



PALISADOES
COOPERATIVE
CREDIT UNION
LIMITED

'Flying to New Horizons'



2017 ANNUAL REPORT



PALISADOES
COOPERATIVE
CREDIT UNION
LIMITED

Our Mission

“To create and maximize members’ wealth and returns on investments”

Our Vision

To be the premier credit union by:

- Delivering exceptional products and services, driven by a highly motivated and efficient team,*
- Maintaining a friendly environment*
- Utilizing modern technology*

whilst ensuring a strong and viable member-oriented institution, with an excellent corporate image, exceeding expectations.

It was International Peace Day (2017 Sept 21) & the launch of Palisadoes Co-op Credit Union Ltd's Mountain View Men's Initiative at the Excelsior Community College, held under the theme **"Together for Peace, Watch Yuh Flex Nuh Baddah Vex MAN UP!!!"** Thanks to our contributing partners Excelsior Community College & Airports Authority of Jamaica.

Here are some pictorial highlights of the launch, and other activities of the Men's Initiative.



Dr Leahcim Semaj "reasoning" with the men during his inspiring presentation



They turned out in their numbers at the launch



Church vibes! A group of men from the Initiative were all enthused to give God thanks in church.



In December, the men from the Initiative were feted at a Christmas dinner hosted by Palisadoes Credit Union and Airports Authority of Jamaica.

MEN'S INITIATIVE CHRISTMAS TREAT FOR THE CHILDREN IN MOUNTAIN VIEW



Oh did they dance and "kick up a storm"

Face painting excitement

The children enjoyed the "Choo choo" train ride

Our "Helping Hands Outreach" was extended to the Mountain View Community, where we, along with our partners Excelsior Community College & Airports Authority of Jamaica presented residents with contributions towards starting their small business ventures, and book vouchers.



Mr. Alfred McDonald, Senior Director - Commercial Development & Planning at Airports Authority of Jamaica makes a presentation of back to school supplies



General Manager Maxine Wilson raps with some of the young ones'



Our Teachers' Appreciation Luncheon 2017



Liaison Officers' Appreciation Awards Function 2017



Miss Ruby Dillon from IGL copped the 'Liaison Officer of the Year 2017' Award

Here she is flanked by members of the Palisadoes Board of Directors

Exclusive 90+ GSAT Awardees Function - July 2017



General Manager, Maxine Wilson posing with the newest inductees of the 90+ GSAT Awardees Club. Top awardee Dayne Davis was the only male inductee



Some members from the 2016 GSAT Club were on hand to congratulate the new inductees and share their high school experience

Credit Union of the Year 2016 Runner-up Award Celebration



The prayer and exhortation from Rev Dexter Johnson set the tone for a fantastic evening



Founding member Wilfred Roberts was in a celebratory mode.

ANNUAL GENERAL MEETING & EXPO 2017



General Manager, Ms Maxine Wilson addressing the AGM. Standing beside her is President Robert Thelwell



Member, The Honourable Donna Parchment making a point at the meeting.



Members were kept very busy as there were goods and services on display at the expo



Members turned out in their numbers at the AGM



The children had fun; while the members conducted business

Annual Port Royal Golden Agers' Christmas Treat



Some of our beloved Golden Agers ready to be on their way after a fun-filled afternoon of food, fun and frolic

OUR CORPORATE PROFILE

Board of Directors

Orville Shaw, MBA Telecommunication & Technology Mgmt. – President

Mr. Shaw has been employed to the Jamaica Civil Aviation Authority for the past thirty-eight (38) years; and presently serves in the position of Special Project Officer – Air Navigation Services. He is the holder of an MBA in Telecommunication and Technology Management from Mona School of Business; and a BSc in Management Studies from the University of the West Indies. He has been a member of the credit union for over forty (40) years.

Mr. Winston Ormsby, BSc – Vice President

Mr. Ormsby is a forty (40) year old veteran of the Jamaican credit union movement; having served as President for the former Shell, National Water Commission and Petroleum Industry Employees Credit Unions. He is presently a Consultant in the Petroleum Industry; having previously worked with Rubis Energy Jamaica (formerly Shell) for over 28 years. He is the holder of a BSc in Engineering from the University of the West Indies.

Mr. Audley Deidrick, MBA – Treasurer

Mr. Deidrick is the President of Airports Authority of Jamaica, and CEO of NMIA Airports Ltd. He is the holder of an MBA from the University of the West Indies; and a BBA in Accounting from the University of Technology Jamaica. His work experience comprises over thirty (30) years in the field of Accounting & Finance. He has been a member of the credit union for over eight (8) years.

Mr. Anthony Young, MBA – Assistant Treasurer

Mr. Anthony Young is presently employed to the Transport Authority and holds the position of Chief Internal Auditor. He is the holder of an MBA in Finance and a BSc in Management Studies, both from the Nova Southeastern University. He has been a member of the credit union for thirty-six (36) years, and presently serves on the Board of Directors of the Jamaica Co-op Credit Union League.

Mrs. Celay Harwood-Gayle, BSc – Secretary

Mrs. Harwood-Gayle recently retired from the National Meteorological Service of Jamaica after serving forty-one (41) years. She is the holder of a BSc in Public Administration and International Relations from the University of the West Indies. Mrs. Harwood-Gayle has been a member of the credit union for forty (40) years.

Mr. Dervin Aiken, MBA

Mr. Aiken has been a Consultant with Airports Authority/NMIA Ltd since 2013; having previously worked with the same institution for seventeen (17) years. He is the holder of an EMBA from the Mona School of Business.

Robert Thelwell, BBA Mgmt. – President

Mr. Thelwell presently operates a used car dealership; and was previously employed to Sol Petroleum Jamaica Ltd as Sales Supervisor. He holds a Bachelor of Business Administration (majoring in Accounts) from The University of Technology Jamaica. He has been a member of the credit union for over thirty-seven (37) years.

Supervisory Committee

Mr. Samuel Manning, MBA CPA - Chair

Mr. Manning has been employed to Airports Authority of Jamaica/NMIA Ltd for the past twenty (20) years and presently occupies the position of Senior Director of Finance (acting) for the Airports Authority of Jamaica group of companies. He is the holder of an MBA from University of New Orleans; and a BSc in Accounting from the University of the West Indies. Mr. Manning is a Certified Public Accountant (CPA) and a member of the Institute of Chartered Accountants of Jamaica. Mr. Manning has been a member of the credit union for the past seventeen (17) years.

Board of Directors

Ms. Nicola Reid, MSc, FCCA - Secretary

Miss Reid has been employed to NMIA Airports Ltd for the past twenty-two (22) years; and presently holds the position of Director of Finance. She is the holder of an MBA (Finance) from the University of the West Indies. Miss Reid is a certified Internal Auditor, Certified Information Systems Auditor and a Certified Fraud Examiner; and presently serves as Chair of the Supervisory Committee of the Jamaica Co-op Credit Union League. Miss Reid has been a member of the credit union for the past nineteen (19) years.

Mrs. Margareth Antoine, MBA BSc - Member

Mrs. Antoine has been employed to IGL for the past twenty-two (22) years, and presently occupies the position of Financial Controller. She is the holder of an MBA from the University of Manchester, a BSc. in Business Administration from the University of Technology Jamaica; and is also a Certified Accounting Technician. She has been a member of the credit union (PIECCU/Palisadoes) for the past twelve (12) years.

Mrs. Maria Chen, ACCA - Member

Mrs. Chen has been a member of the credit union since 1998, and is currently employed to C&WJ Co-op Credit Union for the past eight (8) years, and is presently the Internal Audit Manager; having previously worked with Air Jamaica for four (4) years. Mrs. Chen has combined auditing experience in excess of twenty (20) years. She is the holder of an ACCA designation from the Institute of Chartered Accountants, and AAT certification from the University of Technology Jamaica.

Mr. Strephton Sanderson – Member

Mr. Sanderson has been employed to Goddard Catering Group Jamaica Ltd since 1991, and has been the Group's Managing Director since 2011. He holds a BSc. in Management Studies from the University of the West Indies, and a Post Graduate Certificate in Strategic Management and Decision Making also for the University of the West Indies. He has been a member of the credit union since March 1998.

Credit Committee**Mrs. Berthlyn Plummer, JP - Chair**

Mrs. Plummer has been a member of the credit union since 2005, and is presently employed to the Peace Management Initiative (PMI). Mrs. Plummer is a trained Social Worker, and certified Mediator. She previously served on the credit committee of COK (now COK Sodality) Credit Union for over 16 years.

Sheryll Hamilton, MBA

Mrs. Hamilton has been a member of the credit union (PIECCU/Palisadoes) since 2005, and is presently employed to Grace Kennedy Ltd as Human Resources Manager. She is a graduate of the Nova Southeastern University and holds a MBA in General Management. Mrs. Hamilton previously served on the Credit Committee and the Board of Directors of the former PIECCU Credit Union.

Mr. Devon Howell

Mr. Howell has been a member of the credit union since 2004. He has been employed to Carib Cement for the past seventeen (17) years, and presently holds the position of Payroll Supervisor. He is presently completing a BSc in Financial Accounting at the University College of the Caribbean, having completed his Associate Degree at the same institution.

Mr. Orrette Staple, BA - Member

Mr. Staple has been a member of the credit union (PIECCU/Palisadoes) for the past twelve (12) years. A teacher by profession, he is the holder of Bachelor of Arts (majoring in Economics) from the University of the West Indies. He served as President of the former Esso Co-op Credit Union, and a member of the Credit Committee of the former Petroleum Industry Employees Co-op Credit Union (PIECCU).

Our Senior Team

Our General Manager

Miss Maxine Wilson has been employed to the credit union movement for thirty-seven (37) years; twenty-one (21) of which has been spent at Palisadoes Credit Union. She is the holder of a MBA from the University of New Orleans (UNO), and a Bachelor of Laws (LLB) from the University of Technology Jamaica. She is a certified Family and Financial Counsellor; and an Honorary Member of the International Society of Business Leaders.

A Justice of the Peace (JP), Miss Wilson presently serves on the Board of Trustee of the Jamaica Credit Union Pension Fund; and is also a member of the Board of Directors of the Peace Management Initiative (PMI), Centralised Strategic Services (CSS), Women's Resources Outreach Centre (WROC) and the Jamaica Youth for Christ.

Our Accountant

Mrs. Keleen Walker-Thompson joined the staff in 2017 November. She was previously employed to the CG Co-op Credit Union Ltd in the position of Accountant for seven (7) years, before entering into short-term contractual arrangements with the Bank of Jamaica, Jamaica Co-op Credit Union League and VM Pensions Management Company.

She is the holder of both a Master of Science (MSc.) and a Bachelor of Science (BSc.) in Accounting degrees from the University of the West Indies.

Our HR/Admin Supervisor

Mrs. Claudine Purboo has been employed to the credit union for the past twenty-one (21) years. She has held various positions including that of Loans Officer, and Marketing and Member Services Officer.

Mrs. Purboo's qualification includes a Diploma in Human Resource Management. She has completed several modules in pursuance of a degree in Business Administration.

Our Member Services Supervisor

Miss Erica Coleman has been employed to the credit union since 2014 November, and was promoted to the position of Member Services Supervisor in 2017 June.

Miss Coleman is the holder of a Diploma in Teaching (Primary Education) from the St. Joseph's Teachers' College, and has successfully completed several courses including Service Excellence, Using Technology to Provide Service and Motivating Service Excellence in Others.

Our Compliance Officer

Mrs. Shelly-ann Tucker has been employed to the credit union since 2014 October. She is the holder of a Bachelor of Science (BSc.) degree in Business Administration from the University College of the Commonwealth (formerly the University College of the Caribbean).

Our Marketing Officer

Mr. Jermaine Francis has been employed to the credit union since 2013 February. He previously served in the positions of Accounting Clerk and Information Technology Officer. He is the holder of a Bachelor of Science (BSc.) degree in Information Technology from the University College of the Commonwealth (formerly University College of the Caribbean).

Our Credit Officer

Miss Letisha Williams has been employed to the credit union since 2016 November. She was previously employed for four (4) years, her last position being Credit Relations Officer.

Miss Williams is the holder of a Bachelor of Business Administration (BBA) degree from the University of Technology Jamaica.

our senior team

HERE IS A LITTLE ABOUT US

- On 2018 April 21 we will celebrate our 65th Birthday
- Our Portfolio balances as at 2017 December 31 are:
 - ✓ Assets - \$1.861B
 - ✓ Net Loans - \$1.129B
 - ✓ Voluntary Shares - \$1.089B
 - ✓ Total Savings Deposit - \$1.306B
- We operate from 4 locations, namely:
 - ✓ Norman Manley Int'l Airport – our head office
 - ✓ Sangster Int'l Airport (Montego Bay)
 - ✓ Carib Cement Co (Rockfort Plant)
 - ✓ Rubis Energy Jamaica (Rockfort)
- We also operate from a satellite office located at Wheels & Wheels Auto Brokers Ltd at 18-20 Dunrobin Avenue, Kingston 10. You can find us there on Mondays and Thursdays between the hours of 2-5 p.m.

Our Locations

Registered Office: Norman Manley Int'l Airport, Palisadoes P.A. Kingston

Other locations: Sangster Int'l Airport, Montego Bay
 Carib Cement Company, Rockfort P.O. Kingston
 Rubis Energy Jamaica, Rockfort P.O. Kingston

Our Principal Banker

National Commercial Bank Jamaica Ltd

Our Auditors

Mair Russell Grant Thornton

Our Attorneys-at-law

Audrey Allen & Company

FINANCIAL HIGHLIGHTS
Ten-year Statistical Review (\$'m)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Vol. Shares	502.03	545.79	557.20	574.91	624.88	668.63	890.42	960.62	1,010.42	1,088.75
Saving/Deposits	160.02	210.88	208.41	203.59	199.40	187.93	204.99	215.02	203.29	217.67
Loans	717.80	772.15	813.54	841.09	849.81	922.68	1,077.54	1,107.56	1,091.67	1,128.75
Assets	914.41	1046.34	1,098.41	1,119.40	1,208.90	1,283.31	1,568.29	1,664.66	1,744.88	1,861.00
Avail. for dist.	30.94	34.52	34.58	26.65	23.40	53.29	72.02	72.81	84.90	83.10
Inst. Capital	139.28	175.15	200.62	209.10	216.01	225.43	274.23	281.00	298.82	314.99
Membership	9,400	8,194	7,930	7,894	8,247	8,447	9,020	9,343	9,616	9,742
Gross Income	138.45	149.00	145.67	142.74	150.61	152.06	188.17	188.47	191.10	205.06
Dividends Paid	33.18	33.69	35.70	37.25	39.80	43.09	58.00	54.70	58.72	53.24
Interest Rebate									3.24	3.33

Notice of Meeting

Notice is hereby given that the 65th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2018 March 28 Wednesday at the Learning & Development Centre, Norman Manley Int'l Airport, commencing at 2:00 p.m.

Registration begins at 12:00 noon.

Dated this 2018 March 13



Celay Harwood-Gayle

SECRETARY

AGENDA

ASCERTAINMENT OF QUORUM	8. Proposal for the Fixing of Maximum Liability
1. Call to Order	9. Proposal for the Appropriation of Surplus
2. Opening Prayer	10. ELECTIONS:
3. Obituaries	- Appointment of Returning Officer
4. Apologies for Absence	- Nominating Committee's Report
5. Welcome & Introductions	- Election of:
6. Adoption & Confirmation of Minutes	• Board of Directors
7. REPORTS:	• Credit Committee
- Board of Directors	• Supervisory Committee
- Treasurer's & Auditors'	• Delegates to the League
- Credit Committee	11. RESOLUTION
- Supervisory Committee	12. ANY OTHER BUSINESS
- Delegates to the League	13. TERMINATION
- Management	

MINUTES OF THE 64th ANNUAL GENERAL MEETING
Held at the Learning Development Centre
Norman Manley International Airport, Kingston
On 2017 March 29 commencing at 2:00 P.M.

Present at the Head Table were: Mr. Robert Thelwell – President, Mr. Orville Shaw - Vice President, Mrs. Celay Harwood-Gayle – Secretary, Mr. Dervin Aiken – Director, Mr. Winston Ormsby – Director.

CALL TO ORDER

President Robert Thelwell, having ascertained that a quorum was present, called the meeting to order at 2:00 p.m. Secretary Celay Harwood-Gayle read the Notice of the Meeting.

PRAYER

Member Jermaine Francis offered prayers.

OBITUARY

The President guided the members in observance of a minute's silence in tribute to members and pioneers of the movement who had passed during 2016.

