confidentiality, independence and professionalism. He highlighted the role of the Committee and the various credit union operations and activities that were audited with the assistance of the Internal Auditor. On a monthly basis the committee reported to the Board of Directors about Committee activities, issues and related recommendations.

On behalf of the Supervisory Committee, he expressed sincere gratitude to the Board of Directors, General Manager and the dedicated staff, especially the Internal Auditor. He thanked the members for having the confidence in them to represent them.

The motion for the acceptance of the Supervisory Committee Report was moved by Mrs Shakira Marshall-Fender and seconded by Mr Lloyd Bramwell.

## Election of Volunteers

Mr Mario Clarke from the Registrar's Office conducted the Elections for Volunteers. Counting however was concluded at the Registrar's Office for the Board of Directors, the Credit Committee and the Supervisory Committee.

Entertainment was done by Mr Andre Shepherd who wowed the crowd with his excellent singing.

A gift was presented to Mr Desmond Pringle for being the 100th person for the quorum. Miss Jacquelyn Thompson won the Early Bird prize.



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### Proposal for the Fixing of the Maximum Liability

It was proposed that "the Board of Directors may incur liability in Voluntary Shares, deposits and loans from any source on such terms of payment and/or security provided that the total liability shall not exceed a ratio of sixteen times the society's capital" The motion was moved by Lt Col Andrew Sewell and seconded by Mrs Shirley Tomlinson. The motion was carried.

### Any Other Business

The Chairman said that last year a member spoke on the need to reduce interest rate. He then announced that the Credit Union had lowered the interest rate last year by up to three per cent on the recommendation from the general membership.

### Vote of Thanks

The Vote of Thanks was moved by Mr Rodraine Gibson.

**Carlean Sutherland, BSc (Hons)**  
Warrant Officer Class 1  
Secretary





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# ***Board of DIRECTORS***

**L-R:**

Staff Sergeant Shelroy Johnson  
*Director*

Mrs Donna Boland-Brown  
*Assistant Treasurer*

Warrant Officer Class 1 Carlean Sutherland  
*Secretary*

Lieutenant Colonel Michael Anglin  
*Director*

Major Heleda Thompson  
*President*

Lieutenant Commander Aceion Prescott  
*2<sup>nd</sup> Vice President*

Mr Everton Hay  
*Treasurer*

Sergeant Desmond Pringle  
*Assistant Secretary*

Captain Kwame Gordon  
*1<sup>st</sup> Vice President*

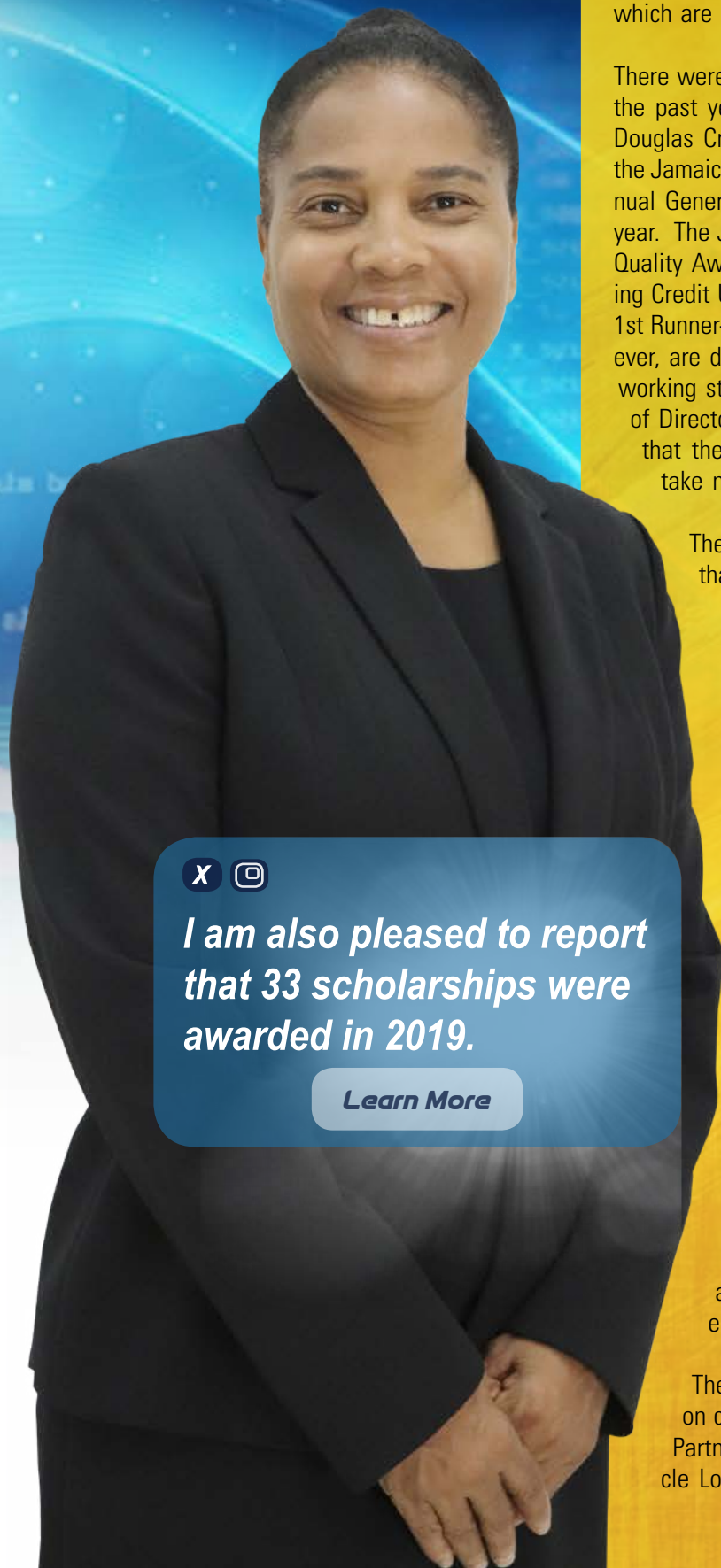






# Board of Directors' Report

**Maj Heleda Thompson, President**



***I am also pleased to report that 33 scholarships were awarded in 2019.***

[Learn More](#)

Fellow co-operators, your Board of Directors' have made our mission, "To enhance the financial well-being of our members" a way of life. I am pleased as the President of the Board of Directors to report that our Credit Union has had another year of positive growth. I am also pleased to report that we have attained the goals set and the results, both in terms of service delivery and the targets met, which are indications of the quality work done over the past year.

There were several notable achievements of our Credit Union over the past year. The Credit Union once again received the Renford Douglas Credit Union of the Year Award in the large category at the Jamaica Co-operative Credit Union League's Convention and Annual General Meeting in April 2019, this for the fifth consecutive year. The JDF CCU also received other awards such as the Service Quality Award, Highest Solvency Award, CPD Online Top Performing Credit Union Award, Investor of the Year from CUFMC, and the 1st Runner-up Golden Harvest Saving Plan. These successes, however, are directly related to the support of the membership, hard-working staff, and dedication of the volunteers, led by the Board of Directors. We will continue to engage with the members so that there is a clear understanding of the measures we must take now, and in the future, to maintain our high standards.

The results of our performance against the major targets that were set for 2019 are as follows:

- Total Value Added to Members stood at \$200.39M.
- Growth in Total Assets by \$421.75M or 19.28%
- Operating Expenses/Average Asset closed at 7.37%
- Members as per Permanent Shares stood at 9969 members.
- % Bonds that are active members was 62.84%
- Growth in Loan Portfolio by \$343.95M or 19.82%
- Growth in Savings Portfolio \$372.30M or 26.50%
- Member Satisfaction Survey Score of 95%

I am also pleased to report that thirty-three (33) scholarships were awarded in 2019 to include a President's Award. Nineteen (19) new students from the primary and tertiary levels were awarded, and fourteen (14) awards to continuing students, all valuing approximately \$1.2 million. We have also revised the Education Grant Policy. Children of members who die or are incapacitated, or children of members who are experiencing severe financial difficulties can apply for this grant

There was also a 2% reduction in the interest rate charged on cash secured loans – Share Loan, Golden Harvest Loan, Partner Plan Loan and Fixed Deposit Loans. The Motor Vehicle Loan Policy was revised by way of reduced interest rate



and the extended repayment period. We also launched an Unsecured Loan promotion with increased loan limit of \$3.5M for purposes such as consolidation or down payment on property etc. We also boasted two new Loan Products – Vacation Loan and Soft Loan. The Delinquency as at December 31, 2019 stood at 2.86% from One Hundred and Forty Nine (149) members and loan amount of \$52.73M.

I implore the members to remain committed to their obligations and responsibilities after terminating their service with the JDF, these delinquent accounts affect the operations of our Credit Union.

The nature of service delivery has certainly changed in recent times. The JDF Credit Union, in its continued efforts to deliver modern and cost effective solutions to its membership, has improved its Information Technology infrastructure to match the demand. It is in that regard that we considered our members, who barely have the time or opportunity to go inside the banking hall to simply check on their accounts. Against this, the following services were offered:

- Online internet banking signup
- Digital Transactions (withdrawals/lodgments)
- Online Chat
- Kiosk
- Online Pre-Interview
- Account Transaction Notification Alerts (Over-the-counter, ATM, New Membership, Loan process)
- Real-time online transactions
- Mobile App (on Android devices)

The purchase of the Credit Union Mobile Unit was done as promised. At present it is being used as a Mobile Office to facilitate monthly visits to Moneague, Coast Guard, Montego Bay and other Bases. Services offered within the Mobile Unit are similar to those offered within the Credit Union such as initiating Loans applications, savings products, and general queries.

The Attendance Record below is partly an indication of the level of work that was put in by your Board of Directors for 2019. Thirty-Four sittings were held during the year as follows:

As we march forward, and as we enhance the financial well-being of our members, we will strive to:

Board Members	Pos- sible	Reg- ular	Spe- cial	All Cmte	Apol- ogy
Lt Col O BOGLE	16	3	7	0	6
Maj H THOMPSON	34	10	17	1	6
Lt Col M ANGLIN	34	12	20	1	1
Maj G ANDERSON	8	2	2	0	4
Lt Cdr A PRESCOTT	17	2	5	0	10

Board Members	Pos- sible	Reg- ular	Spe- cial	All Cmte	Apol- ogy
Maj A PIERCE	22	6	10	1	5
Capt K GORDON	34	5	5	0	24
WO1 C SUTHERLAND	25	8	16	1	0
WO2 SHAKESPEARE, A	9	4	5	0	0
SSgt PRINGLE, D	25	7	7	1	10
Mr E HAY	34	12	20	1	1
Mrs D BROWN	34	11	19	0	4

- Increase member value by understanding members needs and providing tailored financial solution from an expanded suite of products.
- Increase operational efficiency and service delivery through the effective use of technology and process re-engineering solutions.
- Expand our membership through targeted marketing.
- Expand members demand for our products and services through effective public education and flexibility in product offerings with risk management support.
- Strengthen the CU execution capabilities by realigning our people, governance, leadership, organization structure, accountability, culture and processes to deliver on our strategies.
- To live the core values of Integrity, Efficiency, Member- Centric, Professionalism, Innovation.

By the year 2030, the JDFCCU will be a sound, accessible, innovative and member centric financial entity. It will be the financial service institution of choice, creating value for at least 90% of members in our bond and total asset exceeding \$15 Billion.

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. Special thanks to the team of volunteers, management and staff which collectively and consistently takes responsibility for the success of our Credit Union. You have performed to the best of your abilities despite the challenges faced with in 2019. I place confidence in you, the members, to continue building your Credit Union through the financial choices you make, while encouraging others to take advantage of the offerings of the Jamaica Defence Force Co-operative Credit Union Limited.

