



REPORT OF THE BOARD OF DIRECTORS

Overview

The year 2005 was very challenging for Jamaica. The economy was negatively affected by double digit inflation of 12.9%, a depreciation in the exchange rate which fell from \$61.85 to US \$1 at the beginning of the year to J\$64.67 to US\$1 at the end of the year, record increase in oil prices which hit US\$75.00 per barrel, the high crime rate and the onslaught of two major hurricanes, Emily and Dennis. These factors resulted in high prices at the gas pump, increases in the cost of electricity, water, bus fares and the general cost of living.

Despite the interest rates stabilizing at 13-14 percent for most of the year, business and consumer confidence fell. The Jamaica capital market lost ground and many companies experienced a dip in profits.

During the period our members encountered severe hardship as the difficulties outlined above were compounded by the Memorandum of Understanding (MOU) between the Government and the Jamaica Confederation of Trade Union (JCTU) which imposed a two year wage restraint upon them.

Amid all of the above, competitive rivalry heightened among the players in the financial services sector as each vied for a greater share of our members' purse.

Despite the numerous challenges the Jamaica Police Co-operative Credit Union Ltd. (JPCCUL) recorded a marginal growth in profits, maintained its position among the top ten in the Credit Union movement and remained a sound and viable financial institution.

Profitability

Our Credit Union recorded net surplus of \$58.8 million for the year, which represented a marginal increase of 1 percent over 2004. The net surplus was earned from gross income of \$200.4million of which 84.2 percent or \$168.7 million represented interest earned from our core business of making loans to our members. Gross revenue for the period increased by \$33.6 million or 20.1 percent over 2004. Interest on loans increased by 28.9 percent or \$37.8 million over the corresponding period in 2004.

Total expenses increased by 30.1 percent to \$141.5 million up from \$108.6 million in 2004. The main items that contributed to this increase were: administrative expenses up by \$4.2 million or 23.7 percent, personnel expenses with an increase of \$6.5 million or 23.9 percent, members security up \$1.6 million or 12.9 percent and marketing and promotion up by \$7.3 million or 140.4 percent. It is important to note that the expenses associated with the celebration of our Golden Anniversary had a significant impact on these results.

Total Assets

Total assets grew by 31.2 percent moving from \$1.05 billion in 2004 to \$1.345 billion at the end of 2005. Capital expenditure of \$16 million was undertaken to acquire new office space in Montego Bay and St. Mary.



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Savings

Total savings moved from \$821.8 million at December 2004 to \$1,122.4 million at the end of 2005. This represented a growth of 36.6 percent or \$300.5 million.

Loans

Our net loan portfolio stood at \$1,037.6 million a 38.4 percent increase over 2004's figure of \$749.7million. Loans to members accounted for over 70 percent of our assets which demonstrates our commitment to our members.

Membership

At the end of 2005 our membership stood at 10,010 an increase of 9.1 Percent or 834 members over 2004.

Other major accomplishments of the Credit Union are as follows:

- 1) We celebrated 50 glorious years of service to our members and their families. This included a gala awards dinner and banquet at the Jamaica Pegasus Hotel. The event was attended by Mr. L. Buchanan, one of the institution's founders and Mr. Lucius Thomas our esteemed Commissioner of Police. After fifty years we still remain strong in the Credit union movement.
- 2) JPCCU Ltd. remains among the top 10 largest Credit Unions in Jamaica.
- 3) We took our services closer to our members with the opening of a new branch at Pompano Commercial Complex, Tower Isle, St. Mary.
- 4) We acquired our own office space at Bay West Shopping Centre, Montego Bay to which the Montego Bay branch has been relocated.
- 5) We tapped into our membership in the Jamaican Diaspora through strategic alliances with the various chapters of the Jamaica Ex-police Association in Brooklyn and Queens, New York, Connecticut, New Jersey and South Florida.
- 6) Increased focus was placed on customer centricity by maintaining continuous dialogue with all our stakeholders through visits to police facilities and events.
- 7) Economic hardships experienced by our members due largely to the MOU gave birth to a new loan product, "The Loan Consolidator". A pool of \$122 million dollars was allocated to liquidate debts owed to other financial institutions; simplifying their loan portfolio and payment plan, enabling them to have more disposable income.