WELCOME/ INTRODUCTIONS & APOLOGIES

General Manager Maxine Wilson extended welcome to all present. She introduced and acknowledged the presence of several guests; including Mr. Dennis Brown (Jamaica Co-operative Insurance Agency); Mrs. Tanya Brown-Granston, Miss Shakira Lee, Miss Claudette Christie and Mr. Robert Carr from the Jamaica Co-op Credit Union League; Miss Joydene Jarrett (JPS & Partners Co-op Credit Union); Honourable Donna Parchment-Brown – Political Ombudsman; Mr. Sixto Coy (Mair Russell Grant Thornton) and Miss Audrey Allen (Attorney-at-law);

Miss Wilson also acknowledged the presence of several past volunteers of the credit union; and then introduced members of the Board of Directors, Supervisory and Credit Committees who were present.

Apologies for absence were tendered on behalf on the following:

- Mr. Derrick Tulloch
- Mr. Christopher Samuda

Apologies were also extended on behalf of Treasurer Audley Deidrick and Assistant Treasurer Anthony Young who were scheduled to arrive later, due to work commitments.

ADOPTION OF MINUTES

President Thelwell, having noted that the minutes of the Annual General Meeting was previously circulated both electronically and in print, asked that a motion be moved that it be adopted as read. The Minutes was adopted as read, on a motion moved by Mr. Michael Burke and seconded by Mrs. Berthlyn Plummer. Secretary Celay Harwood-Gayle then took the meeting through the minutes contained on pages 8 to 18 of the Annual Report.

CORRECTIONS TO MINUTES

Mr. Michael Burke indicated that there was an error on page 10 of the Report; and noted that instead of “Mr. Michael Burke told the meeting that he intends to set up a task force” he is advising that he “has set up a task force”. Secretary Harwood-Gayle referred the members to page 79 of the Report; under Supervisory Committee, and advised that the year “2015” should be changed to “2016”. There was no other correction to the minutes.

CONFIRMATION OF THE MINUTES

Member Devon Howell moved a motion for its confirmation. This was seconded by Ms. Ivylin Smith.

MATTERS ARISING FROM MINUTES

Mr. Michael Burke informed the meeting that he has identified, and has “taken the liberty to go to Bourbon House to set up a branch of Palisadoes Credit Union.”

REPORTS

BOARD OF DIRECTORS

President Robert Thelwell presented the Report. He referred the members to pages 19 to 21 of the Annual Report. He began his presentation by informing the membership that given the dynamic business environment in which the credit union operated, the credit union performed creditably well.

Highlights of his presentation included the following areas:

Corporate Governance

Mr. Thelwell told the meeting that the Board continues to ensure the effective management and control of the credit union’s resources, through the identification of priority areas for decision making. These he continued, included strategic issues, organizational planning, the management of risks, and performance reviews.

IT Infrastructure Audit

During the year, the Board undertook a major I.T. Infrastructure Audit to determine whether the credit union had the necessary equipment, and the detailed processes required to ensure its compliance with best practices in this specific area. The audit revealed several issues; and the Board is satisfied that they are being appropriately addressed.

Board Performance Review

The Board continues to review our own performance, as we view this as a critical part of the corporate governance process. The general consensus arrived at from the performance review was that the Board is effective in carrying out its responsibilities. The monthly reports on the activities of the Credit, Supervisory and other committees also allow the Board to effectively evaluate the performance of these committees.

Regulatory Reporting

The President noted that the credit union has been compliant with regulatory reporting requirements; and continues to ensure that current and relevant policies and procedures are in place.

The Board has in place the following sub-committees

1. Finance and Planning
2. Risk Committee
3. BOJ Preparedness

Loan Provisioning

The credit union has, and continues to allocate a portion of its surplus to the Loans Provision Reserve Account, which ensures that provisions are made for at least 1% of the credit union’s Net Loans. To date the credit union has reserved \$17m for this purpose.

Board Composition

Mr. Thelwell advised the meeting that Director Jeffery Spooner resigned during the year, and Mr. Dervin Aiken was co-opted to fill the position until the next Annual General Meeting. He acknowledged with thanks Mr. Spooner’s sterling contribution to the growth of the credit union over the many years.

The President ended his presentation by thanking the members for their continued confidence in the Board. He also thanked the members of the Credit, Supervisory and other committees, the Management and staff for their unwavering commitment to the cause.

Adoption of Board of Directors' Report

The Board of Directors' Reports were adopted on a motion moved by Mrs. Donna Parchment Brown and seconded by Mr. Orrette Staple. The members in unison voted in its favour.

TREASURER'S AND AUDITORS'

Treasurer Audley Deidrick presented the Reports. He directed the meeting to pages 22 through to 75 of the Annual Report. He told the meeting that the Jamaican economy showed signs of improvements during the year 2016, and that the country experienced historically low interest rates, and gradual reductions in domestic interest rates. The fiscal trajectory, he said, remained on the path to sustainability; and despite the fact that the country fared better overall, consumers continued to be impacted by slow improvement in the job market, and the continued devaluation of the Jamaican dollar.

Highlights of the credit union's performance as at 2016 December 31 as outlined by the Treasurer are detailed below:

Capital Requirement

When the 30% or \$10.97m of Undistributed Surplus is applied, the Institution Capital is increased to \$310,344,279 or 17.79% of Assets. On the assumption that the proposal for an additional amount of \$8,253,883 to Statutory Reserve is approved, and the amount of \$2,624,212 is applied to Permanent Shares, the Capital would then be \$321,222,374 or 18.41% of Assets.

Assets

Assets increased by 4.82% to reach \$1,744.88m.

Loans

A total of \$502m was disbursed during the period; which represents an increase of 17% or \$73m over the previous year's figure. The loan portfolio however remained relatively flat at just over \$1B.

Loan Provisioning Reserve

The Loan Loss Reserve account serves as a "cushion" to protect us from eventualities. To date we have accumulated \$17M in this account, and the proposal is for an additional \$2M to be added from surplus.

Income/Surplus

- At year end, an amount of \$84,897,392 was available for distribution; this after the mandatory 30% of Net Income was transferred to Statutory Reserves.
- Income from Loans remained relatively flat, moving from \$160.91m to 161.00m, and represented 87.79% (85.38% in 2015) of Total Income; Income from Investments decreased to \$3.94m (\$ 23.07m in 2015).
- Non-interest Income increased by 25.42% moving from \$4.45m to \$5.59m.
- "Actuarial gain on defined benefit pension plan" amounted to \$2.12m which is not distributable, but has increased Total Comprehensive Income for the year to \$38.67m.

Expenses

- Total Operating Expense increased by 3.7% (7.8% in 2015) moving from \$92.81m to \$96.24m. "Staff Costs" increased by 7.76% (7.73% in 2015) moving from \$46.90m to \$50.48m. "Administrative Costs" remained relatively flat, moving from \$34.25m to \$34.33m. "Representation & Affiliation" remained flat, moving from \$10.85m to \$10.92m.

Voluntary Shares

The Voluntary Shares portfolio recorded an increase of 5.20% or \$49.8m to reach \$1,010.42m.

Permanent Share Capital

This portfolio recorded an increase of 19.34% to reach \$11.52m.

Savings Deposits

There was a 25.16% increase in Savings Deposit (interest bearing); as the Portfolio moved from \$132.98m to \$166.44m

Dividends/Interest Rebate

The Treasurer advised the meeting that a record \$61,968,656 is proposed for payout to the membership; the largest amount ever paid out in the history of the credit union.

He further stated that a proposal is being placed before the membership for a dividend payment of six percent (6%) on Voluntary Shares, twenty percent (20%) on Permanent Shares; and a special provision was proposed for an interest rebate of two percent (2%) which amounted to \$3.4m.

Independent Auditors' Report

Treasurer Deidrick invited Mr. Sixto Coy, Auditor, representing Mair Russel Grant Thornton to present the Independent Auditors' Report contained on pages 27 to 31. Mr. Coy advised that he will be presenting highlights of the Report.

He read portions of the report, ending with the statement:

"We have audited the financial statements of Palisadoes Co-operative Credit Union Ltd, which comprise: Statements of Financial Position as at December 31, 2016; 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, 2016, 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".

Mr. Coy then referred the meeting to page 31 of the Annual Report under caption "Report and other Legal and Regulatory Requirements". He then proceeded to read as hereunder:

"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".

Matters arising from Treasurer's & Auditors' Report

In response to a question from Mr. Orrette Staple as to whether the credit union falls under the same category as other companies, Mr. Coy stated that the credit union falls under the Co-operative Societies Act, and not the Companies Act, but the requirements are the same with respect to IFRS standards. Mr. Staple continued by questioning why impairment was picked out as a case of study, to which Mr. Coy responded that it was a key audit matter that is required to be disclosed in the Audit Report.

In response to a question from Ms. Neisha Punancy as it relates to interest rebate on loan, General Manager Maxine Wilson clarified by stating that the proposed rebate was interest rebate and not loans rebate, and that it was for the year 2016.

Mr. Michael Burke commended the Treasurer on the credit union's impressive performance, noting also that nothing has been done about setting up a branch in East Kingston. The General Manager informed the meeting that the setting up of an additional branch was not a present strategic priority. Mr. Burke stated that he is hoping that the Board will revisit their position or "that a new Board be selected that will deal with the people in the common bond of Eastern Kingston".

Mr. Wilfred Roberts told the meeting that "putting up of block and steel was not economical"; and suggested the use of technology including smart phones, network links set up at churches and schools etc. in the areas.

Ms. Wilson responded to a further question from Ms. Neisha Punancy stating that the interest rebate will apply to interest paid on all types of loans.

Adoption of Treasurer's and Auditors' Report

The Treasurer's and Auditors' Reports were adopted on a motion moved by Mrs. Berthlyn Plummer and seconded by Mr. Devon Howell. The members in unison voted in favour of the motion.

CREDIT COMMITTEE

The committee's Chairman Dervin Aiken presented the report. He referred members to Pages 76 and 77 of the Annual Report, and named the other members of the Committee as under:

- Berthlyn Plummer
- Orrette Staple
- Sheryll Hamilton
- Devon Howell.

He told the meeting that the committee met on forty-eight (48) occasions; in order to carry out its mandate as determined by the membership; and undertook the following tasks.

1. Approval of loans
2. Ratification of loans approved by In-house Committee and authorized personnel as per the Credit Union's policies
3. Provide feedback, and make recommendations to the Board of Directors, as it relates to trends, both within and external to the Credit Union

Highlights of the Committee's Report as presented by the Chairman, are detailed hereunder:

- There was an increase in the value of loans disbursed. Total loans disbursed for the year was 8,368 (2015: 10,563) with total value of \$495.84M (2015: \$430.25M) resulting in an increase of \$65.62M or 15.3% when compared to the previous year results.
- The **"Personal Requisites"** category accounted for the largest percentage and value of the loans processed with 5,726 (2015: 7,819) loans at a value of \$227.74M (2015: \$235.05M), or 45.9% of total disbursements for the year.
- The **"Loan Specials"** offered during the year were well received by the members with 2,434 loans disbursed in the amount of \$77.65M, a 177.8% increase over 2015 results which amounted to \$27.95M.
- The **"Business/Investments"** loan category recorded an impressive increase of 242.8% moving from \$20.95M in 2015 to \$71.84M in 2016. This was despite uncertainty in the economic environment and the pending redundancy programmes at some of our allied companies and the pending privatization of the Norman Manley International Airport.
- The **"Motor Vehicle Purchase/Repairs"** category of loans amounted to \$64.95M or 13.1% of total loans disbursed; when compared to 2015; this was an increase of 30.9% or \$15.33M. There was a notable decline in the total number of loans disbursed for **"Education"**, the value of these loans decreased by \$23.10M or 87.1%, when compared to 2015. This was due mainly to Carib Cement Company assuming the Back-to-school loan programme for its employees; which was previously managed by the credit union.
- At the end of the reporting year the Credit Unions' loans portfolio stood at \$1,101.44M which was a marginal decrease of 0.6% when compared to 2015 which was recorded at \$1,107.56M.

Mr. Aiken noted that the committee continued to be represented on the Finance and Planning, Risk & Compliance, and BOJ Preparedness committees. On behalf of the committee, he thanked the Board of Directors, staff and other committee members of the credit union for their support; extending special thanks to the members for having placed their confidence in the committee to manage the credit affairs of our credit union.

Adoption of Credit Committee's Report

With no matter arising from the Report, a motion for its adoption was moved by Mrs. Sophia Lowe-Pinnock and seconded by Mr. Paul Ford. The motion was carried.

SUPERVISORY COMMITTEE

The Supervisory Committee's Report was presented by General Manager Maxine Wilson, in the absence of the Chair – Samuel Manning. She referred members to the committee's Report contained on pages 79 to 81 of the Annual Report; and named the committee as under:

- Samuel Manning - Chairman
- Nicola Reid - Secretary
- Maria Chen - Member
- Margareth Antoine - Member
- Karen Green - Member

Miss Wilson read the Committee's mandate, which states that:

“In accordance with the Credit Union's corporate governance framework, the Supervisory Committee provides oversight responsibility of the credit union's operations, i.e., Board of Directors, Management and Staff. To this end, the Committee undertakes a structured programme of review of the credit union's activities based on an assessment of associated risk. The objectives of the reviews performed include but were not limited to:

- Evaluation of the adequacy of policy, procedures and internal controls; and
- Safeguarding of credit union's assets.”

She told the meeting that the committee met on ten (10) occasions; as it sought to fulfill the responsibilities entrusted to it by the membership.

The major areas of focus of the Committee as presented in its Report were:

1. **Internal Controls:** Internal control mechanisms (financial, compliance and risk management) were assessed for effectiveness and adherence by the Credit Union. For the most part, these controls were found to be operating as intended but there were areas for improvement and these were brought to the attention of management.
2. **Bank Reconciliations:** The reconciliations for all bank accounts were done in a timely fashion and found to be in order.
3. **Policy Review:** Four (4) PCCUL policies were reviewed, and were found to conform largely to best practice and the Credit Union was operating in compliance therewith.
4. **Investments:** Loans were adequately collateralised with sufficient documentation being maintained thereon.
5. **Payroll, GCT Returns & Property Tax:** Payroll annual returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. GCT returns were accurately and timely prepared for the most part. Property Tax was paid within the period legally stipulated.
6. **Fixed Assets:** The accuracy of depreciation calculations was checked and found to be in order. A physical inspection of a sample of additions was also conducted. The adequacy of insurance of fixed assets was also verified.
7. **Loans:** The internal controls surrounding the management of and the provisioning process for delinquent loans as well as the procedures for the underwriting of loans were reviewed for adequacy and adherence thereto and the findings were satisfactory.
8. **Pension Fund:** The actuarial valuation (IAS 19 valuation) of the fund was reviewed showing that there was no deficit in the fund.
9. **Legal and Regulatory Compliance:** The Credit Union's operations were reviewed to ensure that there was compliance with the requirements of the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA). Within this exercise, the Committee also reviewed the monthly reports of the Risk and Compliance Officer.
10. **Education & Outreach Account:** Disbursements were adequately supported, approved and in accordance with the purpose of these accounts.
11. **Information Technology (IT):** The Committee reviewed the Credit Union's Business Continuity process as well as the overall functionality of the IT systems and confirmed that measures were being taken to improve areas of deficiency.
12. **Human Resource Related Areas:** Background procedures, staff training, the performance evaluation system, motor vehicle upkeep and staff loans were reviewed to verify compliance with existing policy and procedures as well as best practice.

- 13. Other Areas:** The Phone card reconciliation process, management of the Family Indemnity Plan (FIP), Share Transfer Fund account, Capital management programme, Accruals and Prepayments were reviewed and found to be operating in accordance with the credit union's established procedures.

The Report noted that queries/requests for clarification were all satisfactorily addressed by Management; and it was pleased to report that the assets of the Credit Union are adequately protected and there is no indication that the Credit Union is overly exposed to risks (both internal and external).

Matters arising from the Supervisory Committee's Report

Mr. Michael Burke enquired as to whether there were any members of the Supervisory Committee present. The Chairman, Mr. Samuel Manning having arrived at the meeting, was asked to confirm that the report contained in the Annual Report was in fact the committee's Report.

Mr. Manning apologised to the meeting for being late, having just left a work-related meeting. He indicated that apologies were also tendered on behalf of some of the members of the committee who could not be present at the meeting. In a response to a question from Ms. Neisha Punancy, Mr. Manning advised that when recommendations are made by the committee, there is always follow through, to ensure that they are implemented; and referred to the Report which indicates that the committee received the cooperation of the staff and management, and were satisfied with the responses received as it relates to requests for clarification and queries. At the request of Mr. Manning the members of the committee present; namely Maria Chen and Nicola Reid stood, and were acknowledged by the membership.

Adoption of Supervisory Committee's Report

A motion for the adoption of the report was moved by Mrs. Sharon Parchment-Scott, and seconded by Ms. Gay Clunis. The motion was carried.

DELEGATES TO THE LEAGUE

Ms. Maxine Wilson, Delegate to the League, tabled the Delegates' Report on the Jamaica Co-op Credit Union League's 75th Convention and Annual General Meeting which took place at the Hilton Rose Hall Hotel during the period May 26-29. The conference, she stated, was held under the theme "Credit Unions: People Helping People". Approximately one hundred and fifty (150) delegates and observers were in attendance.