  
**Major Heleda Thompson**  
 President

# Treasurer's Report

Mr Everton Hay, Treasurer



*We are indeed pleased with this performance and express commendation...*

[Learn More](#)

## Overview of The Economy

The International Monetary Fund (IMF) completed its sixth and final review of Jamaica's performance, in a 36 months Standby Agreement which was monitored by the Economic Programme Oversight Committee (EPOC). The IMF indicated that the programme was a success and gave the Government strong commendation for its performance. The year ended with inflation remaining low at 3.9%. Other macro-economic variables remained positive with interest rates having continued a downward trajectory, allowing for companies to access cheaper funds for working capital. Despite all the above the economy only grew by 0.7%. Crime continued to pose a major challenge for the country as the government responded with enhanced crime fighting measures.

## Performance

For 2019 the JDF Credit Union recorded another year of positive growth which was reflected in most areas and therefore stand proud for these achievements. Despite the challenges faced in the economy our Credit Union achieved a score of 99% of the Major Targets that were set for 2019. We are indeed pleased with this performance and express commendation for the hard work of the Management and staff and the volunteers for their efforts.

Our Credit Union continued to remain compliant with the regulatory requirements of Jamaica Co-operative Credit Union League (JCCUL) and the Bank of Jamaica while offering you our valued members a wide range of products at the most affordable rates in the Union Movement.

## Financial Highlights

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 are respectively:

### Asset Base

As at December 31, 2019 the JDF Co-operative Credit Union's assets stood at \$2,615,024,000, a growth of 19.5% over the previous year. The Loan Portfolio stood at \$2,019,604,000 a growth of 6% over 2018.

### Capital

The accumulated Institutional Capital set aside from the annual appropriation of funds retained as regulatory reserves 2019 stood at \$740,172,000, a 10% growth over 2018.

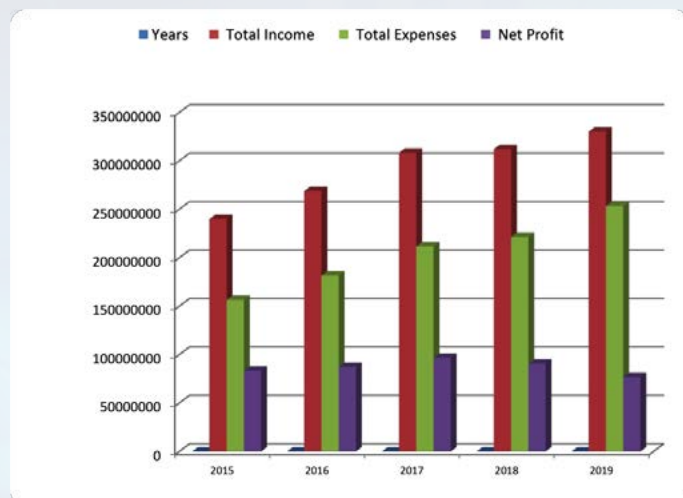
### Liabilities

Total liabilities stood at \$1,874,852,000 with members' savings increasing by \$220,335,000 or 25% over 2018. External credit reflected an 1334% decrease when compared to 2018 which is indicative of a more aggressive repayment approach to this facility. Similarly, members' Voluntary Shares increased by 27% over 2018 and stood at \$658,359,000.



## Income and Expenditure Account

Our Credit Union realized a surplus of \$76.9M. This however was 15% less than the previous year's surplus of \$90.6M. This decline in surplus resulted from a 74% increase in loan impairment over 2018, which led us to give more attention and scrutiny to our loan administration. See Income Expenditure and Surplus chart below:



### \* Interest Income on Loans

Loan interest income moved from \$249,468,000 to \$255,422,000 in 2018. This reflected an increase of \$5,954,000 or 2.4% over the previous year.

### \* Interest earned on Investment

For 2019, the credit union reversed the decrease on investment income in 2018 to record a 76% increase in investment earnings from \$4,844,000 to \$8,502,000.

### \* Operating Expenses

Total Operating Expenses for the year closed out at \$158,864,000. This reflected an 8% increase when compared to \$146,843,000 for 2018. Operating Expenses saw an overall increase due to increases in professional and accounting fees, insurance premiums, repairs & 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, 2019 and December 31, 2018 respectively.

**Table 1**

Income	2019	2018	Variance	% Variance
Interest on loans	255,422,000	249,468,000	5,954,000	2.4%
Interest on Investments	8,502,000	4,844,000	3,658,000	76%

Non-Interest Income	66,292,000	57,946,000	8,796,000	15%
Expenditure	2019	2018	Variance	% Variance
Personnel	97,644,000	84,788,000	12,021,000	6%
General Overheads	32,090,000	37,886,000	-5,796,000	-15%
Interest Expense	64,214,000	57,395,000	6,819,000	12%
Affiliation & Representation	22,460,000	18,370,000	4,090,000	22%

## The Way Forward

The JDF Co-operative Credit Union continues the process to prepare and pursue strategies that will improve its readiness for 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 this process and anticipates being fully compliant within the timelines set out by the Regulators.

In an extended effort to better reach our valued members and recognizing 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 cater to both our military and civilian members residing in that side of the island. Technology will also feature in our drive to better reach members and, increased effort will be placed behind online banking which will lead to fewer in-branch transactions, faster processing, and increased business. As the JDF grows, so will our Credit Union to better serve you with quality and convenience.

The continued recruitment via the Jamaica National Service Corps has brought 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. In further meeting the success of all our members, the JDF Co-operative Credit Union will continue to its efforts to meet the financial needs of our members through the provision of the most competitive products in the Credit Union Movement. Going forward, products will also continue to evolve to keep pace with the fresh financial demands of life, while efficiency and effectiveness shall lend to reduction in costs to you, our members. As we march forward building savings and wealth, let us continue to remain committed to our Credit Union and continue the dialogue to better serving you, our members, for the year ahead 2020.

### 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.

**Mr Everton Hay**

Ex-Warrant Officer Class 2  
Treasurer

## MOTOR VEHICLE LOAN

JDFCU offers competitive rates and flexible terms on both new and previously owned vehicles. Purchase motor vehicles up to 13 years old at affordable interest rate and up to 7 years to repay. Loans calculated on the reducing balance.

**Requirements:**

- Motor vehicle documents (Registration, Fitness & Title) copies
- Valuation report and two (2) Photograph of Vehicle
- Import entry (Brand new vehicles)
- Proforma Invoice/Sale Agreement/Statement
- Last two Pay slips
- At least three months membership.
- Picture ID
- TRN



## **RESOLUTIONS**

### **RESOLUTION # 1**

#### **Proposal for the Appropriation of Surplus**

Net Surplus for the Year	60,244,000
Other Reserve	<u>9,338,000</u>
<b>Total Comprehensive Income for the Year</b>	<b><u>69,582,000</u></b>
Dividend Permanent Shares	4,412,973
Statutory Reserve	15,381,000
Additional Statutory Reserve	10,000,000
Honoraria Payment	3,478,750
Treasure Chest Scholarship	1,500,000
Building Reserve	<u>25,000,000</u>
<b>Total Distribution</b>	<b><u>59,772,723</u></b>
<b>Undistributed Surplus</b>	<b><u><u>9,809,277</u></u></b>

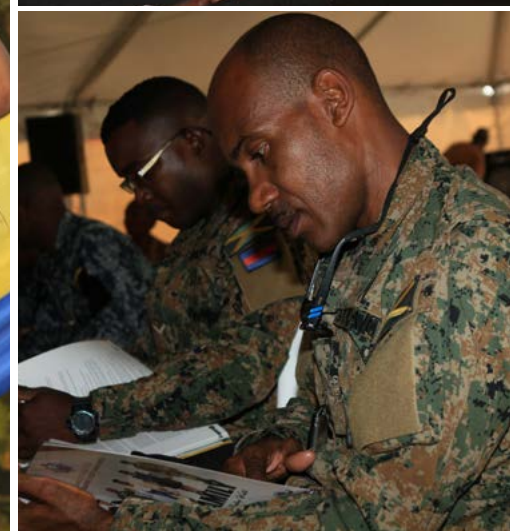
### **RESOLUTION # 2**

#### **Rule # 71 – Power to Borrow**

#### **Proposal for the Fixing of Maximum Liability up to December 2020**

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

# JDF CU FOOTPRINTS 2019









## Mobile Unit Commissioning Ceremony





# ***DOs & DON'Ts When Using a Debit Card***



DO check the ATM machine for signs of tampering or additional fixtures before using and leave if in doubt.

DO always check your money and transaction receipts after using the ATM.

DO shred ATM transaction receipts before discarding.

DO put your money and card away safely before exiting ATM stalls.

DO report a lost or stolen card to the JDF CU immediately.

DO keep your card in a safe place and always in sight during POS transactions.

DO always cover your pin when entering it at ATMs or POS machines.

DO check your account occasionally for discrepancies.

DO sign up for JDF CU transaction alerts.

DON'T seek help from strangers at the ATM.

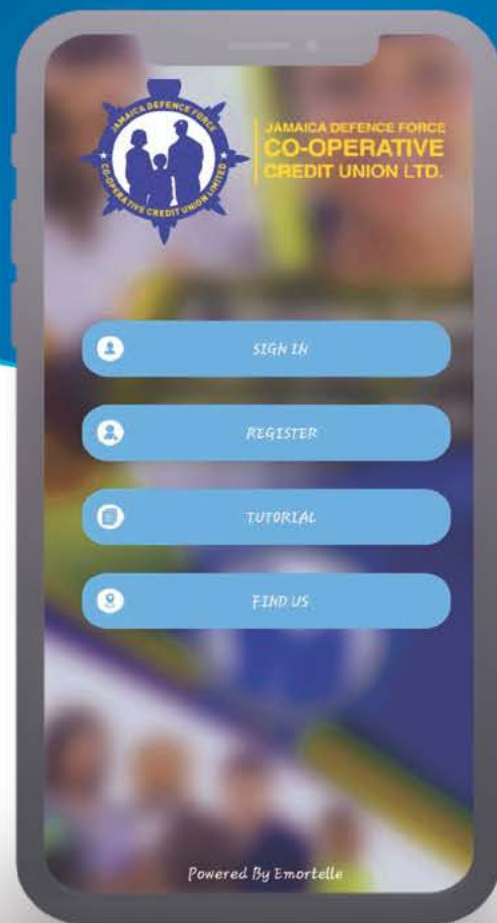
DON'T use simple pins that can be easily guessed e.g. date of birth.

DON'T store pin in wallets or easy access places.

DON'T share your pin with others.

DON'T place debit cards near magnets to avoid erasing stored information.

# Now Available MYJDFCU Mobile app



## FEATURES

- **Check Balances**

Quick easy access to your financial details. Know how much you have and in what account.

- **Access Loans**

Apply for loans or do a quick topup right from the palm of your hands.

- **Request Letters & Moratorium**

No need to wait in line. Access your CU on the Go with your MYJDFCU mobile app.







JAMAICA DEFENCE FORCE  
CO-OPERATIVE  
CREDIT UNION

Home | About Us | Products & Services | Customer Support | Download

## NO MORE LINES I DO MY TRANSACTIONS ONLINE

FUNDS TRANSFERS • BALANCE ENQUIRES • BILL PAYMENTS • LOAN APPLICATIONS

E-BANKING

LOGIN EBANK

SIGN UP NOW

UPDATE INFO

Need a Loan?