Human Resources

The key to any successful organization lies in its human resources. Our team of highly qualified and trained staff played a pivotal role in the Credit Union's ability to maintain its competitive advantage which resulted in its success in 2005.

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All employees are encouraged to contribute to the achievement of our aims through participation in our annual business plan.

We pride ourselves on the personnel development opportunities we offer our staff, which supports the strategic direction of the Credit Union. This is demonstrated by the fact that our staff training expenses increased from \$0.28 million in 2004 to \$1.2 million in 2005. Also, at all levels, some 80 percent of the employees have been with the Credit Union for more than three years. We have also developed a learning culture through an ongoing training programme which includes areas such as customer service and corporate governance.

Staff recruitment is an ongoing exercise in response to our growth and the inevitable staff turnover. All candidates for appointment are considered on merit and existing staff are afforded equal opportunity in their training, development and promotion. We continue to emphasize the importance of teamwork as an important criterion in the continuous success of our credit Union.

Directors Meetings

Below is a record of the attendance of Directors at Board Meetings during the period January to December 2005.

NAMES	ATTENDANCE	J	F	M	A	M	J	J	A	S	O	N	D	TOTAL
Ray Palmer	12	1	1	1	1	1	1	1	1	1	1	1	1	12
Guy Roberts	12	1	1	1	1	1	exc	1	1	1	1	1	1	11
Dale Powell	12	1	1	1	exc	1	1	1	1	1	1	exc	exc	9
Courtney Lodge	11	exc	1	1	exc	1	1	1	1	exc	1	1	n/a	8
Charles Benbow	12	1	1	exc	1	1	1	1	1	1	exc	1	1	10
Oswald Burchenson	12	1	1	exc	1	1	1	1	1	1	1	1	1	11
Calvin Small	12	1	1	1	1	1	1	1	1	1	exc	1	1	11
Gladys Brown- Campbell	12	1	1	1	1	1	1	exc	1	1	1	1	1	11
Jennifer Brown - Bonnick	5	1	1	1	1	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5
Lorna Wilson-Morgan	7	n/a	n/a	n/a	n/a	n/a	1	1	1	1	1	1	1	7



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Corporate Responsibility

At JPCCUL Ltd. we pride ourselves on our continued commitment to give back to our various stakeholders. During 2005 contributions were made to many worthy causes including:

- 1) Sponsorship of the annual Police National Athletics Championship.
- 2) Contribution of the Leslie McDonald scholarship to the University of the West Indies (UWI) and a scholarship to Northern Caribbean University (NCU).
- 3) Donation of fifty (50) scholarships and bursaries to members' children who excelled in the GSAT examinations.
- 4) Continued adoption of the Hanover Street Baptist Basic School.
- 5) Many contributions to police youth clubs and police sports clubs.
- 6) Sponsorship of the renovation of a classroom at the Jamaica Police Academy.

The Future:

As we look ahead, we believe that JPCCUL Ltd. will continue on its growth path and is poised to be one of the five largest among Jamaica's Credit Unions. We expect that growth will come through placing emphasis on customer service, forging strategic partnerships and new product development. To achieve this we will:

- Deepen the strategic alliances with members in the Jamaican Diaspora
- Channel more communications and services via the web site thus allowing members to apply for certain types of loans and have access to their accounts
- Insurance premium financing will be implemented
- Our service delivery network will be widened with the opening of a fifth branch in Portmore to which expenditure have already been committed, and a fifth agency will be opened in St. Thomas.
- Emphasis will continue to be placed on customer centricity as we aim to increase our market share and obtain a bigger share of our members' purse.

Conclusion

As we look to the future with confidence, we would like to assure you that it is your expectation of excellence that inspires us to be responsive and innovative and to be enthusiastic in developing new products and approaches to meet your needs.

The Board of Directors on behalf of the members of the Supervisory and Credit Committees, wish to thank our staff, our valued members and stakeholders for their loyalty, support and business throughout the year.

For, and on behalf of the Board of Directors

Ray L. Palmer
Chairman