Ms. Wilson stated that the week-end of activities commenced with the holding of the Credit Union Managers Association's AGM. This was followed by a presentation by the Registrar of Co-op and Friendly Societies, Mr. Errol Gallimore entitled "The Future of the Credit Union Movement: The Impact of the Changing Legislative Landscape". The conference was declared open the same afternoon by Hon. Donna Parchment Brown; Political Ombudsman.

Friday May 29 commenced with a plenary session, at which Director Winston Fletcher made a presentation titled "The Road Ahead: Credit Union Sustainability,"

Six (6) workshops were held simultaneously, they being:

- Employee engagement and resource constraints: Can you keep the motivation and commitment in the workplace in the time of crisis?
- Leadership: The buck stops with me?
- Towards a green economy: Can the Jamaican economy thrive in the changing climate?
- Cybercrimes: Identification, prevention and mitigation
- How well does your credit union brand work for you?
- Intellectual Property: An asset for the 21st Century

Annual Awards Dinner

The Annual Awards Dinner took place in the evening and several credit unions received various awards, the main ones being those of "Credit Union of the Year" in the various categories. At the end of the banquet, President Derrick Tulloch advised that the League's AGM scheduled for the following day would not be held, as the Financials were not ready.

RESCHEDULED LEAGUE'S AGM – 2016 August 20

Twenty-two (22) credit unions, with nineteen (19) delegates and fourteen (14) alternate delegates registered. President Derrick Tulloch summarized the Board Report in a power-point presentation; highlighting the achievements and challenges of the Credit Union Movement in 2016.

Resolutions

Several condolence and congratulatory resolutions were passed on behalf of credit unions for volunteers who had served the respective credit unions.

The following comprised the 2016-2017 League's Board of Directors

Rev. Dr. Paul Gardener - President	Mr. Martin Blackwood - Director
Mr. Winston Fletcher – 1st Vice President	Mr. Derrick Tulloch- Director
Mr. Clide Nesbeth – 2nd Vice President	Mr. Radgh Mason - Director
Mrs. Andrea Wilson-Messam, Treasurer	Mr. O'Neil Grant - Director
Mr. Jerry Hamilton – Asst. Treasurer	Mr. Patrick Smith - Director
Mr. Lambert Johnson - Secretary	Ms. Carol Anglin - Director
Mr. Norris Gilbert – Asst. Secretary	Mr. Anthony Young - Director
Mr. Rodcliffe Robertson	

Miss Wilson thanked the membership on behalf of the Delegates, for allowing them the opportunity to serve.

Matters arising from the Delegates to the League Report

Mr. Michael Burke lamented that “the League caused credit unions to incur expenses for hotel accommodation among other expenses, and did not hold its AGM”. He recommended to the meeting that it sends “the greatest possible censure to the League”. He also advised the meeting that the League which owns shares in Radio Jamaica, now has shares in the Gleaner; Radio Jamaica having bought out the Gleaner; adding that “delegates should look into those things at the (League's) meeting”. Mr. Staple indicated that the League's AGM should have been cancelled, and be rescheduled for another time, when the reports were ready.

On a motion moved by Mr. Michael Burke and seconded by Mr. Orrette Staple; and with sixty-five (65) members voting in favour of, and eight against, the credit union was instructed to ‘censure the Credit Union League for gross irresponsibility in 2016, in calling a meeting that did not take place’.

MANAGEMENT

General Manager Maxine Wilson referred the members to the report contained on Pages 83-86, and noted that the financial performance was outlined in detail in the Treasurer's Report. She gave a synopsis of the Report, noting that it was made available for the members' information.

Miss Wilson advised the meeting that during 2016 the economic landscape maintained its positive momentum, with GDP growth amounting to 1.4% as compared to 1% in 2015. She added that the credit union has etched a credible track record underpinned by solid growth and overall sound performance; while balancing members' expectations with economic realities which required great resolve, commitment and determination which are all distinct features of our credit union.

Other highlights of Miss Wilson's presentation include:

Staff Training & Development

Staff training and development continues to be an area of priority in our organization. Staff members were exposed to several training sessions and seminars including training in the Proceeds of Crime Act (POCA). We continue to make available Education, Staff Loans and other benefits.

Know Your Member (KYM) Requirements

The credit union continues to implement measures to tighten and enhance its Know Your Members (KYM) function. This included the modification of its Membership Application form, and the procedures involved in opening of, and monitoring accounts. Additional checks are conducted for compliance, prior to the actual activation of new accounts.

Smart Pac Savings Programme

At the end of the year there were 20 schools (2015: 19) enrolled in the programme; including 4 from Montego Bay. There were 2,051 SMART Pac Account holders, with savings of \$18.45m (\$ 2015: \$17.16m).

Helping Hands Outreach

Organisations and individuals that benefitted during the year, include:

Jamaica Youth for Christ	The STEP Centre	Harbour Heights Community
Port Royal Golden Agers	Mona Rehab Centre	Harbour View Primary
Marie Atkins Shelter	Aaliyah Walters	Patricia House
Webster Memorial United Church	Michael Thomas	
PCJ School Energy Programme	Team Sangster Football Competition	
Camperdown St. Andrew Alumni Chapter		

Proposal for the Fixing of Maximum Liability

Assistant Treasurer Anthony Young presented the report. He referred the meeting to page 86 of the Annual Report, which read “In keeping with Rule 71 (amended) which now states that “The Board of Directors may incur liability in voluntary shares, deposits and/or loans from any source on such terms of payment and security; provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union’s Capital”. It is proposed that the Maximum Liability to 2017 December 31 be set at ten (10) times the Credit Union’s Capital.

The proposal which was submitted by Treasurer Audley Deidrick (as contained on page 86) was seconded by the Hon. Donna Parchment Brown. The proposal was accepted by the membership.

Proposal for the Appropriation of Surplus for year ending 2016 December 31

Mr. Young, in presenting the proposal, referred the meeting to the proposal contained on page 87 of the Annual Report. He outlined the proposal for appropriation and distribution of surplus as detailed hereunder:

SURPLUS DISTRIBUTION - \$80,222,539

Total amount for Appropriation - \$14,753,883 as under:

Additional Amount to Statutory Reserve	\$8,253,883	Loan Loss Reserve	\$2,000,000
Education & Outreach	\$2,500,000	Provision for Loan Loss	\$2,000,000

Total amount for Expenses - \$65,468,656 as under:

Dividend	\$58,724,212	2% Rebate on loan interest paid	\$3,244,444
Honoraria	\$ 2,500,000	Share Transfer Fund	\$1,000,000

Mr. Young indicated that, before distribution of the Net Surplus, the Capital Sufficiency as at 2016 December 31 stood at 22.65%; which included the amount of \$10,967,311, which represents 30% of “Net Surplus before Transfers”. He further noted that after the proposed distribution, the Capital will be decreased to \$321.22m or 18.41% of Assets. The Proposal which was moved by Treasurer Audley Deidrick (as contained of page 85) was seconded by Mrs. Sheryll Hamilton. The motion was carried.

SUSPENSION OF STANDING ORDERS

A motion by Mr. Young and seconded by Ms. Maxine Wilson for the suspension of the standing order to facilitate a presentation from the Jamaica Co-op Credit Union League was carried. Miss Claudette Christie from the Jamaica Co-op Credit Union League informed members of an Access Plus Debit Card promotion which was in progress. She outlined in detail, prizes to be won from the use of the card.

RESUMPTION OF STANDING ORDER

A motion for the resumption of the standing order was moved by Mr. Winston Ormsby and seconded by Mr. Orrette Staple. The motion was carried

NOMINATING COMMITTEE’S REPORT

Mr. Robert Thelwell, Chair of the committee presented the report. He referred the meeting to Pages 88 and 89, and listed the other members of the committee as hereunder:

Hazel Johnson – Member

Claudine Purboo – Staff Liaison

Mr. Thelwell advised the meeting that the committee met to consider members to serve as volunteers on the Board and various committees for the year 2017-2018; and was engaged in a series of processes/due diligence to identify and then determine the suitability of the members it recommends to the AGM for elections. The following recommendations were made:

BOARD OF DIRECTORS

RETIRING

Celay Harwood-Gayle

Winston Ormsby

Anthony Young

Dervin Aiken

RECOMMENDED

Celay Harwood-Gayle

Winston Ormsby

Anthony Young

Dervin Aiken

TERM IN OFFICE

2 years

2 years

2 years

1 year

It was noted that Mr. Aiken was co-opted to the Board following the resignation of Jeffery Spooner.

CREDIT COMMITTEE

RETIRING

Orrette Staple

(vacant position)

RECOMMENDED

Orrette Staple

Karoline Smith

TERM IN OFFICE

2 year

2 years

SUPERVISORY COMMITTEE

RETIRING

Samuel Manning

Nicola Reid

Maria Chen

Karen Green

Margareth Antoine

RECOMMENDED

Samuel Manning

Nicola Reid

Maria Chen

Strephon Sanderson

Margareth Antoine

TERM IN OFFICE

1 year

1 year

1 year

1 year

1 year

DELEGATES TO THE LEAGUE

RETIRING

Anthony Young

Maxine Wilson

Robert Thelwell

Celay Harwood-Gayle

RECOMMENDED

Anthony Young

Maxine Wilson

Robert Thelwell

Celay Harwood-Gayle

POSITION

Delegate

Delegate

Alt. Delegate

Alt. Delegate

Mr. Thelwell, on behalf of the committee, acknowledged with thanks the contribution of all elected officers who served the credit union in 2016. He then referred the members to the profiles of new nominees contained on page 89 of the Report.

ELECTION OF OFFICERS

Mr. Thelwell invited the Co-op Department's representative Mr. Michael Webb to conduct the election of officers. He congratulated the credit union on the holding of its 64th Annual General Meeting. He outlined the process for nominations "from the floor"; noting that nominations will be valid only if the nominee has fulfilled his or her obligations to the credit union, and has satisfied the supervisory authority that they are fit to perform corporate management functions.

There were no other nominations tendered for the Board of Directors; as such Celay Harwood-Gayle, Winston Ormsby, Anthony Young and Dervin Aiken were elected to the Board of Directors.

There were no other nominations tendered for the Credit Committee; as such Orrette Staple and Karoline Smith were duly elected to the committee.

There were no other nominations tendered for the Supervisory Committee; as such Samuel Manning, Nicola Reid, Maria Chen, Strehon Sanderson and Margareth Antoine were elected to the Supervisory Committee.

Mr. Michael Burke was nominated by member Ruby Dillon; this was seconded by Mr. Sylbert Kerr. Miss Maxine Wilson advised the members of her decision to decline nomination to the position of Delegate to the League. Mr. Winston Ormsby requested of Miss Wilson to reconsider her decision to decline nomination. Mr. Michael Burke (nominee) advised the meeting that he has served well in the past as a delegate for other credit unions.

Mrs. Donna Parchment Brown indicated that Mr. Burke's nomination was perfectly in order. She however objected to the notion that the General Manager in this context can withdraw herself from what is a traditional responsibility of the General Manager. She further stated that if the membership said that they no longer wanted the General Manager to be a delegate, that changes policy and would have been a different matter; hence her withdrawal was inadequate. This was greeted by resounding applause.

Miss Wilson indicated to the membership that she had reconsidered her position, and was available to serve. The elections were done by secret ballots, for four (4) of the five (5) nominees to be elected.

While the ballots were counted, Miss Wilson acknowledged the presence of some persons who joined the meeting after the official welcome was given. She acknowledged the presence of former President of the Caribbean Confederation of Credit Unions and the Jamaica Co-op Credit Union League, Mr. Christopher Samuda, and Mrs. Hazel Johnson past-employee who served the credit union for over thirty-six (36) years.

Miss Wilson requested that all the members present who were eighty (80) years old and over to join her at the podium. Three (3) members were acknowledged, and were offered prizes of a "full day" at the spa.

Miss Wilson expressed thanks to the HEART Trust/NTA, Pricesmart, Royale Computers, St. John's Ambulance, the Family Planning Board, Jamaica Co-op Insurance Agency, Registrar General Department and CUNA Mutual, in addition to many other companies that contributed to making the pre-AGM expo and the AGM the success it had been. The President acknowledged all the contributors of gifts, as noted listed:

- **Caribbean Assurance Brokers; GB Energy, Island Net, Paper Alternative, Fashion Affair, Regardless, Éclair, International Brands, NMIA Airports Ltd, Sol Petroleum Jamaica Ltd, Royale Computers, IGL, Blue Chip Strategies, Credit Info Jamaica Ltd, Petrojam, Goddard Catering, Caribbean Airlines, Rubis Energy Jamaica, Audrey Allen & Company, Computer King, American Airlines, Sagicor, Express Litho, BCNS Printers, CUFMC, Massey Gas Products, Spectrum Insurance Brokers, QNET, HEART Trust/NTA, Wheels & Wheels Auto Imports.**

Election Results

Mr. Webb reiterated that there were four (4) vacancies, and five (5) nominees. The results were as follow:

1. Anthony Young – 106
2. Maxine Wilson – 110
3. Robert Thelwell – 107
4. Celay Harwood-Gayle – 87
5. Michael Burke - 48

Mr. Webb told the meeting that Anthony Young, Maxine Wilson, Robert Thelwell and Celay Harwood-Gayle were elected as Delegates and Alternates to the League.

Mr. Burke thanked the forty-eight (48) persons who voted for him; and expressed shame on the persons who did not support the resolution.

ANY OTHER BUSINESS

There being no other matters, the President thanked the membership for a great meeting. He then handed over to Miss Wilson for the prize-giving segment of the meeting.

TERMINATION

The meeting was terminated at 6:00 p.m.

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

Dear Members,

On behalf of the Board of Directors, I am pleased to present to you the Board of Directors' Report for the Year 2017. To give a true indication of the transformation process the credit union has embarked on, allow me to "borrow" from a very relevant quote by Louis V. Gerstner which states that "Reorganization to me is shuffling boxes, moving boxes around. Transformation means that you're really fundamentally changing the way the organization thinks, the way it responds, the way it leads. It's a lot more than just playing with boxes". Our credit union is indeed in the transformation mode, which means that we **MUST** continuously challenge and disrupt the traditional ways of conducting business, continue to improve operational efficiencies, and expand our 'horizons' which will ultimately redound to the benefit of each member of our credit union.

The transformational process is a journey, one with many curves and distractions, but we remain solidly resolute to continue this journey; and with you our members journeying with us, we have no doubt that it will indeed be a successful one.

Unlike many other financial institutions where the shareholding is divided into majority and minor shareholders, each shareholder of your credit union has equal rights, including voting rights with each member having one (1) vote, despite the number of shares held in the credit union. Let me remind us also, that the surplus in the credit union is distributed to the membership, after reserving amounts for institutional strengthening and other appropriations. We are indeed proud to call you a member, and not just simply a customer.

Our financial performance is detailed in the Treasurer's and Auditors' Report, contained elsewhere in this Report. We are however pleased that despite significant reduction in interest rates on loans and investments, we achieved moderate financial results for 2017. Results that will allow us to pay above-market returns on your investments in your credit union.

The financial results are particularly encouraging, despite the fact that we experienced an increase in the number of members who joined the unemployment rank due to redundancies and reduced work hours. Migration of members was also a constant feature throughout the year, as members opted to take advantage of opportunities elsewhere.

An increase in Assets of 6.7%, Voluntary Shares of 7.8%, and Income of 7.3%, among our other achievements is commendable, given the fact that we had to respond to market and significantly adjusted our interest rates on loans.

Corporate Governance

Your Board continued its quest to identify areas of priorities, and reserve specific matters for its decision; as we fulfill our mandate in ensuring that the direction, management and control of the credit union rests and remains with us, as mandated by you.

This includes (but is not limited to) strategic issues, organizational planning, the management of risks, performance reviews (both financial and otherwise), and authority levels. A five (5) year Strategic Plan (including the annual budget and operational plans) is in place. We continued to provide effective oversight over Management's activities and strategies, and are pleased to report that these are in line with the overall objectives of the credit union.

The Board of Directors have put in place additional policies and procedures to ensure the credit union's full compliance with "Know Your Member" requirements and IFRS 9 among others. We are also pleased to report that the major Information Technology (IT) infrastructure upgrade is approximately 90% complete.

IFRS 9

The new IFRS 9 took effect on 2018 January 1. All financial institutions are required to account for expected credit losses rather than incurred losses as a part of the new standards. As a result, our credit union will have to utilise methods of economic analysis and forecasting that is supported by adequate data. The standard requires that forward - looking information be utilized to forecast losses and such forecasted losses are to be accounted for now, on the basis of what is expected to happen in the macroeconomic environment in the future. Your credit union participated in phase 1 of the IFRS 9 project undertaken by the League; and has contracted the services of a company to assist with its full implementation.