Save & Invest

Financial Planning

Insurance

# THE JDF CREDIT UNION LAUNCHES NEW WEBSITE

The JDF Co-operative Credit Union Ltd. launched its newly improved website [www.jdfcreditunion.com](http://www.jdfcreditunion.com) providing members with access to a myriad of financial services remote and online, especially during the novel Coronavirus Disease 2019 (COVID-19) outbreak. Now members can Sign Up for Internet Banking, Transfer Between Accounts, Apply for Loans, Make Loan Appointments, Request A Cheque, Request Bank Transfers plus more.

“**The JDFCU’s Mobile App is a game changer in how we serve our members and how they access our services.**”



Among its new features is the Online Services Portal which allows persons to initiate several transactions directly from the Home Page without having to log in to their internet banking. “The COVID-19 pandemic has seen many companies having to make swift changes to their processes to keep their members and staff safe while providing critical access to services. The JDF Credit Union saw it as our duty to respond well in this crisis, to the ultimate benefit of our members,” said Janice Blake, Marketing and Communications Manager at the entity.

In addition to the improvements on the website the 57-year old institution has launched its Mobile App which will allow members more convenient access to its services even in the palm of their hands. “The JDFCU’s Mobile App is a game changer in how we serve our members and how they access our services,” Mrs Blake continued. “We are confident that we will come through this crisis together and the credit union plans to be there for our members throughout.” The award-winning credit union offers members High Yield Investments, Competitive Loan Rates, Affordable Insurance and Low Fees.



***JAMAICA DEFENCE FORCE  
CO-OPERATIVE  
CREDIT UNION LTD.  
FINANCIALS 2019***





**Jamaica Defence Force Co-operative  
Credit Union Limited**

Financial Statements

December 31, 2019

# Independent auditor's report

To the Registrar of Co-operative Societies  
Re: 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 Credit Union"), which comprise the statements of financial position as at December 31, 2019, statement of income and expenditure, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**hbjm.com**

**Partners: Sixto P. Coy, Karen A. Lewis.**

**Kingston: 3 Haughton Avenue, Kingston 10, Jamaica W.I.**

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**Montego Bay: 56 Market Street, Montego Bay, Jamaica W.I.**

**Tel: (876) 952 2891 Fax: (876) 971 5839 Email: hlb.mobay@hbjm.com**

**HLB Mair Russell is an independent member of HLB, the global advisory and accounting network.**



# Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies  
Re: 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)**

### **Key audit matters (cont'd)**

#### Loans and allowances for credit losses on loans

As at December 31, 2019 loans after allowances for credit losses of \$59.5 Million amounted to \$2 Billion or 77% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgement by management, including:

- Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie. one year or lifetime expected loss calculations.
- Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters.
- For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters.
- Use of multiple economic scenarios that are forward looking.
- Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets.
- We evaluated the appropriateness of the Credit Union's staging and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.
- We obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. We tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.
- We evaluated the appropriateness of management's judgement pertaining to forward looking information, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.
- We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.
- We performed the calculation of days past due, a key data input into the PD parameter, in the Credit Union's banking system on a sample basis.

# Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies  
Re: 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)**

### Loans and allowances for credit losses on loans (cont'd)

- We tested the completeness and accuracy of the historical data used by agreeing details on default rates and recovery rates. The data used for these assessments were based on the Credit Union's internal default experience segmented by loan type. For a sample of credit exposures, we agreed the critical data fields, such as origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, used in developing default, recovery and utilisation rates to source documents.
- For a sample of stage 3 loans we obtained an understanding of the latest developments at the borrowers and the basis of measuring the impairment provisions and considered whether key judgements were appropriate given the borrower's circumstances. We re-performed management's impairment calculation including the expected future cash flows and valuation of collateral held, and determined reasonableness of the valuation of real estate collateral with the assistance of auditors' expert.
- Based on the procedures described above, no material exceptions were noted in our assessment of the Credit Union's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

### How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit.

The criteria we used to determine if there is objective evidence of impairment included:

- Default or delinquency in interest or principal payments;
- Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty.

We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. Based on the testing, no adjustments were considered necessary.



# Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies  
Re: 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)**

### **How our audit addressed the key audit matter (cont'd)**

We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events.

### **Other information**

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

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

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

When we read the *annual report*, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **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 Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

### **Auditor's Responsibilities for the Audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

# Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies  
Re: 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)**

### Auditor's Responsibilities for the Audit of the financial statements (cont'd)

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



# Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies  
Re: 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)**

### **Auditor's Responsibilities for the Audit of the financial statements (cont'd)**

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sixto Coy.

Kingston, Jamaica

March 31, 2020

  
Chartered Accountants

# Statement of financial position

## December 31, 2019

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Earning</b>			
Loans, after provision for loan losses	(6)	1,894,957	1,619,185
Financial investments	(7)	4,571	4,571
		<b>1,899,528</b>	1,623,756
<b>Non-Earning</b>			
Retirement benefit assets	(8)	16,652	7,996
Property, plant and equipment	(9)	21,656	13,543
		<b>38,308</b>	21,539
<b>Total non-current assets</b>		<b>1,937,836</b>	1,645,295
<b>Current assets</b>			
<b>Earning</b>			
Repurchase agreement	(10)	31,843	31,089
Financial investments	(7)	444,599	395,035
Loans, after provision for loan impairment	(6)	124,647	63,880
		<b>601,089</b>	490,004
<b>Non-earning</b>			
Bank and cash balances	(11)	61,755	42,578
Receivables and prepayments	(12)	14,344	10,073
		<b>76,099</b>	52,651
<b>Total current assets</b>		<b>677,188</b>	542,655
<b>Total assets</b>		<b>2,615,024</b>	2,187,950



# Statement of financial position (cont'd)

## December 31, 2019

	Note	2019 \$'000	2018 \$'000
<b>Capital and liabilities</b>			
<b>Capital</b>			
Members' permanent share capital	(13)	25,115	21,905
Institutional capital	(14)	271,582	247,031
Non-institutional capital	(15)	171,706	134,738
Undistributed surplus		271,769	269,568
<b>Total capital</b>		<b>740,172</b>	<b>673,242</b>
<b>Liabilities</b>			
<b>Non-current</b>			
<b>Interest bearing</b>			
Members' voluntary shares	(16)	658,359	517,985
External credits	(17)	6,654	15,540
<b>Total non-current liabilities</b>		<b>665,013</b>	<b>533,525</b>
<b>Current</b>			
<b>Interest bearing</b>			
Savings deposits	(18)	1,107,341	887,006
		<b>1,107,341</b>	<b>887,006</b>
<b>Non-interest bearing</b>			
Accounts payable and accruals	(19)	100,434	92,113
Deferred income	(20)	2,064	2,064
		<b>102,498</b>	<b>94,177</b>
<b>Total current liabilities</b>		<b>1,209,839</b>	<b>981,183</b>
<b>Total liabilities</b>		<b>1,874,852</b>	<b>1,514,708</b>
<b>Total capital and liabilities</b>		<b>2,615,024</b>	<b>2,187,950</b>

Approved for issue by the Board of Directors on March 31, 2020 and signed on its behalf by:

 ) President  
Major Heleda Thompson

 ) Treasurer  
WO2 (Ret'd) Everton Hay

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

# Statement of income and expenditure

## Year ended December 31, 2019

	Note	2019 \$'000	2018 \$'000
<b>Interest income</b>			
Members' loans		255,422	249,468
Investments		8,502	4,844
		<b>263,924</b>	254,312
<b>Interest expense</b>			
Interest on members' deposits		(40,867)	(43,585)
Interest on voluntary shares		(23,347)	(13,810)
		<b>(64,214)</b>	(57,395)
<b>Net interest income</b>		<b>199,710</b>	196,917
<b>Net movement on loan impairment provision</b>	(8d)	<b>(30,231)</b>	(17,356)
<b>Net interest income after loan impairment provision</b>		<b>169,479</b>	179,561
<b>Non-interest income</b>			
Fees and other income		66,292	57,946
		<b>66,292</b>	57,496
<b>Net interest and other income</b>		<b>235,771</b>	237,507
Less: Operating expenses	(21)	(158,864)	(146,843)
<b>Surplus before honorarium and other payments</b>		<b>76,907</b>	90,664
Less: Honorarium		(3,163)	(2,750)
Scholarship fund		(1,500)	(1,500)
IT Enhancement fund		(12,000)	(3,500)
<b>Surplus for the year</b>		<b>60,244</b>	82,914

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



# Statement of other comprehensive income

## Year ended December 31, 2019

		2019 \$'000	2018 \$'000
<b>Surplus for the year (page 9)</b>		<b>60,244</b>	82,914
<b>Other comprehensive income:</b>			
Actuarial gain/(loss) on defined benefit plan	(12)	<u>9,338</u>	<u>(7,693)</u>
<b>Total comprehensive income for the year</b>		<b><u>69,582</u></b>	<b><u>75,221</u></b>

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

# Statement of changes in equity

## Year ended December 31, 2019

	Permanent Share Capital \$'000	Non- Institutional Capital \$'000	Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
<b>Balance at December 31, 2018</b>	21,905	134,738	247,031	269,568	673,242
Surplus for the year	-	-	-	60,244	60,244
<b>Other comprehensive income</b>					
Actuarial gain on defined benefit plan	-	-	-	9,338	9,338
Total comprehensive income for the year	-	-	-	69,582	69,582
<b>Transaction with owners:</b>					
20% statutory reserve	-	-	15,381	(15,381)	-
Retirement benefit asset reserve	-	8,656	-	(8,656)	-
Dividends credited to members	-	-	-	(6,551)	(6,551)
Share capital issued	3,210	(28)	-	-	3,182
Transfer to institutional capital	-	-	9,100	(9,100)	-
Transfer of capital expenditure	-	20,000	-	(20,000)	-
Entrance fees	-	-	70	-	70
Increase in market value of equities	-	647	-	-	647
Transfer to other reserve	-	7,693	-	(7,693)	-
	<b>3,210</b>	<b>36,968</b>	<b>24,551</b>	<b>(67,381)</b>	<b>(2,652)</b>
<b>Balance at December 31, 2019</b>	<b>25,115</b>	<b>171,706</b>	<b>271,582</b>	<b>271,769</b>	<b>740,172</b>

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



# Statement of changes in equity

## Year ended December 31, 2019

	Permanent Share Capital \$'000	Non- Institutional Capital \$'000	Institutional Capital \$'000	Undistributed Surplus \$'000	Total \$'000
<b>Balance at December 31, 2017</b>	20,358	216,464	228,738	159,786	625,346
Adjustment from adoption of IFRS 15 and IFRS 9	-	-	-	(27,209)	(27,209)
<b>Adjusted balance at January 1, 2018</b>	20,358	216,464	228,738	132,577	598,137
Surplus for the year	-	-	-	82,914	82,914
<b>Other comprehensive income</b>					
Actuarial gain on defined benefit plan	-	-	-	(7,693)	(7,693)
Total comprehensive income for the year	-	-	-	75,221	75,221
<b>Transaction with owners:</b>					
20% statutory reverse	-	-	18,200	(18,200)	-
Retirement benefit asset reserve	-	(6,671)	-	6,671	-
Dividends credited to members	-	-	-	(1,701)	(1,701)
Share capital issued	1,547	(55)	-	-	1,492
Entrance fees	-	-	93	-	93
Loan loss reserve	-	(75,000)	-	75,000	-
	1,547	(81,726)	18,293	61,770	(116)
<b>Balance at December 31, 2018</b>	21,905	134,738	247,031	269,568	673,242

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

# Statement of cash flows

## Year ended December 31, 2019

	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities:</b>		
Surplus for the year	60,244	82,914
Interest income	(263,924)	(254,312)
Interest expense	64,214	63,369
Depreciation	2,675	2,848
Employee benefit asset	(682)	(1,022)
Provision for loan losses	7,416	4,720
	<u>(130,057)</u>	<u>(101,483)</u>
Interest received	263,924	254,062
Interest paid	(64,214)	(63,369)
Loans to members, net	(341,974)	(66,742)
Other assets	(4,271)	(2,761)
Deferred income	-	2,064
Accounts payables and accruals	8,323	22,968
<b>Net cash (used in)/provided by operating activities</b>	<u>(268,269)</u>	<u>44,739</u>
<b>Cash flows from investing activities:</b>		
Purchase property, plant and equipment	(10,788)	(1,765)
Investments	(50,318)	(174,463)
<b>Net cash used in investing activities</b>	<u>(61,106)</u>	<u>(176,228)</u>
<b>Cash flows from financing activities:</b>		
External credit	(8,886)	(74,284)
Savings deposit	220,334	107,279
Members' shares	143,585	122,525
Entrance fees	70	93
Dividend	(6,551)	(1,701)
<b>Net cash provided by financing activities</b>	<u>348,552</u>	<u>153,912</u>
<b>Net increase/(decrease) in bank and cash balances</b>	19,177	22,423
<b>Bank and cash balances at beginning of year</b>	42,578	20,155
<b>Bank and cash balances at end of year (Note 11)</b>	<u>61,755</u>	<u>42,578</u>

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



# Notes to the financial statements

## December 31, 2019

### 1. General information and nature of operations

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.

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

### 2. Regulation

The Co-operative Societies Act requires, amongst other provisions, that at least twenty percent (20%) of the net surplus of the Credit Union be transferred to a reserve fund each year. Section 59 of the Act provides for the exemption from income tax and stamp duty for the Credit Union.

### 3. Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### 4. Changes in accounting policies

#### New and revised standards that are effective during the current year

Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The Credit Union has assessed the relevance of all such new standards, interpretations and amendments and determined that the following will have an impact on the Credit Union.

#### IFRS 16 ‘Leases’

IFRS 16, Leases replaces IAS 17, Leases, and the related interpretations, (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’).

It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The company applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Credit Union has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts. Lessee accounting and transitional impact IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Credit Union is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

The adoption of the standard had no material impact on the Credit Union’s financial statements.

### **IFRIC 23 ‘Uncertainty over Income Tax Treatment’**

The interpretation addresses the accounting for income taxes, when tax treatments involve uncertainty in the application of IAS 12. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The adoption of the interpretation had no impact on the Credit Union’s financial statements.

### **Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Credit Union**

At the date of approval of these financial statements, certain new standards amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Credit Union.

Management anticipates that all relevant pronouncements will be adopted in the Credit Union’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not early adopted or listed below are not expected to have a material impact on the Credit Union’s financial statements.

New standards, interpretations and amendments not early adopted or listed below are not expected to have a material impact on the Credit Union’s financial statements.

- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting



## 5. Summary of significant accounting policies

### a Basis of preparation

The Credit Union's financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and equity investments.

These financial statements are expressed in Jamaican Dollars (J\$).

### b 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 5(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.

### c Fee income

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.

Fee income was recognised when the related service was provided.

**d Foreign currency translation:***Functional and presentation currency*

The financial statements are prepared and presented in Jamaican dollars, which is the functional currency of the company.

*Foreign currency translations and balances*

- (i) Foreign currency balances at the date of the statement of financial position have been translated at rates of exchange ruling at that date;
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions;
- (iii) Gains/losses arising from fluctuations in exchange rates are included in the Statement of comprehensive income.

**e Interest income and expense**

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

**f Fees and other income**

Fees and other income are recognised on an accruals basis. Loan origination fees are deferred and are recognised over the life of the loan, as an adjustment to the effective yield on the loans.

**g Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Bank incurs an obligation, which is typically when the related goods are sold.

## **h Financial instruments**

### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### **Subsequent measurement of financial assets**

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Credit Union's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

### **Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).



The category also contains an equity investment. The Credit Union accounts for these equity investments at FVTPL and did not make the irrevocable election to account for these equity investments at fair value through other comprehensive income (FVOCI).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

### **Financial assets classified as available for sale (AFS)**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Credit Union's AFS financial assets include debentures and the equity investment in the Credit Union.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Credit Union first identifying a credit loss event. Instead the Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**i Reverse repurchase agreements:**

A reverse repurchase agreement (“reverse repo”) is a short-term 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 Credit Union enters into reverse repurchase agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognised as “securities purchased under resale agreements” and are collateralised by the underlying securities.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the transaction, using the effective interest method, and is included in interest income.

**j Accounts receivable**

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

**k Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and at bank and deposits with original maturities of less than 90 days.

**l Borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**m Impairment of non-financial assets**

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**n Employee benefits****(i) Pension plan**

The Credit Union participates in a multi-employer defined benefit pension plan. The pension plan is generally funded by payments from employees and by the participating Credit Unions, taking into account the recommendations of independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income.

**(ii) Termination benefits**

Termination benefits are payable when employment is terminated by the Credit Union before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Credit Union recognises termination benefits at the earlier of the following dates: (a) when the Credit Union can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**o Accounts payable**

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost using the effective interest method.

**p Provisions**

Provisions are recognised when the Credit Union has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.



**q Members' voluntary shares**

Members' voluntary shares represent withdrawable deposit holdings of the Credit Union's members to facilitate eligibility for loans and other benefits. Interest paid on these shares are determined at the discretion of the Credit Union and reported as interest expense in the statement of comprehensive income in the period in which they are approved.

**r Members' permanent share capital**

Members' permanent share capital represents shares paid up in cash and form part of the risk capital of the Credit Union. Members' permanent share capital may be redeemable subject to the sale, transfer or repurchase of such shares. Dividends on members' permanent share capital are recognised in members' voluntary shares in the period in which they are approved by the Credit Union's members.

**s Institutional capital**

Institutional capital includes the statutory reserve fund, as well as various other reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union and, thereby, protect the interest of the members. These reserves are not available for distribution to members.

**t Non-institutional capital**

Non-institutional capital includes various reserves established from time to time which, in the opinion of the directors, are necessary to support the operations of the Credit Union.

**u Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

**v Leases**

Leases where significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Receipts under operating leases are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

**w Critical accounting estimates and judgements in accounting policies**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The credit union makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## Pension and post-retirement benefits

The cost of these benefits and the net present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and discount rate. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect Planned funding of the pension plans.

The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long term investment returns. The actuaries determine the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on data supplied by the Jamaica Co-operative Credit Union League as well as on current market conditions.

## x Comparative information

Certain previous year's figures have been restated to conform to current year's presentation as follows:

	Note	As previously stated \$'000	Effect of restatement \$'000	Restated \$'000
<b>Capital and liabilities</b>				
<b>Capital</b>				
Permanent share capital	(13)	21,905	-	21,905
Institutional capital	(14)	247,031	-	247,031
Non-institutional capital	(15)	109,816	24,922	134,738
Undistributed surplus		294,490	(24,922)	269,568
<b>Total capital</b>		<b>673,242</b>	<b>-</b>	<b>673,242</b>

Prior year adjustment represents other reserve previously classified as undistributed surplus.

## 6. Loans, after provision for expected credit losses

### (a) Movement in loans during the year

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	1,735,172	1,668,430
Add: Disbursement during the year	1,488,953	1,090,435
	3,224,125	2,758,865
Less: Repayment	(1,144,998)	(1,023,693)
	2,079,127	1,735,172
Less: Expected credit losses	(59,523)	(52,107)
	2,019,604	1,683,065
Less: Current portion	(124,647)	(63,880)
<b>Total</b>	<b>1,894,957</b>	<b>1,619,185</b>

### (b) Expected credit losses

	2019 \$'000	2018 \$'000
Provision for impairment at beginning of year	52,107	20,178
Adjustment from adopting IFRS 9	-	27,209
Adjusted expected credit loss at January 1, 2018	52,107	47,387
Increase amounts provided for during the year	7,416	4,720
Provision for impairment at end of year	59,523	52,107

### (c) Net movement on loan loss provision during the year:

	2019 \$'000	2018 \$'000
Increase in loan loss provision	7,416	4,720
Bad debt written-off	28,816	12,636
<b>Balance at end of year</b>	<b>36,232</b>	<b>17,356</b>

### (d) Delinquent loans

At December 31, 2019, there were one hundred and forty-nine (149) (2018 – one hundred and thirty-seven (137)) delinquent loans aged as disclosed below. At minimum, the total loan provision derived below is consistent with the loan loss provisioning rules of the League. The total provision for 2019 and 2018 was not in excess of the provision required under IFRS provisioning rules as indicated in Note 6(e) below.



These loans are summarised as follows:

2019						
Number of Months in Arrears	Total number of loans	Delinquent loans \$	Savings held against loans \$	Exposure \$	Rates %	PEARLS Provision Required \$
Less than 2	18	8,026	-	8,026	-	-
2 to 3	7	1,769	-	1,769	10	176
3 to 6	34	6,736	-	6,736	30	2,021
6 to 12	60	19,814	-	19,814	60	11,888
Over 365	27	1,6386	-	1,6386	100	16,386
<b>Total</b>	<b>149</b>	<b>52,731</b>	<b>-</b>	<b>52,731</b>		<b>30,472</b>

2018						
Number of Months in Arrears	Total number of loans	Delinquent loans \$	Savings held against loans \$	Exposure \$	Rates %	PEARLS Provision Required \$
Less than 2	20	4,881	10	4,871	-	-
2 to 3	8	2,831	137	4	10	283
3 to 6	21	4,150	172	2,694	30	1,245
6 to 12	47	9,174	187	3,977	60	5,505
Over 365	41	22,175	246	8,988	100	22,175
<b>Total</b>	<b>137</b>	<b>43,211</b>	<b>752</b>	<b>21,929</b>		<b>29,208</b>

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

	2019 \$'000	2018 \$'000
Within 1 – 3 months	5,842	7,582
From 3 months to 1 year	99,649	56,298
From 1 year to 5 years	1,501,371	1,155,988
Over 5 years	412,742	463,197
<b>Total</b>	<b>2,019,604</b>	<b>1,683,065</b>

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

## 7. Financial investments

	2019 \$'000	2018 \$'000
<b>Non-current, at fair value through other comprehensive income</b>		
JCCUL – Shares unquoted	4,344	4,344
Shares – Quality Network Co-operative	227	227
	<b>4,571</b>	<b>4,571</b>
<b>Current - Fair value through profit or loss</b>		
VMBS Mortgage Fund	2,628	2,515
Barita Unit Trust	17,125	16,496
JMMB Fund	2,200	2,181
Credit Union Fund Management Company	399,972	342,449
	<b>421,925</b>	<b>363,641</b>
<b>Amortised cost</b>		
JCCUL Cuet	9,534	7,613
Mortgage funds	13,140	12,817
CuPremium	-	10,964
	<b>22,674</b>	<b>31,394</b>
<b>Total current</b>	<b>444,599</b>	<b>395,035</b>
<b>Total</b>	<b>449,170</b>	<b>399,606</b>

## 8. Retirement benefit

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.