Credit Union of the Year 2016 - Runner-up Award; Large Credit Union Category

Our credit union received this award at the Jamaica Co-op Credit Union League's Awards Banquet in 2017 May. This award is indeed a testimony of your continued commitment and support of your credit union. We are confident that we will continue to wade the storms, despite continued redundancy exercises in some of our allied companies, and other challenges we continue to face. We place on record our thanks to each member, including elected officers, management and staff of the credit union.

BOARD MEETING ATTENDANCE 2017

NAMES	MEETINGS HELD	MEETINGS ATTENDED	MEETINGS EXCUSED
Orville Shaw	11	11	-
Winston Ormsby	11	7	4
Audley Deidrick	11	6	5
Anthony Young	11	11	-
Celay Harwood-Gayle	11	11	-
Dervin Aiken	11	11	-
Robert Thelwell	11	10	1

ON BEHALF OF THE BOARD OF DIRECTORS



Orville Shaw
PRESIDENT

TREASURER'S REPORT FOR YEAR ENDED 2017 DECEMBER 31

It is my absolute pleasure to present to you the Treasurer's Report for the year 2017; and to report that our credit union did remarkably well, given the challenges and dynamic changes in the environment in which we operated.

The Jamaican economy continued to show signs of improvements in 2017. The Bank of Jamaica continued to refine its policy operations with the aim of strengthening the transmission of its policy interest rate to market rates. This refinement included the transition of the policy interest rate to the overnight deposit rate from the rate paid on the Bank's 30-day Certificate of Deposit on 01 July 2017.

This new signal rate was lowered twice by 25 basis points to 3.50 % and 3.25 %, in the third and fourth quarters of 2017, respectively. This supported the Bank's assessment that inflation would remain within the target of 4.0 % to 6.0 % over the next two years and was consistent with the Government's continued strong commitment to fiscal consolidation.

Inflation in 2017 increased to 5.2% relative to 1.7% for 2016. The higher inflation for the year reflected the impact of supply shocks associated with adverse weather conditions, rising international commodity prices and an uptick in inflation expectations. The country's current account deficit deteriorated to 3.0 % of GDP in 2017 relative to 1.2 % of GDP in 2016. The country's Net International Reserves (NIR) increased by US\$488.9m to reach US\$3,208.3m.

As the Bank of Jamaica has stated "The outlook for the Jamaican economy continues to be positive. Jamaica's output is projected to grow at a faster rate in 2018 compared to the expansion recorded in 2017 mainly reflecting the impact of on-going structural reforms, improved confidence and increased external and domestic demand. Growth in aggregate spending over the near term is chiefly driven by an increase in investment spending and net external demand".

Our credit union continued to experience heightened competitive pressure, from both the regulated and unregulated financial sector. Credit unions continued to engage in strategic mergers, and at year end there were twenty-eight (28) credit union. We were however able to navigate these business challenges, with quick response to market conditions, and by enhancing our offerings to the membership; while we continue to actively monitor our key performance indicators.

The credit union has in place clearly defined financial and other strategic measures to ensure alignment with our credit union's mission. The financial information contained in the Treasurer's report is consistent with the audited financial statements presented.

Performance Results

Detailed below are highlights of our performance as at 2016 December 31.

Capital Requirement

When the 30% or \$7.85m of Undistributed Surplus is applied; and on the assumption that the meeting approves the proposal for an additional amount of \$8m to Statutory Reserve, the Institution Capital is increased to \$331.32m or 17.80% of Assets.

Assets

Assets increased by 6.66% (4.82% in 2016), moving from \$1,744.88m to \$1,861.00m. The voluntary shares and loan portfolios, in addition to current assets, were the main contributors.

Loans

Net Loans represents 61% (63% in 2016) of Assets. While \$527.48m was disbursed during the period; which represents an increase of 5% or \$25.50m over the previous year's disbursement figures, \$489.14m was actually repaid.

Gross Loans amounted to \$1,139.79m (\$1,101.44m in 2016), while the Allowance for Loan Losses amounted to \$11.03m (\$9.77m in 2016).

Loan Provisioning Reserve

Our Loan Loss Reserve account serves as a "cushion" to protect us from eventualities. To date we have accumulated \$19M in this account, and the proposal is for an additional \$6M to be added from surplus.

IFRS 9

IFRS 9 is an "expected loss" methodology, and will replace the currently applicable "incurred loss" IAS 39 Financial Instruments: Recognition and Measurement standard. Expected credit loss methodologies seek to estimate lifetime credit losses that are likely to occur, whereas incurred loss methodologies focus on what credit losses have occurred already. **It is very important to note that the Expected Credit Loss methodologies create larger loan loss reserves because they include estimates of future losses that have not yet been incurred as an economic matter.** This will require our putting aside more Reserves to cater to this standard.

Income/Surplus

- In response to the market, the credit union made several downward adjustments to its interest rates. This impacted our main source of Income (Income from Loans). Despite this, there was a moderate increase of 4.41%; with Income from Loans moving from \$161.00m, to \$168.11m.
- Income from Loans represents 82% of Income; while Investments accounted for 14.16%.
- Non-interest Income increased by 41.40% moving from \$5.59m to \$7.90m.
- Our Net Surplus for the Year was impacted negatively by an 'Actuarial loss on defined benefit pension plan' which amounted to \$1.09m.

- The amount available for distribution (after the required 30% statutory reserve is deducted) is \$83,095,328; which is marginally less than the \$84,897,392 which was available in 2016.

Expenses

- Total Operating Expense increased by 10.32% (3.70% in 2016) moving from \$96.24m to \$106.17m.
- “Marketing & Promotion” and “Representation & Affiliation” accounted for the largest percentage increases; being 232.74% and 20.52% respectively. Marketing Costs moved from \$0.51m to \$1.69m, while “Representation & Affiliation” moved from \$10.92m to \$13.16m
- Staff Costs” increased by 4.08% (7.76% in 2016) moving from \$50.48m to \$52.54m. “Administrative Costs” increased by 12.96%, moving from \$34.33m to \$38.78m.

Shares

- The Voluntary Shares portfolio continued on its steady growth path during the year; and recorded an increase of 7.75% or \$78.33m; when compared to an increase of 5.20% or \$49.8m in 2016.
- The Permanent Shares portfolio recorded a 19.80% increase, and ended the year at \$13.80m (\$11.52m in 2016).

Savings Deposits

There was an 30.78% increase in the Savings Deposit portfolio; this compared to a 25.16% increase in 2016 The Portfolio moved from \$166.44m to \$217.67m.

Dividends

With the reduction in interest rates on both loans and investments during the year, the credit union is pleased to be able to recommend dividend payments which far exceeds market interest rates on deposit.

From the Surplus, an amount of \$56,586,075 is proposed for payout to the membership this year. At this meeting a proposal for a dividend payment of five percent (5%) on Voluntary Shares and twenty percent (20%) on Permanent Shares is being presented. We are also very pleased to advise that in addition to this, an interest rebate of 2% of interest paid on loans for the year 2017 is also being proposed.

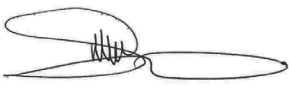
Our Focus

The credit union is cognisant of the challenges faced by its membership. We will continue to monitor the environment, both internally and externally to ensure that our members’ assets are protected, and that we employ the level of proactivity and resilience required to wade through the challenges of 2018 and beyond.

Sincere thanks to the membership for having placed their confidence in the credit union. Thanks also to my fellow Directors and other volunteers, the management and staff, and other stakeholders. Our commitment to you is to do all that we can to ensure that the credit union remains relevant, safe and sound.

Detailed on the next page, is a Simplified Statement of our Financial Position which we trust you will find useful.

Best Wishes for a successful 2018.



Audley Deidrick
TREASURER

**Simplified Statement of Financial Position
Year ended 2017 December 31**

<u>WE THE MEMBERS OWN</u>	2017	2016	% GROWTH/ REDUCTION
Statutory Reserves	314,990,196	298,823,723	5.41%
Retirement Benefit Reserve	17,861,000	17,464,000	2.27%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	13,799,125	11,520,556	19.78%
Permanent Share Transfer Fund	1,040,043	58,127	1,689.26%
General Reserves	27,660,220	27,010,991	2.40%
Loan Loss Reserve	19,000,000	17,000,000	11.76%
Undistributed Surplus	83,095,328	84,897,392	-2.12%
Making the grand total owned by us as members	500,811,984	480,140,861	4.31%
<u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,128,753,045	1,091,665,648	3.4%
To invest in others	601,128,348	510,241,029	17.81%
Cash in hand and at bank	46,486,860	58,063,267	-19.94%
Advances to Others	17,098,332	13,559,794	26.10%
Retirement Benefit Asset	17,861,000	17,464,000	2.27%
To purchase Assets	49,672,339	53,881,851	-7.81%
Less amount we owe to others at year end	(1,360,187,940)	(1,264,734,728)	-7.55%
Agreeing our net investment with our grand total owned	500,811,984	480,140,861	4.31%
<u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	168,109,982	161,003,269	4.41%
Interest on short-term investments and loans	29,045,509	24,505,833	18.52%
Other Income	7,900,376	5,587,565	41.39%
Total Income earned	205,055,867	191,096,667	7.30%
<u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	13,155,881	10,915,918	-20.52%
Administration	93,015,980	85,324,643	-9.01%
Financial	11,624,367	9,518,981	-22.12%
Bad Debt Expensed	143,875	(7,868,295)	-101.83%
Leaving Surplus before distribution of	87,115,764	93,205,420	-6.53%
Dividend paid (2016 paid in 2017)	(58,724,212)	(54,647,717)	-7.46%
Honoraria paid (2016 paid in 2017)	(2,500,000)	(2,000,000)	-0.25%
Balance	25,891,552	36,557,703	-29.18%
Transfer to Statutory Reserve	(7,853,791)	(10,967,311)	-28.39%
Less prior year adjustments and appropriation	(19,839,825)	(13,398,380)	48.08%
To which we add previous Undistributed Surplus	84,897,392	72,705,380	16.77%
Resulting in a total undistributed surplus at this yearend of	83,095,328	84,897,392	-2.12%



Palisadoes Co-operative Credit Union Ltd

Financial Statements

December 31, 2017

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Independent auditor's report

To the Registrar of Co-operative Societies
 Re: Palisadoes 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 Palisadoes Co-operative Credit Union Limited (“the Credit Union”), which comprise the statements of financial position as at December 31, 2017, 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, 2017, 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.

Chartered Accountants.



Independent auditor's report (cont'd)

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

Impairment losses on loans

As at December 31, 2017 loans after provision for impairment amounted to \$1,129 million or 61% of the total assets of the Credit Union on which impairment provisions of \$9.8 million have been recognised.

We focused on the impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgement by management, including:

- Classification of loans as impaired: we focused on the completeness of the customer accounts that are included in the impairment assessment.
- Valuation of property, equipment and motor vehicles pledged as collateral: this is the most significant repayment source for impaired loans. The estimation of collateral values is impacted by market trends and involves judgment and specialised skills.
- The key assumptions and judgments made by management when calculating the provision for individually impaired loans.

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: Palisadoes 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.



Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
 Re: Palisadoes 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Independent auditor's report (cont'd)

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

- 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.

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 Other Legal and Regulatory Requirements

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 13, 2018


 Chartered Accountants



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

(An Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)

2 MUSGRAVE AVENUE
KINGSTON 10

TEL: 927-4912/927-6572

or

978-1946

Fax: 927-5832 E-mail:
dcfs@cwjamaica.com

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

S1

R 99/-214/03/18

March 14, 2018

The Secretary
Palisadoes Co-operative Credit Union Limited
Norman Manley International Airport
Palisadoes P.A.
KINGSTON

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2017.

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

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

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

Yours sincerely,

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

Statement of financial position

December 31, 2017

	Note	2017 \$	2016 \$
Assets			
Non-current assets			
Earning			
Financial investments	(6)	46,011,530	77,865,381
Loans, after provision for loan impairment	(7)	1,128,753,045	1,091,665,648
Automated Teller Machines	(8)	2,734,484	3,263,442
		<u>1,177,499,059</u>	<u>1,172,794,471</u>
Non-Earning			
Property, plant and equipment	(9)	46,937,855	50,618,409
Retirement benefit asset	(10)	17,861,000	17,464,000
		<u>64,798,855</u>	<u>68,082,409</u>
Total non-current assets		<u>1,242,297,914</u>	<u>1,240,876,880</u>
Current assets			
Earning			
Financial investments	(6)	60,000,000	61,191,698
Liquid assets	(11)	397,347,839	318,469,860
Resale agreement	(12)	87,556,370	42,501,481
Repossessed asset held-for-sale		10,212,609	10,212,609
		<u>555,116,818</u>	<u>432,375,648</u>
Non-earning			
Bank and cash balances	(13)	46,486,860	58,063,267
Accounts receivables	(14)	17,098,332	13,559,794
		<u>63,585,192</u>	<u>71,623,061</u>
Total current assets		<u>618,702,010</u>	<u>503,998,709</u>
Total assets		<u>1,860,999,924</u>	<u>1,744,875,589</u>

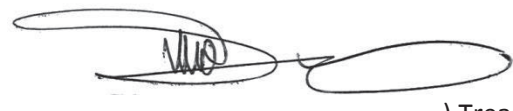
Statement of financial position

December 31, 2017

	Note	2017 \$	2016 \$
Capital and liabilities			
Capital			
Permanent share capital	(15)	13,799,125	11,520,556
Institutional capital	(16)	314,990,197	298,823,723
Non-institutional capital	(17)	88,927,335	84,899,190
Undistributed surplus		83,095,327	84,897,392
Total capital		500,811,984	480,140,861
Liabilities			
Non-current liabilities			
Interest bearing			
Savings deposits	(18)	64,970,498	36,842,756
Members' shares	(19)	1,088,746,258	1,010,417,375
External credit	(20)	28,294,565	27,812,276
		1,182,011,321	1,075,072,407
Non-interest bearing			
External credit	(20)	4,880,491	5,138,413
Total non-current liabilities		1,186,891,812	1,080,210,820
Current liabilities			
Interest bearing			
Savings deposits	(18)	152,702,336	166,441,256
Non-interest bearing			
Accounts payable and accruals	(21)	20,593,792	18,082,652
Total current liabilities		173,296,128	184,523,908
Total liabilities		1,360,187,940	1,264,734,728
Total capital and liabilities		1,860,999,924	1,744,875,589

Approved for issue by the Board of Directors on March 13, 2018 and signed on its behalf by:


 _____) President
Orville Shaw


 _____) Treasurer
Audley Deidrick

Statement of comprehensive income

Year ended December 31, 2017

	Note	2017 \$	2016 \$
Interest income			
Members' loans		168,109,982	161,003,269
Liquid assets		25,674,915	20,564,767
Investments		3,370,594	3,941,066
		<u>197,155,491</u>	<u>185,509,102</u>
Interest expense and dividends			
Interest on members' savings and deposits		10,106,854	8,007,814
Dividends		58,724,212	54,697,680
Special dividends - PIECCU (prior year)		-	(49,963)
External credit		660,785	648,202
Bank charges and interest		856,728	862,965
		<u>70,348,579</u>	<u>64,166,698</u>
Net interest income		126,806,912	121,342,404
Net movement on loan impairment provision		143,875	7,868,295
Net interest income after provision for losses		126,950,787	129,210,699
Non-interest income			
Service fees		2,308,686	1,961,549
Quick cash commission		16,307	17,719
Phone card net		152,422	230,519
Foreign exchange gain		45,606	42,420
Other income		5,377,355	3,335,358
		<u>7,900,376</u>	<u>5,587,565</u>
Gross margin		134,851,163	134,798,234
Less: Operating expenses	(22)	106,171,861	96,240,561
Surplus for the year before honorarium		28,679,302	38,557,703
Honorarium		2,500,000	2,000,000
Net surplus for the year		26,179,302	36,557,703
Other comprehensive income:			
Actuarial (loss)/gain on defined benefit plan		(1,092,000)	2,116,000
Other comprehensive (loss)/income for the year		(1,092,000)	2,116,000
Total comprehensive income for the year		25,087,302	38,673,703

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

Statement of changes in equity

Year ended December 31, 2017

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2017	11,520,556	298,823,723	84,899,190	84,897,392	480,140,861
Surplus for the year	-	-	-	26,179,302	26,179,302
Other comprehensive income					
Actuarial loss on defined benefit asset	-	-	(1,092,000)	-	(1,092,000)
Total comprehensive income	-	-	(1,092,000)	26,179,302	25,087,302
30% transfer of statutory reserve	-	7,853,791	-	(7,853,791)	-
Transfer of retirement benefit asset	-	-	1,489,000	(1,489,000)	-
Share transfer fund	-	-	981,916	(1,000,000)	(18,084)
Entrance fee	-	58,800	-	-	58,800
Increase in market value of equities	-	-	649,229	-	649,229
Appropriation – education and outreach	-	-	-	(2,500,000)	(2,500,000)
Loan provision	-	-	2,000,000	(4,000,000)	(2,000,000)
Permanent shares	612,700	-	-	-	612,700
Rebate to members	1,665,869	-	-	(3,244,444)	(1,578,575)
Unused loan interest rebate	-	-	-	359,751	359,751
Additional transfer to statutory reserve	-	8,253,883	-	(8,253,883)	-
Balance at December 31, 2017	13,799,125	314,990,197	88,927,335	83,095,327	500,811,984