### Asset recognised in the statement of financial position

	2019 \$'000	2018 \$'000
Present value of funded obligation	(69,323)	(67,567)
Fair value of plan assets	85,975	75,563
<b>Asset recognised in the statement of financial position</b>	<b>16,652</b>	<b>7,996</b>

### The movement in the defined benefit asset during the year is as follows:

	2019 \$'000	2018 \$'000
Balance at beginning of year	7,996	14,667
Employer's contributions	3,443	3,508
Benefits paid	(4,125)	(2,486)
Re-measurement loss recognised in other comprehensive income	9,338	(7,693)
<b>Balance at end of year</b>	<b>16,652</b>	<b>7,996</b>

The movement in the defined benefit obligation over the year is as follows:

	2019 \$'000	2018 \$'000
Balance at beginning of year	(67,567)	(51,109)
Current service cost	(8,999)	(7,480)
Employees contribution	(2,457)	(2,471)
Benefits paid	2,629	296
	(76,394)	(60,764)
Re-measurements		
Gain from changes in demographic assumptions	4,800	(7,006)
Experience gains	2,271	203
	7,071	(6,803)
<b>Balance at end of year</b>	<b>(69,323)</b>	<b>(67,567)</b>

Changes in the fair value of plan assets

	2019 \$'000	2018 \$'000
Balance at beginning of year	75,563	65,776
Contributions paid	5,901	5,979
Interest income on plan assets	5,404	5,489
Administrative expense	(531)	(495)
Remeasurement gain/(loss)	2,267	(890)
Benefits paid	(2,629)	(296)
<b>Changes in the fair value of plan assets at end of year</b>	<b>85,975</b>	<b>75,563</b>

Plan assets are comprised as follows:

	2019 \$'000	2019 %	2018 \$'000	2018 %
J\$ Debentures	28,690	33.37	27,675	36.63
Repurchase Agreements	3,736	4.35	2,020	2.67
Investment properties	19,148	22.27	17,930	23.73
US\$ Debentures	4,042	4.70	3,665	4.85
Certificates of deposit	2,459	2.86	2,230	2.95
Quoted equities	20,879	24.28	12,747	16.87
Real estate investment trust fund	899	1.05	759	1.0
Government bonds	7,575	8.81	7,179	9.5
Unit Trust	2,659	3.09	2,234	2.96
Other	(4,112)	(4.78)	(876)	(1.16)
	<b>85,975</b>	<b>100</b>	<b>75,563</b>	<b>100</b>



**The amounts recognised in the net surplus are as follows:**

	2019 \$'000	2018 \$'000
Current service cost	4,275	3,304
Interest cost on obligation	4,724	4,176
Administrative expenses	530	495
Interest income (net)	(5,404)	(5,489)
<b>Total, included in staff costs (Note 21)</b>	<b>4,125</b>	<b>2,486</b>

**Movements in the amounts recognised in other comprehensive income:**

	2019 \$'000	2018 \$'000
Re-measurement loss on obligation	(7,071)	6,803
Re-measurement gain/(loss) on plan assets	(2,267)	890
<b>Asset at end of year</b>	<b>(9,338)</b>	<b>7,693</b>

**The significant actuarial assumptions used were as follows:**

	2019 %	2018 %
Discount rate	7.5	7
Future salary increases	5	5
Expected pension increase	3	2.5
Long-term inflation rate	-	3

**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:

<b>Impact on Post-employment obligations</b>			
	Change in assumption %	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	1	(14,230)	19,357
Future salary increases	1	9,266	(7,809)
Expected pension increase	1	8,103	(6,718)

This analysis assumes that all other variables remain constant.

**Impact on defined benefit obligation of a one year increase in life expectancy:**

	Increase in assumption by one year \$'000	Decrease in assumption by one year \$'000
Life expectancy	1,820	1,870

The liability duration for each category of Member as at the current and prior period measurement dates is shown below:

Category of Participant	Liability duration (years)	
	2019 \$'000	2018 \$'000
Active Members	24.8	26.4
Deferred Pensioners	25.9	-
Retirees	-	-
All Participants	50.7	26.4

## 9. Property, plant and equipment

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2019 can be analysed as follows:

	Motor Vehicles \$'000	Furniture & Fixtures \$'000	Computer \$'000	Equipment \$'000	Containers \$'000	Leasehold improvement \$'000	Generator \$'000	Total \$'000
<b>Gross carrying amount</b>								
Balance at December 31, 2018	-	4,448	5,468	7,559	8,652	8,788	2,506	37,421
Additions	8,675	491	532	940	-	150	-	10,788
<b>Balance at December 31, 2019</b>	<b>8,675</b>	<b>4,939</b>	<b>6,000</b>	<b>8,499</b>	<b>8,652</b>	<b>8,938</b>	<b>2,506</b>	<b>48,209</b>
<b>Depreciation</b>								
Balance at December 31, 2018	-	(3,213)	(3,704)	(6,004)	(5,679)	(4,085)	(1,193)	(23,878)
Charge for the year	(273)	(173)	(126)	(632)	(807)	(418)	(246)	(2,675)
<b>Balance at December 31, 2019</b>	<b>(273)</b>	<b>(3,386)</b>	<b>(3,830)</b>	<b>(6,636)</b>	<b>(6,486)</b>	<b>(4,503)</b>	<b>(1,439)</b>	<b>(26,553)</b>
<b>Carrying amount at December 31, 2019</b>	<b>8,402</b>	<b>1,553</b>	<b>2,170</b>	<b>1,863</b>	<b>2,166</b>	<b>4,435</b>	<b>1,067</b>	<b>21,656</b>

	Furniture & Fixtures \$'000	Computer \$'000	Equipment \$'000	Containers \$'000	Leasehold improvement \$'000	Generator \$'000	Total \$'000
<b>Gross carrying amount</b>							
Balance at 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
<b>Balance at December 31, 2018</b>	<b>4,448</b>	<b>5,468</b>	<b>7,559</b>	<b>8,652</b>	<b>8,788</b>	<b>2,506</b>	<b>37,421</b>
<b>Depreciation</b>							
Balance at 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)
<b>Balance at December 31, 2018</b>	<b>(3,213)</b>	<b>(3,704)</b>	<b>(6,004)</b>	<b>(5,679)</b>	<b>(4,085)</b>	<b>(1,193)</b>	<b>(23,878)</b>
<b>Carrying amount at December 31, 2018</b>	<b>1,235</b>	<b>1,764</b>	<b>1,555</b>	<b>2,973</b>	<b>4,703</b>	<b>1,313</b>	<b>13,543</b>



## 10. Repurchase agreement

	2019 \$'000	2018 \$'000
Jamaica Money Market Brokers Limited Resale agreement	31,843	31,089
<b>Total</b>	<b>31,843</b>	<b>31,089</b>

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

## 11. Bank and cash balances

	2019 \$'000	2018 \$'000
Cash in hand	6,489	6,475
Bank account balance	55,266	36,103
<b>Total</b>	<b>61,755</b>	<b>42,578</b>

## 12. Receivables and prepayments

	2019 \$'000	2018 \$'000
Withholding tax recoverable	2,909	2,755
Interest receivable	263	250
Other receivable	9,693	5,795
Prepaid expenses	1,479	1,273
<b>Total</b>	<b>14,344</b>	<b>10,073</b>

## 13. Members' permanent share capital

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.

## 14. Institutional capital

	2019 \$'000	2018 \$'000
Statutory reserve	236,893	212,411
Capital reserve	34,078	34,078
	<b>270,971</b>	<b>246,489</b>
Entrance fees	611	542
<b>Total</b>	<b>271,582</b>	<b>247,031</b>

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.

### 15. Non-Institutional capital

	2019 \$'000	2018 \$'000
Other reserve	32,615	24,922
Building reserve	30,000	10,000
General reserve	2,675	2,704
Employee benefit reserve	16,652	7,996
Unsecured loans reserve	85,000	85,000
Investment reserve	4,764	4,116
<b>Total</b>	<b>171,706</b>	<b>134,738</b>

#### 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.

## 16. Members' voluntary shares

	2019 \$'000	2018 \$'000
Balance at the beginning of the year	517,985	396,952
Add: New deposits	1,211,520	811,117
	1,729,505	1,208,069
Add: Withdrawals and transfers	(1,071,146)	(690,084)
<b>Total</b>	<b>658,359</b>	<b>517,985</b>

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 utilise the products and services of the Co-operative as determined by the Board of Directors from time to time.

## 18. External credits

	2019 \$'000	2018 \$'000
JCCUL - Mortgage loan (i)	5,604	6,271
JCCUL – Liquidity support loan (ii)	-	7,841
JCCUL – Line of credit (iii)	-	178
Development Bank of Jamaica – Energy loan (v)	1,050	1,250
<b>Total</b>	<b>6,654</b>	<b>15,540</b>

- (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.
- (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.  
  
This loan was repaid during the year.
- (iii) This represents lines of credit granted by JCCUL to the Co-operative. These loans bear interest at 11% per annum.

This loan was repaid during the year.



- (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.

## 18. Savings deposits

	2019 \$'000	2018 \$'000
Term deposits	185,551	154,857
SHYDA deposits	524,421	433,424
Regular deposits	182,087	151,350
Partner plan	18,030	20,454
SWYS Plus	100,949	95,109
Christmas special	2,999	2,986
Golden Harvest	93,304	28,826
<b>Total</b>	<b>1,107,341</b>	<b>887,006</b>

## 19. Accounts payables and accruals

	2019 \$'000	2018 \$'000
IT enhancements	13,383	8,403
Withholding tax	233	816
Audit fees	1,393	3,285
Other payables	40,763	35,682
Accruals	31,310	25,060
Deceased members deposits	5,480	5,588
Standing order	4,868	4,722
Online ATM payable	1,606	7,470
Scholarship fund	1,397	1,087
<b>Total</b>	<b>100,433</b>	<b>92,113</b>

## 20. 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.

	2019 \$'000	2018 \$'000
Amount received from JCCUL during the year	4,023	4,023
Less: Transfer to profit or loss	(1,959)	(1,959)
<b>Balance at end of year</b>	<b>2,064</b>	<b>2,064</b>

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.

## 21. Operating expenses

	2019 \$'000	2018 \$'000
<b>Staff costs</b>		
Salaries, allowances and contributions	85,107	74,353
Statutory deductions	7,029	6,217
Staff training	1,117	1,722
Pension cost	4,391	2,486
	<b>97,644</b>	<b>84,778</b>
<b>General overheads</b>		
Administrative	1,163	28
Audit fees	3,850	2,600
Depreciation	3,119	2,848
Electricity	3,085	3,028
Insurance premiums	4,241	3,576
Office expense	4,663	4,404
Professional and accounting fees	387	5,111
Printing, stationery and postage	2,887	2,004
Repairs and maintenance	4,060	5,257
Travel and subsistence	1,382	1,337
Telephone, cable, postage and telegram	1,706	1,608
Finance cost	1,547	5,975
<b>Total administrative expenses</b>	<b>32,090</b>	<b>37,886</b>
<b>Representation and affiliation</b>		
League fees and other fees	4,332	3,543
Board and committee meetings	10,319	8,532
League annual general meeting	1,707	1,766
Annual general meeting	4,001	2,764
Stabilisation dues	2,107	1,765
<b>Total representation and affiliation expenses</b>	<b>22,466</b>	<b>18,370</b>
<b>Marketing and promotion</b>		
Advertising and promotion	6,014	5,761
Donations	650	48
<b>Total marketing and promotion expenses</b>	<b>6,664</b>	<b>5,809</b>
<b>Total operating expenses</b>	<b>158,864</b>	<b>146,843</b>

## 22. 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:

	2019		
	Number	Loans \$'000	Shares and deposits \$'000
Staff	21	100,629	23,287
Volunteers	17	57,248	22,923

	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

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.

## 23. Related party transactions and balances

### (a) 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.

### (b) Key management compensation

	2019 \$'000	2018 \$'000
Salaries and other short-term employee benefits	34,748	18,925
<b>Total</b>	<b>34,948</b>	<b>18,925</b>

## 24. Insurance

The Co-operative maintained life, savings and loan protection insurance coverage during the year. Premiums of \$2,884,000 (2018 - \$2,553,000), which includes fidelity insurance coverage, were paid during the year.

## 25. Comparison of ledger balances

	Members deposits \$'000	Loans, gross \$'000	Members' savings voluntary shares \$'000
General ledger	1,107,341	2,079,127	658,359
Members' ledger	1,107,341	2,079,127	658,359
<b>Differences as at December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 26. Risk management policies

The Credit Union's activities expose it to a variety of financial risks in respect of its financial instruments. The main types of risks are market risk, credit risk and liquidity risk. The Credit Union risk management is coordinated at its head office in close cooperation with the board of directors, and focuses on actively securing the Credit Union's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

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.

### a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises mainly from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk and Compliance Officer who monitors price movements of financial assets on the local market. Market risk exposures are measured using sensitivity analysis. There has been no change to the Credit Union's exposure to market risk or the manner in which it manages and measures the risk.

#### i Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 Jamaican dollar.

#### ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates, and arises mainly from investments, loans and deposits.

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

The Credit Union'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.



## ii Interest rate risk (cont'd)

The following tables summarise the Credit Union's exposure to interest rate risk. It includes the Credit Union's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

2019

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Financial assets</b>						
<b>Earning assets</b>						
Reverse repurchase agreements	31,843	-	-	-	-	31,843
Financial investments	444,599	-	4,571	-	-	449,170
Loans, net of impairment provision	5,842	99,649	1,501,371	412,742	-	2,019,604
<b>Non-earning assets</b>	-	-	-	-	76,099	76,099
<b>Total financial assets</b>	<b>482,284</b>	<b>99,649</b>	<b>1,505,942</b>	<b>412,742</b>	<b>76,099</b>	<b>2,576,716</b>
<b>Interest bearing liabilities</b>						
Members' deposits	172,025	453,469	481,847	-	-	1,107,341
Members' voluntary shares	13,050	46,315	598,994	-	-	658,359
External credit	74	841	5,739	-	-	6,654
<b>Non-interest bearing liabilities</b>	-	-	-	-	102,498	102,498
<b>Total financial liabilities</b>	<b>185,149</b>	<b>500,625</b>	<b>1,086,580</b>	<b>-</b>	<b>102,498</b>	<b>1,874,852</b>
<b>Total interest rate Sensitivity Gap</b>	<b>297,135</b>	<b>(400,976)</b>	<b>419,362</b>	<b>412,742</b>	<b>(26,399)</b>	<b>701,864</b>
<b>Cumulative Gap</b>	<b>297,135</b>	<b>(103,841)</b>	<b>315,521</b>	<b>728,263</b>	<b>701,864</b>	

## ii Interest rate risk (cont'd)

2018

	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Financial assets</b>						
<b>Earning assets</b>						
Reverse repurchase agreements	31,089	-	-	-	-	31,089
Financial investments	395,035	-	4,571	-	-	399,607
Loans, net of impairment provision	7,582	56,298	1,155,988	412,784	-	1,683,065
<b>Non-earning assets</b>	-	-	-	-	52,651	52,651
<b>Total financial assets</b>	433,706	56,298	1,160,559	412,784	52,651	2,166,411
<b>Interest bearing liabilities</b>						
Members' deposits	168,367	359,304	359,335	-	-	887,006
Members' voluntary shares	246,876	42,411	228,699	-	-	517,985
External credit	186	7,833	7,521	-	-	15,540
<b>Non-interest bearing liabilities</b>	-	-	-	-	94,177	94,177
<b>Total financial liabilities</b>	415,430	409,548	585,522	-	94,177	1,514,708
<b>Total interest rate Sensitivity Gap</b>	18,276	(353,250)	575,037	463,197	(41,526)	651,703
<b>Cumulative Gap</b>	18,276	(296,952)	278,085	741,282	651,703	

#### Interest rate sensitivity

The Credit Union's interest bearing financial instruments are at fixed rate therefore a change in interest rate at the reporting date would not affect income.

The Credit Union 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.

### **b Credit risk**

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Credit risk is the most important risk for the Credit Union's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.

#### ***Credit review process***

The Credit Union has a credit quality review process involving regular analysis of the ability of borrowers to meet interest and capital repayment obligations.

##### **(i) Loans**

The Credit Union assesses the probability of default of borrowers. Exposure to credit risk is managed in part by obtaining collateral and personal guarantees. The credit quality review process allows the Credit Union to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

##### **(ii) Investments**

The Credit Union limits its exposure to credit risk by investing mainly in liquid securities with counterparties that have high credit quality, and in Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### ***Collateral and other credit enhancements***

The amount and type of collateral required depends on an assessment of the credit risk of the member and the size of the loan. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

- Mortgages over real estate
- Security contracts on motor vehicles
- Hypothecated financial instruments such as certificates of deposits with regulated financial institutions
- Liens on members' deposits maintained with the Credit Union

Management monitors the market value of collateral, during its review of the adequacy of the provision for credit losses.

## Loans to members and expected credit loss

The Credit Union applies the “three stage” model under IFRS 9 in measuring the expected credit losses on loans, and makes estimations about likelihood of defaults occurring, associated loans ratios, changes in market conditions, and expected future cash flows. This is measured using the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) for loans.

- Probability of Default – This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.
- Loss Given Default – The LGD represents the expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

The “three stage” model is used to categorise financial assets according to credit quality as follows:

- Stage 1 – financial assets that are not credit impaired on initial recognition or are deemed to have low credit risk. These assets generally abide by the contractual credit terms. The ECL is measured using a 12 month PD, which represents the probability that the financial asset will default within the next 12 months.
- Stage 2 – financial assets with a significant increase in credit risk (SICR) since initial recognition, but are not credit impaired. The ECL is measured using a lifetime PD.
- Stage 3 – credit impaired financial assets. The ECL is measured using a lifetime PD.

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

In measuring the expected credit losses, the loan to member have been assessed on a case by case basis as they possess different credit risk characteristics. They have been grouped based on the loan type (motor vehicle, real estate, cash secured and unsecured), past due days and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for customers over the past three years before December 31, 2019 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer’s ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.



On the above basis the expected credit loss for loan members receivables as at December 31, 2019 and January 1, 2019 was determined as follows:

The credit quality of loans is as follows:

December 31, 2019			
Loan stage	Total loan balance \$	Expected credit loss \$	Expected credit loss rate %
Stage 1	1,967,240	34,662	2
Stage 2	82,960	1,454	2
Stage 3	28,927	23,407	81
<b>Total</b>	<b>2,079,127</b>	<b>59,523</b>	

December 31, 2018			
Loan stage	Total loan balance \$	Expected credit loss \$	Expected credit loss rate %
Stage 1	1,630,910	19,702	1.2
Stage 2	57,555	4,041	7
Stage 3	46,707	28,364	61
<b>Total</b>	<b>1,735,172</b>	<b>52,107</b>	

## Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days, or there are any known difficulties in the cash flows of counterparties, or there are infringements of the original terms of the contract.

The Credit Union addresses impairment assessment individually. An impairment allowance is provided for each individual loan that is impaired with no consideration of materiality. At minimum, an impairment assessment is conducted annually.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the statement of financial position date on a case-by-case basis, and are applied to all accounts with a past due date of more than 30 days. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The loan loss provisioning rules described above focus more on credit-quality mapping of the respective delinquency periods to corresponding pre-determined percentages. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements may differ from the amount determined from the League's loan loss provisioning rules that are used for internal operational management and the Credit Union's internal provisioning method.

The table below shows loans to members and the associated IFRS impairment provision:

	2019	
	Loans \$'000	Impairment provision \$'000
Loans to members	2,079,127	59,523

	2018	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,735,172	52,107

### Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

The following table explains the changes in the loan loss provision between the beginning and the end of the financial year.

(i) Expected credit losses on loans		
	2019 \$'000	2018 \$'000
Provision for impairment at beginning of year	52,107	20,178
Adjustment from adopting IFRS 9	-	27,209
Adjusted expected credit loss at January 1, 2019	52,107	47,387
Increase in amounts provided for during the year	7,416	4,720
Provision for impairment at end of year	59,523	52,107

### (ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2019, there were no renegotiated loans.

### (iii) Loans

The following table summarises the Credit Union's credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	2019 \$'000	2018 \$'000
Cash secured	98,341	97,909
Motor vehicle	566,342	452,233
Real estate	242,717	240,476
Unsecured	1,171,727	944,554
	2,079,127	1,735,172
Loss allowance	(59,523)	(52,107)
<b>Total</b>	<b>2,019,604</b>	<b>1,683,065</b>

## **b Liquidity risk**

Liquidity risk is the risk that the Credit Union will encounter difficulty in raising funds to meet its commitments associated with financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay members and fulfil commitments to lend.

### **Liquidity risk management process**

The Credit Union's liquidity risk management processes are monitored by the Treasury Committee includes:

- (i) monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash outflows and the availability of cash to meet these outflows;
- (ii) maintaining a balanced portfolio between financial investments and liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) optimising cash returns on investments;
- (iv) maintaining committed lines of credit; and
- (v) monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Credit Union. It is unusual for financial institutions to ever be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

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 8% (2018 - 7%).

# Financial liabilities and assets held for managing liquidity risk

The tables below present the cash flows receivable and payable of the Credit Union for financial liabilities and assets held for managing liquidity risk by remaining contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows (principal and interest cash flows).

2019						
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Financial assets</b>						
<b>Earning assets</b>						
Reverse repurchase agreements	31,843	-	-	-	-	31,843
Financial investments	444,599	-	4,571	-	-	449,170
Loans, net of impairment provision	5,842	99,649	1,501,371	412,742	-	2,019,604
<b>Non-earning assets</b>	-	-	-	-	76,099	76,099
<b>Total financial assets</b>	<b>482,284</b>	<b>99,649</b>	<b>1,505,942</b>	<b>412,742</b>	<b>76,099</b>	<b>2,576,716</b>
<b>Interest bearing liabilities</b>						
Members' deposits	172,025	453,468	481,847	-	-	1,107,341
Members' voluntary shares	13,050	46,315	598,994	-	-	658,359
External credit	74	841	5,739	-	-	6,654
<b>Non-interest bearing liabilities</b>	-	-	-	-	102,498	102,498
<b>Total financial liabilities</b>	<b>185,149</b>	<b>500,625</b>	<b>1,086,580</b>	<b>-</b>	<b>102,498</b>	<b>1,874,852</b>



2018						
	Within Three Months \$'000	Three to Twelve Months \$'000	One to Five Years \$'000	Over Five Years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Financial assets</b>						
<b>Earning assets</b>						
Reverse repurchase agreements	31,089	-	-	-	-	31,089
Financial investments	395,035	-	4,571	-	-	399,607
Loans, net of impairment provision	7,582	56,298	1,155,988	412,784	-	1,683,065
<b>Non-earning assets</b>	-	-	-	-	52,651	52,651
<b>Total financial assets</b>	<b>433,706</b>	<b>56,298</b>	<b>1,160,559</b>	<b>412,784</b>	<b>52,651</b>	<b>2,166,411</b>
<b>Interest bearing liabilities</b>						
Members' deposits	168,367	359,304	359,335	-	-	887,006
Members' voluntary shares	246,876	42,411	228,699	-	-	517,985
External credit	186	7,833	7,521	-	-	15,540
<b>Non-interest bearing liabilities</b>	-	-	-	-	94,177	94,177
<b>Total financial liabilities</b>	<b>415,430</b>	<b>409,548</b>	<b>585,522</b>	<b>-</b>	<b>94,177</b>	<b>1,514,708</b>

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, investment securities and loans. In the normal course of business, a proportion of members' loans contractually repayable within one year will be extended. The Credit Union is also able to meet unexpected net cash outflows by selling securities and accessing overdraft facilities from its main financing institutions.