Statement of changes in equity

Year ended December 31, 2017 (cont'd)

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2016	9,653,635	281,601,582	78,583,612	72,705,380	442,544,209
Surplus for the year	-	-	-	36,557,703	36,557,703
Other comprehensive income					
Actuarial gain on defined benefit asset	-	-	2,116,000	-	2,116,000
Total comprehensive income	-	-	2,116,000	36,557,703	38,673,703
30% transfer of statutory reserve	-	10,967,311	-	(10,967,311)	-
Transfer of retirement benefit asset	-	-	1,693,000	(1,693,000)	-
Share transfer fund	19,830	-	(19,830)	-	-
Entrance fee	-	49,450	-	-	49,450
Increase in market value of equities	-	-	526,408	-	526,408
Appropriation – education and outreach	-	-	-	(1,500,000)	(1,500,000)
Loan provision	-	-	2,000,000	(4,000,000)	(2,000,000)
Permanent shares	1,847,091	-	-	-	1,847,091
Additional transfer to statutory reserve	-	6,205,380	-	(6,205,380)	-
Balance at December 31, 2016	11,520,556	298,823,723	84,899,190	84,897,392	480,140,861

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

Statement of cash flows

Year ended December 31, 2017

	2017	2016
	\$	\$
Cash flows from operating activities:		
Surplus for the year	26,179,302	36,557,703
Adjustments for:		
Gain on retirement asset	(1,489,000)	(1,693,000)
Depreciation	5,855,381	5,428,545
Net cash provided by operating activities	30,545,683	40,293,248
Cash flows from investing activities:		
Loans after provision for loan impairment	(37,087,397)	251,330
Liquid assets	(78,877,979)	31,734,183
Financial investments	33,045,549	(57,444,727)
Resale agreement	(45,054,889)	(23,786,649)
Accounts receivables	(3,538,538)	1,776,444
Purchase of intangible asset	-	(608,015)
Purchase of property, plant and equipment	(1,645,869)	(5,239,734)
Net cash used in investing activities	(133,159,123)	(53,317,168)
Cash flows from financing activities:		
Issue of permanent shares	612,700	1,847,091
Members' shares	78,328,883	49,797,939
Savings deposits	14,388,822	(3,944,920)
External credit	224,367	637,492
Payables and accruals	2,511,140	(3,870,566)
Entrance fees	58,800	49,450
Appropriations	(2,500,000)	(1,500,000)
Investment revaluation reserve	649,229	526,408
Non-institutional capital	(2,000,000)	(2,000,000)
Rebate to members	(1,578,575)	-
Unused loan interest rebate	359,751	-
Share transfer	(18,084)	-
Net cash provided by financing activities	91,037,033	41,542,894
Net (decrease)/increase in bank and cash balances	(11,576,407)	28,518,974
Bank and cash balances at beginning of year	58,063,267	29,544,293
Bank and cash balances at end of year	46,486,860	58,063,267

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

Notes to the financial statements

December 31, 2017

1. Identification and activities

Palisadoes Co-operative Credit Union Limited is a Co-operative Society registered under the Co-operative Societies Act. The registered office of the Credit Union is located at Norman Manley International Airport, Palisadoes, Jamaica West Indies.

The main objective of the Credit Union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident and productive purposes at reasonable rates of interest.

The Credit Union is a member of the Jamaica Co-operative Credit Union League Limited (JCCUL or “the League”) which provides financial services, technical support and sets prudential standards for the Credit Unions.

The Registrar of Co-operative Societies approved a transfer of engagement of Petroleum Industry Employees Co-operative Credit Union Ltd. to Palisadoes Co-operative Credit Union Limited by order dated December 31, 2013.

The Registrar of Co-operative Societies approved a transfer of engagement of Carib Cement Co-operative Union Ltd. to Palisadoes Co-operative Credit Union Limited by order dated July 31, 2008 effective.

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 for annual periods beginning on or after January 1, 2017

Certain new and revised standards became effective during the current year. The following is relevant to the Credit Union’s operations.

Disclosure Initiative (Amendments to IAS 7)

The amendments to IAS 7 ‘Statements of Cash Flows’, effective January 1, 2017, require the Credit Union to provide disclosures about the changes in liabilities from financing activities. The Credit Union categorises those changes into changes arising from cash flows and non-cash changes with further sub-categories as required by IAS 7.

Annual Improvements 2014 - 2016, (effective for annual periods beginning on or after January 1, 2017).

These amendments 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 company's financial statements.

IFRS 9 'Financial Instruments'

The IASB recently released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Credit Union is currently assessing the impact of IFRS 9 on its financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Credit Union's management have not yet assessed the impact of IFRS 15 on these financial statements.

IFRS 16 Leases (effective for annual reporting period beginning on or after January 1, 2019)

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5. Summary of significant accounting policies

The significant accounting policies that have been used in the preparation of the financial statements are summarised below and have been consistently applied for all the years presented:

a *Property, plant and equipment*

i Carrying value

Land and buildings are carried at revalued amounts being its fair value at the date of the revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Valuations are carried out by external professional valuers once every five (5) years, unless market-based factors indicate a risk of impairment.

Any surplus arising on revaluation of buildings is credited to revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the statement of comprehensive income, a revaluation increase is recognised in the statement of comprehensive income with the remaining part of the increase recognised in equity. Downward revaluations of buildings are recognised upon revaluation or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the statement of comprehensive income.

Equipment and automatic teller machines (ATM) are carried at acquisition cost less accumulated depreciation and impairment.

ii Depreciation is charged on assets from the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost or revalued assets over the period of their expected useful lives. The estimated useful lives are:

Buildings	40 years
Furniture and equipment	10 years
Computers	5 years
Leasehold	5 years
ATM	10 years

No depreciation is provided on land. Property and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

iii Repairs and renewals

The costs of repairs and renewals which do not increase the expected useful lives of assets or enhance their carrying value, are charged to the statement of comprehensive income when incurred.

b *Intangible asset – computer software*

Computer software are capitalised on the basis of the costs incurred to acquire and install the specific software.

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 3(p). The useful life approximate to four (4) years. The initial amortisation period commences in the year following capitalisation.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

c Revenue

Interest income earned from loans, investment and commissions are recorded on the accrual basis.

d Financial instruments

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 all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss;
- held- to-maturity investments; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Credit Union's cash and cash equivalents, trade and most other receivables and Credit Union Fund Management Company (CUFMC) term deposits fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. A provision for doubtful debt is recognized when there is an indication that the debt is impaired. Impairment of trade receivables are presented within 'other operating expenses'.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The Credit Union money market instruments are included in this category.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Credit Union has the intention and ability to hold them until maturity.

Available-for-sale financial assets

Available-for-sale 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. Unquoted shares in CUFMC and its related entities are included in this category.

Financial liabilities

The Credit Union's financial liabilities include trade and other payables, members shares and savings deposits.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'. The particular recognition methods adopted are disclosed in the respective accounting policies associated with each item. The fair value of the Credit Union's investment is disclosed in Note 25.

e 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.

f Statutory reserve

The Co-operative Societies Act requires the Society to set aside at least twenty percent (20%) of net surplus of the Credit Union. However the members passed a resolution increasing the annual transfer to 30%. This reserve is not distributable.

g Institutional capital

Institutional capital includes the statutory reserve fund, permanent shares and entrance fees. This reserve is not available for distribution.

h League fees and stabilisation dues

The Credit Union is required to pay league fees of 0.2% of total assets and stabilisation dues of 0.15% of total savings to the Jamaica Co-operative Credit Union League.

i Originated loans and provision for loan impairment

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

Loans are recognised when cash is advanced to members. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A provision for loan loss is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan is identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for loan losses to write down the loan to its estimated recoverable amount which is the present value of expected future cash flows, including amount recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

The provision for loan losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the date of the statement of financial position. These have been estimated based upon historical patterns of losses in each component. The credit ratings allocated to the members and reflecting the current economic climate in which the members operate.

Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the Jamaica Co-operative Credit Union League Limited's provisioning policy of making a full provision for loans in arrears over one (1) year and general provisions of 10 to 60% in respect of loans in arrears for 2 to 12 months.

Regulatory loan loss reserve requirement that exceed the provision required under International Accounting Standards (IAS) 39 “Financial Instruments” are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated surplus.

j Pension obligations and short-term employee benefits

Pension to employees is provided through a Defined Benefit Plan.

A defined benefit plan is a pension plan that defines the 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 remuneration. The legal obligation for any benefits from this kind of pension plan remains with the Credit Union, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the balance sheet for defined benefit pension plan is the present value of the defined benefit obligation (DBO) at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using estimated discount rates based on market yields on Government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognised as an expense unless the total unrecognised gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to the Revenue and Expenditure Statement over the employees’ expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognised immediately in the Revenue and Expenditure Statement, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

All expenses related to pension benefits are included in staff costs. Short-term employee benefit is recognised for the number of paid leave days (usually holiday entitlement) remaining at the statement of financial position date. It is included in staff costs at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

k Members’ deposits and other borrowed funds

Members’ deposits are recorded initially at the proceeds received. Subsequently, members’ deposits are stated at amortised cost, using the effective yield method. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other borrowed funds are recorded initially at the proceeds received, net of direct costs, and then subsequently stated at amortised cost, using the effective yield method. Finance charges, including premiums payable on settlement or redemption, are also accounted for on an accrual basis.

l Receivables

Receivables are carried at anticipated realisable values. 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.

m Other liabilities

Other liabilities are stated at their nominal value.

n Borrowing costs

Borrowing costs are recognised in the statement for all interest-bearing instruments in the period in which they are incurred by reference of the principal outstanding, and at the effective interest rate applicable.

o Impairment

The Credit Union's property and equipment are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

p Critical accounting estimates and judgments in accounting policies

Estimates and judgments 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.

Impairment losses on loans and receivables

The Credit Union reviews its loans and receivables to assess impairment on a periodic basis. In determining whether an impairment loss should be recorded in the income and expenditure statement, the Credit Union makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. The evidence may include observable data indicating that there has been adverse payment status of borrowers in a group, or national or local conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) 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 balance sheet dates.

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

- i Financial investments classified as fair value through profit or loss 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 are measured at historical cost less impairment, as their face values cannot be reliably determined.
- ii The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets, with the exception of available for sale securities, and the short term elements of all other financial assets and financial liabilities;
- iii The fair value of demand deposits with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- iv The fair value of variable rate financial instruments is assumed to approximate their carrying amounts and;
- v 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. The fair value of financial investments classified as originated debt is determined by reference to current market prices for similar investments.

6. Financial investments

	Remaining to Maturity					
	Three to Twelve Months \$	One to Five Years \$	Fair Values 2017		Fair Values 2016	
			Current \$	Non-Current \$	Current \$	Non-Current \$
Available-for-sale -						
Unquoted Shares at cost						
Shares NUCS Co-operative Insurance Services	-	500,000	-	500,000	-	500,000
JCCUL shares unquoted	-	8,550,576	-	8,550,576	-	8,550,576
Shares – Quality Networks Co-operative Limited	-	2,093,247	-	2,093,247	-	2,093,247
Credit Union Fund Management Company	-	10,050,000	-	10,050,000	-	10,050,000
Centralised Strategic Service Limited	-	30,000	-	30,000	-	30,000
	-	21,223,823	-	21,223,823	-	21,223,823
Quoted shares at cost						
Grace Kennedy	-	1,044,000	-	1,044,000	-	966,960
JMMB	-	1,118,600	-	1,118,600	-	679,252
Wisynco	-	386,593	-	386,593	-	672
	-	2,549,193	-	2,549,193	-	1,646,884
Held to maturity						
Victoria Mutual Building CUMBO	-	5,112,638	-	5,112,638	-	5,112,638
JCCUL - Mortgage fund	-	-	-	-	-	-
JCCUL - CUETS Settlement Deposit	-	2,002,427	-	2,002,427	-	1,963,137
Government of Jamaica Bond	-	15,000,000	-	15,000,000	-	20,000,000
JCCUL – Cu Premium	-	123,449	-	123,449	-	27,918,899
NCB Capital Market	60,000,000	-	60,000,000	-	61,191,698	-
	60,000,000	22,238,514	60,000,000	22,238,514	61,191,698	54,994,674
Total	60,000,000	46,011,530	60,000,000	46,011,530	61,191,698	77,865,381

7. Loans, after provision for loan impairment

(a) Loans comprise:

	2017 \$	2016 \$
Balance at January 1	1,101,438,966	1,107,559,182
Add: Loans granted	527,484,450	501,982,284
	1,628,923,416	1,609,541,466
Less: Repayment and transfers	(489,142,900)	(508,102,500)
	1,139,780,516	1,101,438,966
Less: Allowance for loan losses	(11,027,471)	(9,773,318)
Total	1,128,753,045	1,091,665,648

(b) Delinquent loans

During the year, loans to members totalling \$603,451 (2016 - \$591), which have been delinquent for periods exceeding one (1) year were written off. The Credit Union is actively pursuing the delinquent members in respect of these loans with an object of collecting the amounts written off.

At December 31, 2017, there were forty-six (46) (2016 – thirty-five (35)) delinquent loans totalling \$23,886,523 (2016 – totalling \$27,910,022) aged two months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
2 - 3	6	9,589,213	10	958,921
3 - 6	14	2,777,067	30	833,120
6 – 12	13	5,712,034	60	3,427,221
Over 12	13	5,808,209	100	5,808,209
	46	23,886,523		11,027,471

The total loan provision derived above is consistent with the minimum loan loss provisioning rules of the League. Any provision required in excess of IFRS provisioning rules is provided through a loan loss reserve by an appropriation from undistributed surplus.

The value of chattels held as security against outstanding loans has not been taken into account in estimating irrecoverable loans. The Directors estimate the value of these chattels to be in excess of \$51M (2016 - \$34.78M). As the securities held against the loans were deemed adequate, no specific provision for loan losses were made.

(c) Loans, net of provision for losses, are aged as follows:

	2017 \$	2016 \$
Within 3 months	2,344,065	1,986,536
From 3 months to 1 year	28,037,481	22,050,366
Over 1 year	1,098,371,498	1,067,628,746
Total	1,128,753,045	1,091,665,648

- (d) The maximum exposure to credit risk for loans to members as at year-end by type of loan was:

	2017	2016
	\$	\$
Home equity	189,585,405	193,464,113
Motor vehicle	192,393,580	133,059,667
Loans within shares and savings	420,676,817	392,205,685
Unsecured loans	65,328,798	62,426,510
Others	271,795,916	320,282,991
Total	1,139,780,516	1,101,438,966

- (e) The credit quality of loans are summarised as follows:

	2017	2016
	\$	\$
Neither past due nor impaired	1,106,401,675	1,073,068,507
Past due but not impaired	9,492,318	460,437
Impaired loans:		
2 to 3 months	9,589,213	5,348,722
3 to 6 months	2,777,067	16,438,443
6 to 12 months	5,712,034	4,539,859
Over 12 months	5,808,209	1,582,998
Less provision for loan losses	(11,027,471)	(9,773,318)
Total	1,128,753,045	1,091,665,648

- (f) Movements on the provision for impairment of loans to members are as follows:

	2017	2016
	\$	\$
Balance at January 1	9,773,318	15,642,204
Loans written-off during the year as uncollectible	(603,451)	(591)
	9,169,867	15,641,613
Specific provision for the year (IFRS)	(142,396)	(7,868,295)
Loan loss provision (IFRS)	9,027,471	7,773,318
Additional provision through loan loss reserve	2,000,000	2,000,000
PEARLS provision	11,027,471	9,773,318

8. Automated teller machines

The carrying amounts are reconciled as follows:

	Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2016	8,817,922	8,817,922
Addition	-	-
Balance at December 31, 2017	8,817,922	8,817,922
Depreciation		
Balance at December 31, 2016	(5,554,480)	(5,554,480)
Depreciation	(528,958)	(528,958)
Balance at December 31, 2017	(6,083,438)	(6,038,438)
Carrying amount at December 31, 2017	2,734,484	2,734,484

	Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2016	8,209,907	8,209,907
Addition	608,015	608,015
Balance at December 31, 2017	8,817,922	8,817,922
Depreciation		
Balance at December 31, 2016	(4,982,146)	(4,982,146)
Depreciation	(572,334)	(572,334)
Balance at December 31, 2017	(5,554,480)	(5,554,480)
Carrying amount at December 31, 2017	3,263,442	3,263,442

9. **Property, plant and equipment**

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2017 can be analysed as follows:

	Land \$	Leasehold Improvement \$	Office Furniture & Equipment \$	Computer \$	Software \$	Total \$
Gross carrying amount						
Balance at December 31, 2016	33,605,925	10,051,832	12,687,834	17,821,440	14,578,472	88,745,503
Additions	-	-	1,213,257	423,497	9,115	1,645,869
Balance at December 31, 2017	33,605,925	10,051,832	13,901,091	18,244,937	14,587,587	90,391,372
Depreciation						
Balance at December 31, 2016	-	(9,397,286)	(8,682,412)	(14,441,287)	(5,606,109)	(38,127,094)
Depreciation	-	(317,052)	(1,042,958)	(1,270,251)	(2,696,162)	(5,326,423)
Balance at December 31, 2017	-	(9,714,338)	(9,725,370)	(15,711,538)	(8,302,271)	(43,453,517)
Carrying amount at December 31, 2017	33,605,925	337,494	4,175,721	2,533,399	6,285,316	46,937,855

	Land \$	Leasehold Improvement \$	Office Furniture & Equipment \$	Computer \$	Software \$	Total \$
Gross carrying amount						
Balance at December 31, 2015	33,605,925	10,051,832	11,883,519	14,160,052	13,804,441	83,505,769
Additions	-	-	804,315	3,661,388	774,031	5,239,734
Balance at December 31, 2016	33,605,925	10,051,832	12,687,834	17,821,440	14,578,472	88,745,503
Depreciation						
Balance at December 31, 2015	-	(8,870,086)	(7,763,236)	(13,438,346)	(3,199,216)	(33,270,884)
Depreciation	-	(527,200)	(919,176)	(1,002,941)	(2,406,893)	(4,856,210)
Balance at December 31, 2016	-	(9,397,286)	(8,682,412)	(14,441,287)	(5,606,109)	(38,127,094)
Carrying amount at December 31, 2016	33,605,925	654,546	4,005,423	3,380,153	8,972,362	50,618,409

10. Retirement benefit asset

The Credit Union participates in a multi-employer pension scheme. The pension scheme is a defined benefit plan. The assets of the plan are held independently of the Credit Union's assets in a separate trustee administered fund. Independent actuaries value these schemes every year using the projected unit credit method. The current actuarial valuation is based on the revised IAS 19. However, the prior year figures were not restated as the impact on the amounts previously reported were not considered material.

Asset recognised in the statement of financial position are based on the valuation as at December 31,

	2017	2016
	\$	\$
Present value of funded obligation	51,636,000	42,548,000
Fair value of plan assets	(69,497,000)	(60,012,000)
Asset recognised in the statement of financial position	(17,861,000)	(17,464,000)

Expense recognised in the Revenue and Expenditure Statement

	2017	2016
	\$	\$
Current service cost	1,755,000	1,366,000
Interest cost	3,874,000	2,981,000
Return on plan assets	(4,958,000)	(3,951,000)
Net pension credit included in staff costs	671,000	396,000

Changes in the present value of the pension obligation

	2017	2016
	\$	\$
Present value of obligation at beginning of year	42,548,000	34,238,000
Current service cost and contributions	3,810,000	3,382,000
Interest cost	3,874,000	2,981,000
Past service cost	148,000	-
Benefits paid	(1,065,000)	(353,000)
Actuarial (gain)/loss	2,321,000	2,300,000
Changes in the present value of obligation at end of year	51,636,000	42,548,000

Changes in the fair value of plan assets

	2017	2016
	\$	\$
Fair value of plan assets	60,012,000	47,893,000
Contributions	4,215,000	4,104,000
Return on plan assets	5,107,000	3,952,000
Benefits paid	(1,065,000)	(353,000)
Actuarial loss on plan assets	1,227,000	4,416,000
Changes in the fair value of plan assets at end of year	69,496,000	60,012,000

Movements in net liability/(asset)

	2017	2016
	\$	\$
Opening net asset	(17,464,000)	(13,655,000)
Pension income	671,000	395,000
Total re-measurements included in other comprehensive income	1,092,000	(2,116,000)
Employer's contributions	(2,160,000)	(2,088,000)
Closing net asset	(17,861,000)	(17,464,000)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2017		2016	
	\$	%	\$	%
J\$ debentures	33,278,000	47.88	27,891,000	46.47
US\$ Certificates of deposit	2,153,000	3.10	3,735,000	6.22
J\$ Certificates of deposit	1,227,000	1.77	1,278,000	2.13
Repurchase Agreements	2,536,000	3.65	7,123,000	11.87
US\$ debentures	3,084,000	4.44	4,336,000	7.23
Quoted equities	10,001,000	14.39	4,719,000	7.86
Investment properties	11,250,000	16.19	9,060,000	15.10
Real estate fund	668,000	0.96	541,000	0.90
Local registered stocks	4,790,000	6.89	-	-
Unit trust	1,821,000	2.62	830,000	1.38
Net current assets	(1,312,000)	(1.89)	499,000	0.83
	69,496,000	100	60,012,000	100

Principal actuarial assumptions

	2017	2016
	%	%
Discount rate	8.00	9.00
Future salaries increase	6.00	7.00
Pension increases	2.50	3.00

11. Liquid assets

	Remaining to Maturity		
	Within Three Months	Fair Value 2017	Fair Value 2016
	\$	\$	\$
CUFMC - CU cash deposits	108,993,195	108,993,195	45,613,618
CUFMC - Fixed deposit	287,340,502	287,340,502	272,211,370
JMMB - Savings	1,014,142	1,014,142	644,872
Total	397,347,839	397,347,839	318,469,860

12. Resale agreement

	Fair Value 2017	Fair Value 2016
	\$	\$
NCB Capital Markets Limited	87,556,370	42,501,481

13. Bank and cash balances

	2017	2016
	\$	\$
Non-earning assets		
Cash in transit	22,874,655	30,177,233
Clearing account	874,329	4,710,692
Petty cash	422,203	133,635
Cash reserves	5,165,129	4,094,262
Cheque changing	571,113	-
Current accounts NCB:		
NMIA	10,519,425	10,851,149
Carib Cement	3,896,295	6,494,387
Mobay	2,067,143	1,502,357
Current account First Global Bank	96,568	100,552
Total	46,486,860	58,063,267

14. **Accounts receivables**

	2017	2016
	\$	\$
Interest receivable	8,474,848	7,952,636
Prepaid expense	2,722,547	983,554
Payroll receivable	519,480	273,072
Withholding tax	2,893,764	2,890,485
Other receivables	1,490,421	420,519
Inventory	997,272	1,039,529
Total	17,098,332	13,559,794

All amounts are short-term and the carrying value is considered as reasonable approximation of fair value.

15. **Permanent share capital**

	2017	2016
	\$	\$
Balance at beginning of the year	11,520,556	9,653,635
Allocation of shares	2,278,569	1,866,921
Balance at end of year	13,799,125	11,520,556

16. **Institutional capital**

	2017	2016
	\$	\$
Statutory reserve as at January 1	264,347,989	247,125,848
Add 30% of net income	7,853,791	10,967,311
Additional amount transferred to statutory reserve	8,253,883	6,205,380
Add: Entrance Fees	58,800	49,450
	280,514,463	264,347,989
Business combination reserve	34,475,734	34,475,734
Total	314,990,197	298,823,723

Under the Co-operative Societies Act at least 20% of the net surplus for the year must be transferred to the Statutory Reserve. The members passed a resolution which increased the amount transferred to 30%. This reserve is not available for distribution.

17. **Non-Institutional capital**

	2017	2016
	\$	\$
Retirement benefit asset reserve (Note i)	17,861,000	17,464,000
General reserve (Note ii)	17,937,398	17,937,398
Revaluation reserve (Note iii)	23,366,072	23,366,072
Share transfer fund (Note iv)	1,040,043	58,127
Loan loss reserve (Note v)	19,000,000	17,000,000
Development reserve (vi)	8,385,861	8,385,861
Investment revaluation reserve (vii)	1,336,961	687,732
Total	88,927,335	84,899,190

(i) This reserve was created to match the value of the Retirement Benefit Asset of the Credit Union. Movement in this reserve passes through the undistributed surplus.

(ii) This reserve was excess fund set aside for any eventuality.

- (iii) This reserve was created to record the changes in fair value of land.
- (iv) This reserve was set aside for the purpose of purchasing permanent shares from resigning and deceased members' beneficiaries.
- (v) This reserve is a provision for loan losses required by the Bank of Jamaica. This is calculated at a minimum of one per cent (1%) of all loans.
- (vi) This reserve was set aside to aid the renovation of the property at 10 Garelli Avenue.
- (vii) This reserve represents the unrealised surplus of market value versus cost of quoted equity investment.

18. Savings deposits

Remaining to Maturity

	One to Twelve Months \$	Over One Years \$	Carrying Values 2017		Carrying Values 2016	
			Current \$	Non-Current \$	Current \$	Non-Current \$
Other deposits	14,648,325	5,469,634	14,648,325	5,469,634	12,950,868	6,941,874
Regular deposits	55,333,911	-	55,333,911	-	50,816,669	-
Members Fixed Deposits	82,720,100	59,500,864	82,720,100	59,500,864	102,673,719	29,900,882
Total	152,702,336	64,970,498	152,702,336	64,970,498	166,441,256	36,842,756

19. Members' shares

	2017 \$	2016 \$
Balance at beginning of year	1,010,417,375	960,619,436
Add: Amount subscribed and dividends	453,491,150	404,476,199
	1,463,908,525	1,365,095,635
Less: Withdrawals and transfer	(375,162,267)	(354,678,260)
Balance at end of year	1,088,746,258	1,010,417,375

20. External credit

	2017	2016
	\$	\$
Interest bearing:		
(i) Carib Cement Jamaica	13,110,320	13,013,411
(ii) Rubis Energy	5,168,000	5,026,303
(iii) IGL long-term loan	3,405,767	3,307,102
(iv) Airport Authority of Jamaica	6,610,478	6,465,460
Total	28,294,565	27,812,276
Non-interest bearing:		
(i) Airport Authority of Jamaica	2,413,058	2,670,980
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
Total	4,880,491	5,138,413

- (i) These represent deposits made by corporate entities to facilitate loans made to their employees who are members of the credit union.

21. Accounts payables

	2017	2016
	\$	\$
Employee benefit payable	3,322,192	1,413,350
Audit and accounting fee	350,000	1,108,775
Education and outreach	1,123,073	131,636
Trade payable	3,008,301	4,278,354
Accrued expenses	166,044	166,044
Accrued interest	1,111,163	989,864
Withholding tax	(7,374)	123,699
Other payable	11,520,393	9,870,930
Total	20,593,792	18,082,652

22. Operating expenses

	2017	2016
	\$	\$
Staff costs		
Employees salaries and allowances	47,943,316	46,056,874
Employee benefits	2,618,301	2,369,344
Employee welfare and training	485,514	732,730
Employee travel and related expenses	1,495,864	1,323,500
	<u>52,542,995</u>	<u>50,482,448</u>
Administrative		
Office rental	7,522,755	7,290,446
Audit fees	2,136,168	1,941,095
Depreciation	5,855,380	5,428,545
Legal fees and professional fees	34,950	345,656
Administrative expenses and subscription	9,210,796	7,799,599
Utilities	2,253,927	2,010,757
Telecommunication	3,613,045	3,272,142
Insurance premiums	4,716,962	4,301,798
Printing, stationery and supplies	2,848,912	1,575,555
Repairs and maintenance	590,525	368,834
Total administrative expenses	<u>38,783,420</u>	<u>34,334,427</u>
Representation and affiliation		
League fees and other fees	4,287,289	4,082,390
Stabilization dues	1,820,552	1,751,773
Seminars and meetings	1,075,148	1,072,313
Board and committee meetings	4,026,595	2,297,083
League AGM	1,946,297	1,712,359
Total representation and affiliation expenses	<u>13,155,881</u>	<u>10,915,918</u>
Marketing and promotion		
Promotion and advertising	1,689,565	507,768
Total marketing and promotion expenses	<u>1,689,565</u>	<u>507,768</u>
Total operating expenses	<u>106,171,861</u>	<u>96,240,561</u>

23. Volunteers' balances

At December 31, 2017, 7 (2016 - 7) members of the Society's Board of Directors and 9 (2016 - 9) Committee Members had savings and deposits of \$42,798,973 (2016 - \$32,789,019) and loans including interest totalling \$108,306,035 (2016 - \$66,013,749).

Loans including interest due from members of staff totalled \$21,859,536. (2016 - \$23,981,531). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2017, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

24. Comparison of ledger balances

	Shares	Deposits	Loan
	\$	\$	\$
General ledgers	1,088,746,258	217,672,834	1,139,780,516
Personal ledgers	1,088,746,258	217,672,834	1,139,780,516
Ledger difference	<u>-</u>	<u>-</u>	<u>-</u>

25. Employee benefits

	2017	2016
	\$	\$
Salaries and allowances	47,943,316	46,056,874
Other personnel cost	4,114,165	3,692,844
Staff training and welfare	485,514	732,730
Total	52,542,995	50,482,448

26. Summary of financial assets and liabilities by category

The carrying amount of the Credit Union's financial assets and liabilities recognised at the date of the reporting periods under review may also be categorised as follows:

	2017	2016
	\$	\$
Assets		
Held to maturity (Amortised cost)		
Resale Agreements	87,556,370	42,501,481
Financial investments	22,238,514	54,994,674
Total	109,794,884	97,496,155
Available for sale (Fair value)		
Quoted shares	2,549,193	1,646,884
Unquoted shares	21,223,823	21,223,823
Total	23,773,016	22,870,707
Loans and receivables at amortised cost		
Members' loans	1,128,753,045	1,091,665,648
Accounts receivables	17,098,332	13,559,794
Cash and cash equivalents	156,494,197	104,321,757
JCCUL term deposits	287,340,502	272,211,370
Total	1,589,686,076	1,481,758,569
Liabilities		
Financial liabilities measured at amortised cost		
Members shares	1,088,746,258	1,010,417,375
Savings deposits	217,672,834	203,284,012
Trade and other payables	20,593,792	18,082,652
External credit	33,175,056	32,950,689
Total	1,360,187,940	1,264,734,728

27. Risk management policies

The Credit Union's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial services industry, and operational risk is an inevitable consequence of being in business. The Credit Union's aim is therefore to achieve an appropriate balance between risk and returns and minimise potential adverse effects on the Credit Union's financial performance. The Credit Union's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the adherence to limits by means of reliable and up-to-date information systems. The Credit Union regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Credit Union's risk management policies and strategies and is committed to complying with all the regulations and legislation under which the Credit Union operates. In addition, an effective compliance programme is an important element of its risk management system.

The Board has established certain committees and units for managing and monitoring risks. Additionally the Credit and Supervisory Committees are elected by the membership. Details of the Credit Union's risk monitoring are as follows:

(i) Risk Compliance Unit

The unit ensures conformity with regulatory requirements. A Risk and Compliance Officer ensures that all regulatory and other requirements of institutions like the Bank of Jamaica, the League and the Financial Investigating Unit of the Ministry of Finance and Planning and others are met.

(ii) The Finance and Planning Committee

The Finance and Planning Committee is responsible for managing the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Credit Union. The Finance and Planning Committee is responsible for monitoring and formulating investment portfolios and investment strategies for the Credit Union. They are also responsible for establishing appropriate trading limits and reviewing reports on compliance controls to ensure that its mandate is properly followed.

(iii) Risk Committee

The committee is geared towards creating an improved and effective risk management framework and a strong risk culture within the organisation. They are responsible for ensuring that the Credit Union's risk appetite is developed to conform with its policies and levels of authority. Also, they assess the adequacy of the systems of risk management, internal controls and regulations compliance.

This is an area of the operation that the Board continues to aggressively monitor, to ensure that the Credit Union is not overly-exposed to any of the associated risks, and if so, the mechanisms that are in place to mitigate against such risks.

(iv) Credit Committee

The Credit Committee oversees the approval and ratification of credit facilities to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

(v) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors through the Supervisory Committee.

In addition, the League has established a Risk Management Unit for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.

The Credit Union is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk and interest rate risk.

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 and Sensitivity

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 Credit Union is not exposed to currency risk as the company does not have any transaction balances that is denominated in currencies other than the Jamaican Dollar (J\$).

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. The Credit Union's cash and cash equivalents are subject to interest rate risk. However, the Credit Union attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible.

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 Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Asset and Liability Committee and the Finance and Planning Committee.

(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.