The members' voluntary shares are contractually on call except in cases where these balances are held as security for loan facilities.

#### Off-statement of financial position items

#### **d Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Board and management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

- (i) requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- (ii) requirements for the appropriate segregation of duties, including the independent authorisation of transactions
- (iii) requirements for the reconciliation and monitoring of transactions
- (iv) compliance with regulatory and other legal requirements
- (v) documentation of controls and procedures
- (vi) requirements for the reporting of operational losses and proposed remedial action
- (vii) development of contingency plans
- (viii) training and professional development
- (ix) ethical and business standards
- (x) risk mitigation, including insurance where this is effective

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

#### **27. Fair value estimation**

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 (an exit price).

Market price is used to determine fair value where an active market exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Credit Union. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used in determining or estimating the fair value of the Credit Union's financial instruments:

- (i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- (ii) The fair value of members' deposits is assumed to be the amount payable on demand at the statement of financial position date.
- (iii) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts.
- (iv) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
- (v) Financial investments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities classified as available-for-sale are measured at historical cost less impairment, as their fair values cannot be reliably determined.
- (vi) Financial investments classified as held-to-maturity are measured at amortised cost with a carrying value of \$476,442 (2018 - \$430,696) for which the fair value has been estimated at \$476,442 (2018 - \$430,696).
- (vii) The estimated fair values of the off-statement of financial position financial instruments is assumed to approximate the amount committed at year end.
- (viii) The carrying value of borrowings approximates fair value as the borrowings are carried at amortised cost reflecting its contractual obligations, and the interest rates are reflective of current rates for similar transactions.

Financial instruments that are measured in the statement of financial position at fair value are grouped based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Credit Union's financial assets that are measured at fair value:

#### December 31, 2019

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Unquoted equities	4,571	-	-	4,571
Quoted equities	-	-	-	-
Fixed and other deposits	-	476,442	-	476,442
<b>Total</b>	<b>4,571</b>	<b>476,442</b>	<b>-</b>	<b>481,013</b>

#### December 31, 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available for-sale financial assets				
Unquoted equities	4571	-	-	4,571
Quoted equities	-	-	-	-
Fixed and other deposits	-	426,124	-	426,124
<b>Total</b>	<b>4,571</b>	<b>426,124</b>	<b>-</b>	<b>430,695</b>

There has been no transfer between levels 1 and 2 in the reporting period.

## 28. 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.



## 29. Capital management, policies and procedures

The Credit Union'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 maintain the members' confidence in the safety and viability of the Credit Union
- (ii) to safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for its members;
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies, the Bank of Jamaica and the Jamaica Co-operative Credit Union League Limited;
- (iv) to maintain a strong capital base to support planned expansion and the development of new lines of business.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management according to the guidelines in its Capital Adequacy Management Policy. The computation is reported to the Board of Directors each month and the Credit Union's capital adequacy ratio currently exceeds the benchmarks set by the regulatory authorities.

The League currently requires member credit unions to maintain a minimum level of the institutional capital at 8% of total assets. The proposed Bank of Jamaica regulations require the League to ensure that member credit unions:

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

There was no change during the financial year in relation to how the Credit Union manages its capital.

All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2019 and 2018.

There was no change to the Credit Union's approach to capital management during the year.

The Credit Union complied with all externally imposed capital requirements to which they were subjected.



# MANAGEMENT TEAM

**Patricia Tomlinson**  
General Manager

**Marsha McGowan**  
Operations Manager

**Alvin Reid**  
IT Manager

**Allison Pessoa**  
Risk and Compliance Officer



**Tahnee Taylor**  
HR & Admin Manager

**Karlene Pitter-Cooper**  
Internal Auditor

**Janice Blake**  
Marketing &  
Communications Manager

**Howard Powell**  
Finance Manager



Missing:  
**Leighton Wisdon**  
Credit Risk Manager





# ***HUMAN RESOURCE & ADMINISTRATION***

**L-R:**

**Patricia Tomlinson**  
General Manager

**Kirlew Duncan**  
Admin Assistant to  
General Manager

**Tahnee Taylor**  
HR & Admin Manager

**Sonia Clarke**  
Office Attendant

**Frances Collie**  
HR & Admin Assistant







## FINANCE

L-R:

**Georgia Cornwall**  
Accounting Officer

**Devon Fray**  
Accounting Officer

**Howard Powell**  
Finance Manager



## CREDIT RISK

L-R:

**Clarine Bogle**  
Collateral &  
Delinquency Officer

**Shackeria Williams**  
Credit Risk Officer

Missing:  
**Leighton Wisdon**  
Credit Risk Manager







## MARKETING

**Rochelle Fearon**  
Business  
Development  
Officer

**Janice Blake**  
Marketing and  
Communications  
Manager



## OPERATIONS TEAM

L-R:

**Melissa Brown-Morgan**  
Member Service Officer

**Marsha Morris-Barthley**  
Senior Teller

**Marsha McGowan**  
Operations Manager

**Charlene Smith**  
Member Service Officer

**Shanadeen Smith**  
Member Service Officer





## INFORMATION TECHNOLOGY

**Alvin Reid**  
IT Manager



## AUDIT / RISK & COMPLIANCE

**Karlene Pitter-Cooper**  
Internal Auditor

**Allison Pessoa**  
Risk & Compliance Officer



L-R:

**David Leung**  
Teller

**Allesha Beckford**  
Member Service Officer

**Tabinna Layton**  
Teller

**Twinkle Small**  
Teller

**Marsha Segree-Boothe**  
Member Service Supervisor

**Sebrana Smith**  
Member Service Officer

Missing: **Romario Johnston**  
Member Service Officer

# Credit Committee Report

The Jamaica Defence Force Co-operative Credit Union has successfully completed another year of financial well-being. The Credit Committee extends special commendation to the management, staff and volunteers of the credit union; whose effort and expertise continue to ensure the viability of this institution. Our members are also to be acknowledged for their loyalty and commitment as the credit union remains their institution of choice.

The members of the Credit Committee for the year under review were as follows:

Captain Calvin Dryden	Chairman
Warrant Officer Class 1 Lukel Miller	
Warrant Officer Class 2 Ronald Johnson	
Warrant Officer Class 2 Michael Rowe	
Mr Hamroy Roberts	
Mrs Michelle Goulbourne	
Shakeria Marshall Fender	Secretary

The Credit Committee met on Tuesday, 27 April 2019 and members of the committee were selected to serve terms of one, two and three years accordingly. Capt Calvin Dryden was elected Chairman and Miss Shakeria Marshall Fender as Secretary. The Credit Committee continued to exercise oversight responsibility for loan approval as directed and stated in policy. The year ending December 31, 2019 was very rewarding with loan applications approved by the committee totaling \$381.35 million; this reflected an increase of \$167 million over the previous year. The number of applications approved saw significant increase over the previous year. Motor vehicle loans were the highest contributor to the loan portfolio, with a total \$169.26 million. The other main contributors were debt consolidation and personal requisites.

The table below gives a comparative view of funds disbursed regarding loan applications approved in 2018 and 2019:

Serial	Loan Description	2018	2019
1	Unsecured	20,076,065.99	5,405,081.70
2	Home Improvement	7,722,313.98	11,171,222.93
3	Motor Vehicle	62,425,861.25	169,263,576.34
4	Debt Consolidation	121,244,235.58	161,120,070.28
5	Furniture/ Household Items	-	
6	Educational Expense	1,298,897.50	1,000,000.00
7	Medical Expense	-	
8	Personal Requisite	1,789,280.00	33,398,065.80
9	Help Line	-	-
<b>Total</b>		<b>214,556,654.30</b>	<b>381,358,017.05</b>

The Committee also reviewed, assisted, and reported on delinquency monthly. We recognized that delinquency could be controlled extensively with the cooperation of its members and directly and negatively affect surplus. The year 2019 however saw a delinquency ratio of 2.72%, a slight increase of the 2018 ratio of 2.41%.

The Committee extends heartfelt appreciation to the General Manager for her consistently hard-working team. As Chairman of the Committee, I express appreciation to my fellow Committee members for their earnest contribution during the year 2019. The Credit Committee takes pleasure in acknowledging the continued support of our members as they continue to contribute to the development of the credit union and improve their standard of living. The credit union operations and innovations are focused on providing suitable and competitive services and products for our members. The Credit Committee will continue to work towards improving the credit union's performance, increasing its profitability, and guiding our members on their quest 'marching forward, building wealth'.



**Calvin Dryden**

Captain

Chairman, Credit Committee





**Back Row L- R:**

Warrant Officer Class 1 Lukel Miller  
*Member*

Mr Hamroy Roberts (Ex-W02)  
*Member*

Warrant Officer Class 2 Ronald Johnson  
*Member*

**Front Row L- R:**

Warrant Officer Class 2 Michael Rowe  
*Member*

Mrs Shakeria Marshall-Fender  
*Secretary*

Captain Calvin Dryden  
*Chairman*

Mrs Michelle Goulbourne  
*Member*

Mr Hamroy Roberts (Ex-W02)  
*Member*

# Nominating Committee Report

## REPORT OF THE NOMINATING COMMITTEE TO THE 57th ANNUAL GENERAL MEETING OF JAMAICA DEFENCE FORCE CO-OPERATIVE CREDIT UNION LTD.

In accordance with the provisions of Article XII, Rule 118, the Board of Directors of the Jamaica Defence Force Co-operative Credit Union Limited appointed a Nominating Committee, which comprised the following persons:

Mr Everton Hay	- Chairman
Miss Marsha McGowan	- Member
Mrs Shakeria Marshall Fender	- Member

### The Committee reports as follows:

Directors and committee members retiring at this Annual General Meeting and the Nominees proposed are as follows:

#### BOARD OF DIRECTORS

##### Retiring

Lieutenant Commander Aceion Prescott  
Captain Kwame Gordon  
Staff Sergeant Shelroy Johnson  
Mrs Donna Boland-Brown

##### Not Retiring

Major Heleda Thompson  
Lieutenant Colonel Michael Anglin  
Warrant Officer Class 1 Carlean Sutherland  
Sergeant Desmond Pringle  
Mr Everton Hay

##### Recommended

Lieutenant Commander Aceion Prescott  
Captain Kwame Gordon  
Staff Sergeant Shelroy Johnson  
Mrs Donna Boland-Brown  
Major Othneil Blackwood  
Captain Tameka Stewart

#### CREDIT COMMITTEE

##### Retiring

Warrant Officer Class 2 Ronald Johnson  
Warrant Officer Class 2 Michael Rowe

##### Not Retiring

Captain Calvin Dryden	1 year
Warrant Officer Class 1 Lukel Miller	2 years
Mr Hamroy Roberts	1 year
Mrs Michelle Goulbourne	2 years
Ms Shakeria Marshall Fender	2 years

##### Unexpired Term

##### Recommended

Warrant Officer Class 2 Ronald Johnson	3 years
Warrant Officer Class 2 Michael Rowe	3 years
Staff Sergeant William Gilzene	3 years

##### Term

#### SUPERVISORY COMMITTEE

##### Retiring

Sergeant Gawayne Brown  
Warrant Officer Class 2 Dwight Smith  
Sergeant Ricardo Russell  
Sergeant Sherlon Campbell  
Sergeant O'neil Shirley  
Staff Sergeant Andrew Clauchar  
Corporal Andrae Burnett

##### Recommended

Sergeant Gawayne Brown	1 year
Warrant Officer Class 2 Dwight Smith	1 year
Sergeant Ricardo Russell	1 year
Sergeant Sherlon Campbell	1 year
Sergeant O'neil Shirley	1 year
Staff Sergeant Andrew Clauchar	1 year
Staff Sergeant Shelroy Johnson	1 year
Corporal Andrae Burnett	1 year
Corporal Errol Carty	1 year
Mrs Donna Boland-Brown	1 year
Mr Audley Clarke	1 year

##### Term

#### 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 meetings where appropriate.



## Profile of Nominees:

### BOARD OF DIRECTORS

**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 Co-operative Credit Union family and strives to bring initiative and creativity together towards that effort. He is currently employed as the Acting Commanding Officer for the 1st Dist JDF CG.