2017

	Range of Interest Rate %	Immediately Rate Sensitive \$	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment		-	87,556,370	-	-	-
Liquid assets		-	397,347,839	-	-	-
Financial investments		-	-	60,000,000	46,011,530	-
Bank balances		-	-	-	-	46,486,860
Total assets		-	484,904,209	60,000,000	46,011,530	46,486,860
Savings deposits		-	-	152,702,336	64,970,498	-
Non-interest bearing liabilities		-	-	-	-	25,474,283
Interest bearing liabilities		-	-	-	28,294,565	-
Members shares		-	-	-	-	1,088,746,258
Total liabilities		-	-	152,702,336	93,265,063	1,114,220,541

(iii) Interest rate risk (cont'd)

2016

	Range of Interest Rate %	Immediately Rate Sensitive \$	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment	5.15 – 5.70	-	42,501,481	-	-	-
Liquid assets	1.69 – 5.30	-	318,469,860	-	-	-
Financial investments	2 – 8.50	-	-	61,191,698	77,865,381	-
Bank balances		-	-	-	-	58,063,267
Total assets		-	360,971,341	61,191,698	77,865,381	58,063,267
Savings deposits	1 - 10	-	-	166,441,256	36,842,756	-
Non-interest bearing liabilities		-	-	-	-	23,221,065
Interest bearing liabilities		-	-	-	27,812,276	-
Members shares		-	-	-	-	1,010,417,375
Total liabilities		-	-	166,441,256	64,655,032	1,033,638,440

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Credit Union's net surplus.

The sensitivity of the surplus is the effect of the assumed changes in interest rates on net surplus based on liquid assets, reverse repurchase agreements, financial investments and members' deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to the changes in each variable, variables had to be analysed on an individual basis. It should be noted that movements in these variables are non-linear.

Change in basis points 2017	Effect on Net Surplus 2017 \$'000	Change in basis points 2016	Effect on Net Surplus 2016 \$'000
J\$ instruments		J\$ instruments	
+100	(7,026)	+100	(5,573)
-100	<u>7,026</u>	-100	<u>5,573</u>

iii Other price risk

The Credit Union is exposed to equity securities price risk because of investments classified at fair value through profit or loss. The investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale.

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Surplus for the Year \$'000		Equity \$'000	
	+10%	-10%	+10%	-10%
December 31, 2017	382,379	(382,379)	382,379	(382,379)
December 31, 2016	<u>166,206</u>	<u>(166,206)</u>	<u>166,206</u>	<u>(166,206)</u>

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.

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:

	2017	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,139,781	11,027

	2016	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,101,439	9,773

Credit risk exposure

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.

(i) Credit quality of loans are summarised as follows:

	2017 \$'000	2016 \$'000
Neither past due nor impaired	1,106,402	1,073,069
Past due but not impaired	27,571	26,787
Impaired	5,808	1,583
Gross	1,139,781	1,101,439
Less: Provision for impairment	(11,027)	(9,773)
Net	1,128,754	1,091,666

The majority of past due loans are considered to be impaired. Further information on the impairment allowance for loans is provided in Note 7.

(ii) Ageing analysis of past due but not impaired loans:

	2017 \$'000	2016 \$'000
Less than 2 months	9,492	460
Net	9,492	460

There are no financial assets, other than loans that are past due. All loans past due and impaired over 12 months are written off.

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	2017 \$'000	2016 \$'000
Loans	5,808	1,583

The fair value of collateral that the Credit Union held as security for individually impaired loans was approximately \$1,139,781 (2016 - \$1,101,439). There are no financial assets other than those listed above that were individually impaired.

(iv) 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 2017, there were no renegotiated loans.

(v) Loans

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

	2017 \$'000	2016 \$'000
Real estate residential	147,713	146,634
Home improvement	95,631	46,830
Education	25,375	12,714
Business investment	65,436	80,283
Transport purchase	192,394	133,160
Line of credit	68,252	52,963
Personal and others	544,980	628,855
	1,139,781	1,101,439
Less: Allowances for loan losses	(11,027)	(9,773)
Total	1,128,754	1,091,666

(vi) Repossessed collateral

The Credit Union obtained assets by taking possession of collaterals held as security. The forced sale value of these assets were as follows:

	2017 \$'000	2016 \$'000
Real estate	12,800,000	12,800,000
Total	12,800,000	12,800,000

These assets were to cover outstanding debts including interest as detailed below:

	2017 \$'000	2016 \$'000
Real estate	10,212,609	10,212,609
Total	10,212,609	10,212,609

Repossessed collateral is sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Credit Union does not occupy repossessed property for business use. There is transfer of title to the Credit Union and it is therefore recognised as an asset held for sale.

c **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 Finance and Planning 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. One of the most important of these is to maintain code one rating liquidity ratio according to the PEARLS-M standard.

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.

c Liquidity risk (cont'd)

2017

	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$
Loans (net)	-	55,053,625	-	1,073,699,420	1,128,753,045
Liquid assets	397,347,839	-	-	-	397,347,839
Financial investments	-	60,000,000	46,011,530	-	106,011,530
Resale agreement investment	87,556,370	-	-	-	87,556,370
Accounts receivables	17,098,332	-	-	10,212,609	27,310,941
Bank balances	46,486,860	-	-	-	46,486,860
Total assets	548,489,401	115,053,625	46,011,530	1,083,912,029	1,793,466,585
Member shares	-	-	-	1,088,746,258	1,088,746,258
Savings deposits	-	152,702,336	64,970,498	-	217,672,834
Non-interest bearing liabilities	20,593,792	-	-	4,880,491	25,474,283
Interest bearing liabilities	-	-	-	28,294,565	28,294,565
Total liabilities	20,593,792	152,702,336	64,970,498	1,121,921,314	1,360,187,938

2016

	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$
Loans (net)	-	51,132,311	-	1,040,533,337	1,091,665,648
Liquid assets	318,469,860	-	-	-	318,469,860
Financial investments	-	61,191,698	77,865,381	-	139,057,079
Resale agreement investment	42,501,481	-	-	-	42,501,481
Accounts receivables	13,559,794	-	-	10,212,609	23,772,403
Bank balances	58,063,267	-	-	-	58,063,267
Total assets	432,594,402	112,324,009	77,865,381	1,050,745,946	1,673,529,738
Member shares	-	-	-	1,010,417,375	1,010,417,375
Savings deposits	-	166,441,256	36,842,756	-	203,284,012
Non-interest bearing liabilities	18,082,652	-	-	5,138,413	23,221,065
Interest bearing liabilities	-	-	-	27,812,276	27,812,276
Total liabilities	18,082,652	166,441,256	36,842,756	1,043,368,064	1,264,734,728

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the date of the statement of financial position.

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.

28. Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: 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).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

December 31, 2017

Assets	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Quoted shares (Note a)	2,549,193	-	-	2,549,193
Unquoted shares (Note b)	-	-	11,173,823	11,173,823
Fixed deposits and other deposits (Note c)	-	577,192,723	-	577,192,723
Total	2,549,193	577,192,723	11,173,823	590,915,739
Net fair value	2,549,193	577,192,723	11,173,823	590,915,739

December 31, 2016

Assets	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Quoted shares (Note a)	1,646,884	-	-	1,646,884
Unquoted shares (Note b)	-	-	11,173,823	11,173,823
Fixed deposits and other deposits (Note c)	-	487,207,713	-	487,207,713
Total	1,646,884	487,207,713	11,173,823	500,028,420
Net fair value	1,646,884	487,207,713	11,173,823	500,028,420

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

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

- (a) Quoted shares
The fair value of quoted shares is measured by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.
- (b) Unquoted shares
Unquoted equities are measured at historical cost less impairment, as their face values cannot be readily determined.
- (c) Fixed deposit and other deposits
These are collateralised by Government of Jamaica Securities. The fair values are measured by reference to determinable payments, using inputs other than quoted prices that are observable for the securities.

Level 3 fair value measurements

The company's measurement of financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. There were no transfers in the reporting period under review.

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 and others
- (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 Policy and Capital Management Plan. 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%.

In determining the Credit Union's capital base, the institutional capital of Petroleum Industry Employees Co-operative Credit Union Limited which merged with Palisadoes Co-operative Credit Union on January 1, 2014 was included. As at the date of the merger, Petroleum Industry Employees Co-operative Credit Union Limited had institutional capital of \$25,753,537 that comprised the following balances;

	\$
Statutory reserve	16,429,227
General reserve	9,324,310
Total	25,753,537

There was no change to the Credit Union's approach to capital management during the year. All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2017 and 2016. The Credit Union complied with all externally imposed capital requirements to which they were subjected.

30. Development Bank of Jamaica, Approved Financial Institution (AFI)

Effective June 1, 2016, the Development Bank of Jamaica (DBJ) accredited the Palisadoes Co-operative Credit Union Limited as an Approved Financial Institution (AFI). The Credit Union is now able to directly access DBJ wholesale funds for on-lending to Micro, Small and Medium-sized Enterprises (MSMEs) and large business entities.

The Institution is qualified to receive funding up to a maximum of 75% of its net worth. Under the arrangement, the maximum loan amount that can be on-lent to a single sub-borrower, group or entity is J\$15M. All such loans are subject to DBJ's approval prior to disbursement. As at the year-end, there was no access of the DBJ funds.



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REPORT OF THE CREDIT COMMITTEE FOR YEAR ENDED 2017 DECEMBER

The committee comprised: the following:

- ❖ Berthlyn Plummer - Chair
- ❖ Devon Howell - Secretary
- ❖ Orrette Staple
- ❖ Sheryll Hamilton
- ❖ Karoline Smith

The committee met on forty-six (46) occasions; in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

1. Approval of loans within the limits set by the Board of Directors
2. Ratification of loans approved by In-house Committee and authorized personnel as per the Credit Union's policies
3. Provide feedback to the Board of Directors, as it relates to trends, both within and external to the Credit Union

Despite a reduction in the number of loans processed, there was an increase in the value of these loans. Six Thousand Six Hundred and Twenty-three (6,623) loans with total value of \$525.11m were disbursed during 2017. When compared to 2016, this represented a decrease of 1,745 loans; and an increase of \$29.27M in value.

Analyses of the data above revealed that some members actually applied for larger loans, while some members who would normally borrow within their shares and savings have been doing withdrawals of savings instead; as for the most part they are unemployed or uncertain about continued employment; or simply do not have the ability to repay loans given their disposable income.

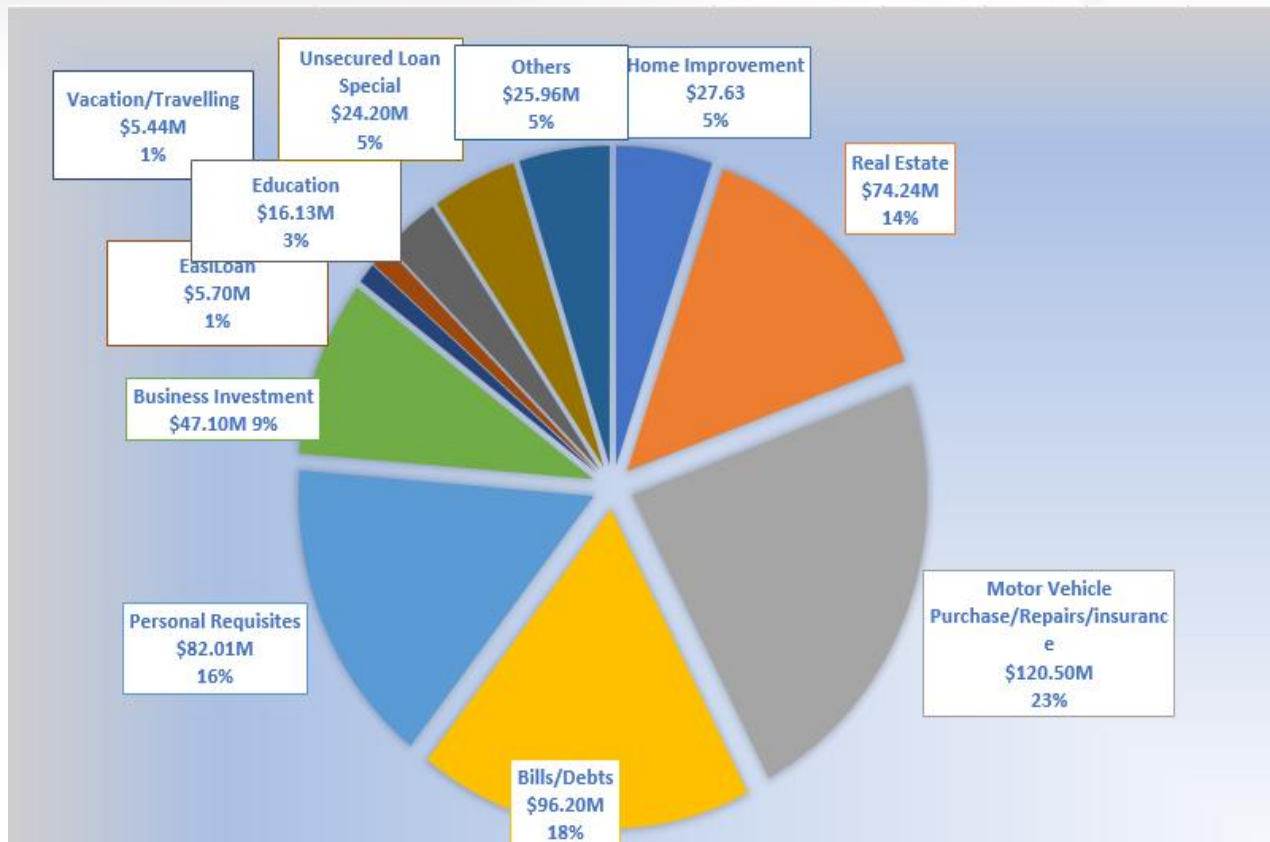
As at 2017 December 31, 2,338 of loans disbursed were personal loans (loans within shares), when compared to 5,236 the previous year. The value of these loans decreased to \$74.90m, compared to \$205.87m in 2016.

The Committee is particularly encouraged by the significant increase in the Real Estate(residential), Home Improvement and Education loan categories.

Pay Day Loans

The introduction of Pay Day Loans was welcomed by the membership; as it provided members with short term loans (payable over a 9-month period) to cater to immediate expenses.

Loans Disbursed by Category



The “**Motor Vehicle Purchase/Repairs/Insurance**” category of loans showed the highest value in disbursements, which amounted to \$120.50m or 22.95% of total loans disbursed. When compared to 2016, this was an increase of 116.96% or \$55.54m.

The “**Personal Requisites**” category accounted for the highest number of loans processed with 2,510 loans at a value of \$82.01m, or 15.62% of total disbursements for the year.

The “**Bill/Debts**” loan category accounted for the second highest value in disbursements which totaled \$96.20m or 18.32% of total loans. This was an increase of \$74.17m over the corresponding period last year which was \$22.01m.

The “**Real Estate**” loan category recorded an impressive increase of 246.55%, moving from \$21.42m in 2016 to \$74.24m in 2017. This was despite the uncertainties in the economic environment and the redundancy programmes at some of our allied companies. This increase is also attributed to the reduction in the interest rate for this type of loan.



COMPARATIVE ANALYSIS OF LOANS DISBURSED 2017 V 2016

Loan Type	2017	2016	Amount 2017(\$)	Amount 2016(\$)	(%) 2017	(%) 2016
Home Improvement	118	6	27,632,040.41	1,200,000.00	5.26	0.24
Real Estate	23	19	74,235,133.83	21,418,557.83	14.14	4.32
Motor Vehicle Purchase/Repairs/insurance	195	45	120,498,614.03	64,957,291.06	22.95	13.10
Bills/Debts	1,737	37	96,181,192.15	22,010,746.72	18.32	4.44
Personal Requisites	2510	5726	82,007,466.51	227,740,793.60	15.62	45.93
Medical/Maternity	60	2	3,367,500.00	280,000.00	0.64	0.06
Business Investment	15	15	47,091,057.32	71,844,921.05	8.97	14.49
Vocation/Travelling	75	6	5,439,121.12	1,037,600.00	1.04	0.21
Christmas Loan & Divi Loan	39	196	2,617,000.00	13,802,000.00	0.50	2.78
EasiLoan	1272	1716	5,696,335.50	13,104,133.53	1.08	2.64
Education	170	39	16,133,914.89	3,432,953.00	3.07	0.69
Insurance	19	4	1,037,810.18	334,090.18	0.20	0.07
Miscellaneous	54	30	13,313,089.86	1,411,414.07	2.54	0.28
Unsecured Loan Special	294	448	24,240,757.40	39,075,396.96	4.62	7.88
Marriage	7	3	842,000.00	2,115,800.00	0.16	0.43
Funeral	15	2	1,105,000.00	400,000.00	0.21	0.08
Save More Special	20	74	3,670,345.72	11,676,233.12	0.70	2.35
Total Loans Disbursed	6623	8,368	525,108,378.92	495,841,931.12	100.00	100.00

Attendance Record of Credit Committee Meetings 2017

Name	Scheduled Meetings	Attended	Excused
Berthlyn Plummer	26	26	-
Sheryll Hamilton	20	17	2
Orrette Staple	36	36	-
Devon Howell	22	19	2
Karoline Smith	13	11	2

The Credit Committee continues to be represented on the Finance and Planning, Risk & Compliance and the BOJ Preparedness Committees.