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.

**Captain Kwame Gordon** has been a member of the JDF Credit Union for seventeen years. He is an Attorney-at-Law and holds a Bachelor of Laws, LLB, with honours from the University of the West Indies. He currently serves as an officer in the Third Battalion Jamaica Regiment (3JR).

**Staff Sergeant Shelroy Johnson** has been a member of the JDF Credit Union since June 2005 and currently serves as a member of the Board of Directors of the Jamaica Defence Force Co-operative Credit Union. He is currently employed at the JDF Directorate of Training and Doctrine as a Pay Permanent Staff Instructor. Staff Sergeant Johnson is currently pursuing a Bachelor of Science Degree in Accounting and Financial Management.

**Mrs Donna Boland-Brown** has been a member of the JDF Co-operative Credit Union since 1990 and currently serves as a Director on the JDF Credit Union's Board and is also a member of other sub-committees. She is currently assigned to the Internal Audit Unit at the Ministry of National Security. Mrs Boland-Brown has a wealth of experience and training in Government Accounts, Budgeting, Human Resource Management, Leadership and Corporate Planning. She has attained a diploma and several certificates and is currently pursuing an Associate of Science Degree in Business Administration.

**Major Othneil Blackwood** holds a Master of Science in Instructional Design/Technology and a Postgraduate Diploma in Instructional Design. Mr Blackwood has been a member of the JDF Co-operative Credit Union since April 1995. He studied locally and in Canada and has offered voluntary service to other organizations. He has served in several units within the Jamaica Defence Force and has experience in Project Management and Risk assessment.

**Captain Tameka Stewart** has been a member of the JDF Credit Union for approximately eight (8) years and is an active member

to date. She is pursuing a Law Degree and completed a Bachelor of Arts Degree in the Faculty of Liberal Studies. Captain Stewart has experience in banking, administration and logistics and has received many awards both military and otherwise.

### CREDIT COMMITTEE

**Warrant Officer Class 2 Ronald Johnson** has been a member of the JDF Credit Union since December 2003 and currently serves as a member of the Jamaica Defence Force Credit Union's Credit Committee. He has been a member of the Jamaica Defence Force for over twenty years and currently serves at the Military Police Company.

**Warrant Officer Class 2 Michael Rowe** has been a member of the JDF Credit Union since September 1996. Warrant Officer Class 2 Rowe holds certificates in a myriad of disciplines including Information Technology, Service Funds Accounting and General Duties Clerk. Additionally, he holds a Diploma in Motor Vehicle Repairs from the Jamaica German Automotive School. He is presently pursuing an Associate Degree in Event and Entertainment Management.

**Staff Sergeant William Gilzene** has been a member of the JDF Credit Union since September 2001. He served as secretary of the Jamaica Defence Force Credit Union's Credit Committee for several years. He holds diplomas in Business Administration and Spanish. He is currently pursuing his Bachelor of Science in Management Studies (Human Resource Management).

### SUPERVISORY COMMITTEE

**Sergeant Gawayne Brown** has been a member of the JDF Credit Union since 2013 and currently serves as Chairman of the Credit Union's Supervisory Committee. Sergeant 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 an Association of Chartered Certified Accounts (ACCA) UK.

**Warrant Officer Class 2 Dwight Smith** has been a member of the JDF Credit Union since September 1996 and currently serves on the Credit Union's Supervisory Committee. Warrant Officer Class 2 Smith is a graduate of the University of Technology, 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.

**Sergeant Ricardo Russell** joined the JDF Credit Union in September 2001. He has been a volunteer on the Supervisory Committee at the JDF Credit Union for the last two years. Sergeant Russell has a Bachelor of Science in General Management and a minor in Human Resource Management.

**Staff 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. Staff Sergeant Campbell has experience in Auditing and Budgeting and also has training in Team Organization and Project Management, Mentorship, Documentation and Customer Service and has a certificate in Fraud Detection.

**Sergeant O'Neil Shirley** has been a member of the Jamaica Defence Force Co-operative Credit Union since November 2002 and currently serves as a member on the Credit Union's Supervisory Committee. He 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.

**Staff Sergeant Andrew Clauchar** has excellent leadership skills and is goal oriented; with the ability to multi-task and maintain a strong attention to detail. He has been a member of the JDF Credit Union since 2002. Staff Sergeant Clauchar served as a Senior Auditor and Pay Sergeant for several years at the Force Pay Office and is currently assigned to the Inspector General's Unit.

**Staff Sergeant Shelroy Johnson** has been a member of the JDF Credit Union since June 2005 and currently serves as a member of the Board of Directors of the Jamaica Defence Force Co-operative Credit Union. He is currently employed at the JDF Directorate of Training and Doctrine as a Pay Permanent Staff Instructor. Staff Sergeant Johnson is currently pursuing a Bachelor of Science Degree in Accounting and Financial Management.

**Corporal Andrae Burnett** has been a member of the JDF Credit Union since 2009. He has been a member of the Supervisory Committee for the last two years. 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.

**Mrs Donna Boland-Brown** has been a member of the JDF Co-operative Credit Union since 1990. Mrs Brown currently serves as a Director on the JDF Credit Union's Board and is also a member of other sub-committees. She is currently assigned to the Internal Audit Unit at the Ministry of National Security. Mrs Brown has a wealth of experience and training in Government Accounts, Budgeting, Human Resource Management, Leadership and Corporate Planning. She has attained a diploma and several certificates and is currently pursuing an Associate of Science Degree in Business Administration.

**Audley Clarke** has been a member of the JDF Co-operative Credit Union for nineteen years. He has certification in Real Estate, Valuation, Electrical Installation, Sales and Marketing along with a Bachelor of Science in Construction and a Diploma in Land, Economy and Valuation Surveying. Mr Clarke intends to use his skills and experience to effectively contribute to the goals and success of the JDF Co-operative Credit Union.

The Nomination Committee made the following co-option during the year in review; ensuring that regulatory requirements were satisfied.

- **Lieutenant Commander Aceion Prescott** was co-opted during the year in review to serve in place of Lieutenant Colonel O'neil Bogle.
- **Staff Sergeant Shelroy Johnson** was co-opted during the year in review to serve in place of Major Pierce.

**Mr Everton Hay**  
Chairman, Nominating Committee



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# Supervisory Committee Report

**Sgt Gawayne Brown, Chairman**

## The Committee

The Supervisory Committee's main function is to maintain an independent oversight over the general governance of the JDF Co-operative Credit Union (JDFCCU), on behalf of you the shareholders of the organization. This objective was achieved throughout the year 2019 by means of efficient planning and execution of audit checks by the Supervisory Committee; which facilitated appropriate and objective monthly reports to the Board of Directors and required recommendation on how internal controls should be established, maintained and improved to better safeguard the resources of the JDF Credit Union.

## Change in Membership

During the year 2019, one of the previously elected members of the Supervisory Committee, SSgt Shelroy JOHNSON, our then Chairman, was co-opted to the Board of Directors, resulting in a vacancy being created on the Supervisory Committee. On the 7th of January 2020, the remaining Committee members conducted an internal election and subsequently recommended SSgt Andrew Clauchar to be co-opted on the Supervisory Committee. This recommendation was accepted by the Board of Directors on Saturday 22nd February 2020. The Supervisory Committee therefore consisted of:

Sergeant Gawayne Brown	- Chairman
Warrant Officer Class 2 Dwight Smith	- Secretary
Staff Sergeant Sherlon Campbell	- Member
Sergeant Ricardo Russell	- Member
Staff Sergeant Andrew Clauchar	- Member
Corporal Andrae Burnett	- Member
Mr Oniel Shirley (Ex-Sgt)	- Member

## Scope of Work

Over the year in review, reasonable assurances were attained by the Supervisory Committee that the required system of internal controls were being maintained in the following areas:

- Management Reports submitted to the Board of Directors for decision making
- Employees' Attendance Records
- Bank Reconciliation
- Loan disbursements



- Property, Plant and Equipment
- The allocation of staff uniforms
- Tax Compliance, and
- Marketing

In addition to the previously mentioned areas checked by the Supervisory Committee, the Internal Audit Department continuously monitored the internal control mechanism of the JDF CCU so as to ensure that policy guidelines were being adhered to on a continual basis. The Supervisory Committee adopted a professionally skeptic and systematic approach during its audit function; which contributed to proper planning and execution of all our audit functions throughout the review period. This method always ensured that we acquired sufficient appropriate audit evidence which formed the basis of our audit opinions to the Board of Directors for decision making.

The Supervisory Committee stands resolute in contributing to the continued enhancement of the JDF Co-operative Credit Union governance structure as well as the upliftment of shareholders wealth. But to achieve this we all have to understand that this Co-operative can only grow if we work together to build our Credit Union. We are the shareholders of this organization. We own the Credit Union; so, this institution can only flourish with our commitment and loyalty. So, let us save more, let us participate more, let us encourage our friends and families to join the JDF Co-operative Credit Union.





### Acknowledgement

On behalf of the existing Supervisory Committee, I hereby express my sincere gratitude to you, the shareholders of the JDF Credit Union, for having had the confidence in electing us to serve as members of your Supervisory Committee this past year. In addition, we wish to thank the Board of Directors for its support and guidance. We also express our appreciation to the General Manager, Mrs Patricia Tomlinson, along with her hard-working and dedicated staff members who, even in challenging times, facilitated the work of the Supervisory Committee. Special commendations also to the JDF Credit Union Internal Auditor, Mrs Karlene Pitter-Cooper, who was always available and willing to provide technical support to the Supervisory Committee. I wish you all the best for the future with the JDF Co-operative Credit Union.

**Gawayne Brown**

Sergeant  
Chairman, Supervisory Committee

L-R,

Sergeant Gawayne Brown  
Chairman

Corporal Andrae Burnett  
Member

Mr O'Neil Shirley (Ex-Sgt)  
Member

Sergeant Ricardo Russell  
Member

Staff Sergeant Sherlon Campbell  
Member

Missing,

Warrant Officer Class 2 Dwight Smith  
Secretary

Staff Sergeant Andrew Clauchar  
Member

# 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.



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# 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*

201028 STERN, ANTHONY

227977 REID, GABE

230233 THOMAS, HUBERT

410459 LEWIS, JEVAUGHNIE

119555 PHILLIPS, ONIEL

210784 NEEDHAM, RYAN

226706 CORIAH, DELANDO

228319 DONALDSON, HENRY

226628 RICHARDSON, JEROME

218396 LINDSAY, PAUL

225133 KNOWLES, ONIEL

230171 OSWALD, ALLAN

411048 WILLIAMS, KYMANI

229012 NELSON, DAVEAN

206911 FORBES, JUNIOR

210983 ROSE, TROY

[illegible]





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