Our sincere appreciation and thanks to you the members for the confidence placed in us, the Board of Directors, Supervisory Committee and the Management and Staff for their support during 2017. We wish the Credit Union continued success.

Co-operatively Yours



Berthlyn Plummer (Mrs)
Chairman

REPORT OF THE SUPERVISORY COMMITTEE FOR YEAR ENDED 2017 DECEMBER 31

The members of the committee are:

Samuel Manning	-	Chairman
Nicola Reid	-	Secretary
Maria Chen	-	Member
Margareth Antoine	-	Member
Strephon Sanderson	-	Member

The Supervisory Committee is pleased to report on the operations of the Palisadoes Co-operative Credit Union (PCCUL) for the calendar year 2017. During the period, the committee met on five (5) occasions; as it sought to fulfill the responsibilities entrusted to it by the membership. The attendance record is set out in the table below:

ATTENDANCE RECORD:

Members	Possible Meetings	Attended Meetings	Excused Absence
Samuel Manning	5	5	-
Nicola Reid	5	5	-
Maria Chen	5	5	-
Margareth Antoine	5	5	-
Strephon Sanderson	4	2	2

COMMITTEE'S MANDATE:

In accordance with the Credit Union's corporate governance framework, the Supervisory Committee provides oversight responsibility of the credit union's operations, i.e., Board of Directors, Management and Staff. To this end, the Committee undertakes a structured programme of review of the credit union's activities based on an assessment of associated risk. The objectives of the reviews performed include but were not limited to:

- Evaluation of the adequacy of policy, procedures and internal controls; and
- Safeguarding of credit union's assets.

MAJOR AREAS OF FOCUS

- Internal Controls:** Internal control mechanisms (financial, compliance and risk management) were assessed for effectiveness and adherence by the Credit Union. For the most part, these controls were found to be operating as intended but there were areas for improvement and these were brought to the attention of management.
- Bank Reconciliations:** The reconciliations for all bank accounts were done in a timely fashion and found to be in order.
- Payroll, Staff Contracts, GCT Returns & Property Tax:** Payroll annual returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. The Monthly and Executive payrolls were also reviewed for the proper application of the newly mandated tax thresholds as well as the accuracy of calculations. Staff contracts were reviewed for compliance with employment best practices and consistency. The issues identified

are being addressed by management. GCT returns were accurately and timely prepared for the most part. Property Tax was paid within the period legally stipulated.

17. **Loans:** The internal controls surrounding the management of and the provisioning process for delinquent loans as well as the procedures for the underwriting of loans were reviewed for adequacy and adherence thereto and the findings were satisfactory.
18. **Legal and Regulatory Compliance:** Within this exercise, the Committee reviewed the monthly reports of the Risk and Compliance Officer as well as the reports of the Internal Auditor, noting areas for its continued review and focus as well as ensuring that the remedial measures recommended are implemented on a timely basis by management.
19. **Capital Adequacy (PEARLS) review:** Areas of underperformance were identified and the Committee will continue to monitor same to ensure that compliance in all regards is obtained.
20. **Other Areas:** The Phone card reconciliation process, management of the Family Indemnity Plan (FIP), cash float reimbursement, dividend payment and interest rebate to members as well as the adjusting journal entries from the annual audit exercise were reviewed and found to be operating in accordance with the credit union's established procedures.

GENERAL COMMENTS

The examination and evaluation carried out by the Committee over the period would not necessarily unearth all weaknesses or errors.

Our queries/request for clarification were all satisfactorily addressed by Management; and we are pleased to report that the assets of the Credit Union are adequately protected and there is no indication at this time that the Credit Union is overly exposed to risks (both internal and external).

OTHER ACTIVITIES OF THE COMMITTEE

As part of its programme, representatives of the Committee attended meetings of the Finance & Planning, Bank of Jamaica (BOJ) Readiness and Risk & Compliance Committees.

ACKNOWLEDGEMENTS

Our appreciation is expressed to the Board of Directors, Management and Staff for their co-operation during the year. To our members, we thank you for the confidence you have placed in us by assigning us this very important task and invite you to forward any queries and suggestion to the Supervisory Committee by writing to the Chairman of the Committee under confidential cover.



.....
Samuel Manning
CHAIRMAN

**REPORT ON THE DELEGATES TO THE 2017 CONVENTION
& 76TH ANNUAL GENERAL MEETING OF THE JAMAICA
CO-OP CREDIT UNION LEAGUE GROUP**

The 2017 Convention and the 76th Annual General Meeting of the Jamaica Co-op Credit Union League took place at the Hilton Rose Hall Hotel & Spa during the period May 25-28. Approximately one hundred and thirty-seven (137) delegates and observers were in attendance; and our credit union was represented by Maxine Wilson – Delegate, and Celay Harwood-Gayle – Alternate Delegate.

The week-end of activities commenced with the holding of the Credit Union Managers Association Annual General Meeting. This was followed by a workshop presented by Dr. Herbert Gayle, Sociologist and Criminologist; the theme being “Violence and Doing Business in Jamaica.”

Friday May 26

Friday’s activities commenced with the Women’s Global Network Breakfast meeting and the Presidents’ Breakfast, which was held simultaneously. The guest speaker at the Presidents’ Breakfast was Mr. Gary Allen, CEO of the RJR Gleaner Communications Group. This was followed by the official opening of the conference with Action Coach Marcia Woon Choy being the main speaker.

The plenary session followed; and matters of critical importance to the Movement’s future were discussed. Two (2) workshops were held on Friday afternoon, namely:

- “Building a Culture of Compliance: The Role of Board and Management”. The Presenter was Mr. Robin Sykes, Chief Technical Director of the Financial Investigation Division (FID).
- “IFRS9: What you need to know” by a representative of PriceWaterhouseCoopers.

Annual Awards Banquet

The Annual Awards banquet took place in the evening. Guest speaker at the event was Mr. Owen “Blacka” Ellis, well-known Jamaican comedienne. A number of credit unions received various awards, the main awards being those of “Credit Union of the Year” in the various categories.

Of note is the fact that Palisadoes Co-op Credit Union Ltd was awarded the Credit Union of the Year-Runner-up; in the Large Credit Union category.

Saturday May 27; League’s Annual General Meeting

Twenty-five (25) Credit Unions numbering 137 participants attended the meeting. President Mr. Winston Fletcher, gave a summary of the Board of Directors’ Report for the year 2016; after which the Treasurer presented the Financial Reports. Amount available for distribution for the Year 2016 amounted to \$16.7m (\$28.14m in 2015). Of this amount, \$1m was set aside for a scholarship fund in recognition of the 75th Anniversary of the League. Interest as Dividend on Voluntary Shares amounted to \$6.3m, while Dividends on Permanent Shares amounted to \$5.8m.

The Supervisory Committee Report was presented to the meeting by the Chair.

Resolutions

A number of condolence and congratulatory resolutions were passed on behalf of credit unions for volunteers who had served their respective credit unions.

Election of Officers

The Meeting voted to accept the nominations for the following persons to serve on the Board of JCCUL for a period of three (3) years:

- Mrs. Brenda Cuthbert
- Mr. Jerry Hamilton
- Mr. Delroy Foster
- Ms. Carol Anglin
- Mr. Pete Smith
- Mr. Winston Fletcher
- Mr. Lambert Johnson

The following persons were elected to the Supervisory Committee:

- Mr. Sefton Cummings
- Mrs. Tamara Baugh-Brissett
- Mr. Michael Sutherland
- Mrs. Ivy Lawrence
- Mr. Lenroy Allen

Post AGM, the following persons were elected to the executive of the League's Board:

- Winston Fletcher – President
- Clide Nesbeth – 1st Vice President
- Lambert Johnson – 2nd VP
- Andrea Messam – Treasurer
- Jerry Hamilton - Assistant Treasurer
- Norris Gilbert – Secretary

Saturday night event was a fun-filled all-white party, sponsored by CUNA Caribbean Jamaica; and featured the Fab5 Band and Leroy Sibbles. The conference ended officially on Sunday May 28 with an ecumenical service.

For the opportunity to represent our credit union at these meetings, we thank you our members.



Maxine P. Wilson JP MBA LLB (Hons)
Delegate

**MANAGEMENT ANALYSES & DISCUSSION
FOR YEAR ENDED 2017 DECEMBER 31**

We give thanks for a challenging, yet rewarding 2017. The challenges were many; we faced stiff competition from both the regulated and unregulated financial sectors. Our ability to quickly respond to the fast-changing and competitive business environment in which we operate was severely tested, and dictated that we employ a proactive approach in anticipating and meeting our member's needs.

Our Environment

Investment in our members remains top priority in our strategy; as we continue to seek ways to add value, which will result in the enhancement of their economic and social well-being. We have a vision of where we want to go and a clear understanding of what we want to accomplish.

Our Financial Performance

The details of our 2017 financial performance are outlined in the Treasurer and Auditors' Reports presented earlier. Our financial measurements included (but were not limited to) quantitative targets for surplus (in order to provide reasonable returns to the membership), capital management, risk management and operational efficiencies.

Non-financial measurements include the quality of member service given and the level of member satisfaction, employee engagement satisfaction and efficiency, in addition to product penetration. All these measurements are assessed against set benchmarks both internally and externally.

Loan Portfolio

Despite disbursing \$527.48m during the year, loans repaid amounted to \$489.12m, which resulted in the Net Loans portfolio increasing by \$37.09m.

Share Portfolio

The Voluntary Share Portfolio increased by 7.75% (or \$78.33m) to reach \$1,088.75m. The trend whereby members invest in voluntary shares vs fixed deposit continues.

Assets

An increase in Assets amounting to \$116.12m was recorded; with Assets moving from \$1,744.88m to \$1,861.00. This represent the largest increase in Assets recorded in a single year; except for 2008 and 2014 when the engagements of Carib Cement and Petroleum Industry Employees Credit Unions were transferred to Palisadoes.

Surplus

We are pleased that the amount of \$83,095,328 is available for distribution, some of which, it is proposed, will go towards further strengthening of our credit union, and to increase the Loan Loss Reserves; a requirement which has gained great significance with the implementation of the IFRS9. The Board has approved a significant portion (\$56.78m) of the surplus to be paid out to the membership as "dividends" and loan interest rebate.

Human Resources

Staff training and development continues to be an area of priority in our organization, as we seek to develop the credit union's human capital. Staff members were exposed to training sessions and seminars including training in the Proceeds of Crime Act (POCA), Robbery Prevention- Reaction and Coping Skills, and Risk Management.

The employees have contributed significantly to the success of the credit union. They continue to work tirelessly to meet and surpass members' expectations; treating them with the highest level of professionalism and dignity that they so richly deserve. They exude a profound sense of pride in working for you our members. I wish to thank them all for their commitment to the process. Our commitment is to continue to invest in them; recognising that our destiny is inextricably tied to those we serve.

Know Your Member (KYM) Requirements

We continue to implement measures to tighten and enhance our KYM function. This included various additional steps to ensure full compliance. Directors, committee members and staff were exposed to training in the Proceeds of Crime Act, Counter Terrorism Financing, Know Your Member & Employee requirements. We use this opportunity to encourage members to provide the necessary KYM documentation for their accounts to be updated. Our requests for same have not achieved the desired results.

We continue to make our statutory reports and submissions in a timely manner.

Smart Pac Savings Programme

At year end, there were 23 schools (2016: 20) including 5 from Montego Bay enrolled in the programme. Membership under the programme stood at 2,231 (2,051 in 2016) SMART Pac Account holders, with savings of \$19.54m (\$ 2016: \$18.45m).

Insurance Settlement 2017

It is with regret that we note the death of the following members:

Janet Grant	Donald Jack	Valeria Muir	Linford Charles
-------------	-------------	--------------	-----------------

On behalf of the entire membership, our sincere condolences to their families and friends. May their souls rest in peace. We also extend our condolences to all our members who have lost loved ones during the year. May God grant you the strength required to pull through this very difficult period.

Insurance claims were settled on behalf of Mr. Jack and Miss Muir.

CLAIM SETTLEMENT RECORD

	2016	2016
Life Savings	\$ 59,746.82	\$ 421,455.80
Loan Protection	\$ 14,276.41	\$ 349,493.28
Average Claim	\$ 37,011.62	\$ 128,491.51
Total# of Claims	2	6

Our Corporate Responsibility - Reaching Further, Doing More

We pride ourselves in being good corporate citizens, especially within the communities that we serve.

Mountain View Men's Initiative

On International Peace Day 2017 September 21, Palisadoes Co-op Credit Union Ltd, in partnership with the Airports Authority of Jamaica and Excelsior Community College, launched the Mountain View Men's Initiative. This Initiative was borne out of the need to engage young unemployed men in the Mountain View Community to:

- Participate in meaningful activities which will assist them to better manage situations in a non-violent manner; thus, positively influencing others to do the same.

- Assist with training in micro business management, assist with setting up these small businesses and provide financial assistance where possible
- Assist in identifying specific skills of interest, and facilitate training; subject to the availability of funding
- Assist with preparing these men for the world of work
- Assist in upgrading the literacy skills of participants as the need arises

The Initiative has had a positive impact on the members of the Initiative; and to date we have been able to provide training and support in many areas including:

- Aspects of violence prevention and management of emotions, behavioural adjustments, dealing with “crisis” situation, ethics and protocol
- Preparing for the work world
- Planning/hosting a children’s treat
- Hosting a post-Christmas dinner

We have been able to secure employment for a number of these men; with companies such as IGL Ltd, Airports Authority of Jamaica and Palisadoes Co-op Credit Union endorsing and providing employment opportunities. We are also pleased to be able to provide financial support/grants to assist some of the Initiative’s members to start micro businesses. We are pleased to report that the businesses have been doing very well.

Port Royal Golden Agers

We once again hosted a treat for the Golden Agers of Port Royal in December; and were also able to distribute gifts of food items.

Other Beneficiaries

Other organisations and individuals who benefited from our generosity during the year included:

- ✓ Curlin Johnson Basic School
- ✓ Petroleum Corporation of Jamaica Schools Energy Programme
- ✓ Baby Kemar Amore
- ✓ Camperdown Alumni (St. Andrew Chapter)

90 & over Exclusive GSAT Club

The credit union feted and awarded additional scholarships to SMART Pac Members who scored 90% and above in the 2017 GSAT exams, at an Awards Breakfast, held at the Knutsford Court Hotel in July.

SMART-Pac holder Dayne Davis (Southborough Primary School), son of Dubern Davis (Caribbean Airlines) was the top GSAT performer, scoring 99%. Mr. Davis is presently attending the Wolmers High School for Boys.

Other Awardees and the schools they now attend are:

Adrianna Muir – Wolmers High School for Girls	Seanna Bucknor – Immaculate Conception High School	Brittania Dixon – Wolmers High School for Girls.
Shennae Walters – St. Andrew High School for Girls	Dayna Dunn – Ardenne High School	

Acknowledgments

We place on record, our sincere thanks to our members for once again allowing us to defy the odds. It is through your continued commitment to the credit union, during the good and the tough times that allow us to continue to soar to “New Horizons”. We are confident that your support will continue into 2018 and beyond.

I am confident that we are exceptionally well positioned for the future, as we continue to be strong, safe and sound. May God continue to pour out His blessings upon our credit union, upon you our members and by extension on Jamaica, land we truly love.


With Every Good Wish


Maxine P. Wilson J.P. MBA LLB (Hons)
GENERAL MANAGER

**PROPSAL FOR THE FIXING OF MAXIMUM LIABILITY
FOR YEAR ENDED 2018 DECEMBER**

In keeping with Rule 71 (amended) which now states that **“The Board of Directors may incur a liability in voluntary shares, deposits and/or loans from any source on such terms of payment and security; provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union’s Capital”**, it is proposed that the Maximum Liability to 2018 December 31, be set at ten (10) times the Credit Union’s Capital.

For and on behalf of the Board of Directors



Audley Deidrick
TREASURER

**PROPOSAL FOR THE APPROPRIATION
& DISTRIBUTION OF SURPLUS
FOR YEAR ENDED 2017 DECEMBER 31**

Using the figure on the Simplified Statement of Financial Position, *Internal Capital* is Statutory Reserve, Permanent Shares, and Undistributed Surplus under the heading **WE THE MEMBERS OWN** which at 2017 December 31 amounted to \$411.88m (2016: \$395.24m).

Our Assets grossed \$1,861.00m (2016: \$1,744.88m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2017 December 31 was 22.13 % (2016: 22.65%). This includes the amount of \$7,853,791 which represents 30% of “Net Surplus before Transfers”.

After the proposed distribution (appropriations and expenses) below, the *Capital* (inclusive of the proposed additional amount of \$8,000,000) decreases to \$331,318,574 or **17.80%** of Assets. Under the heading **WE THE MEMBERS OWN**, the undistributed surplus amounted to \$83,095,328.

In view of the above, your Board proposes the following surplus distribution to 2017 December 31, noting that the proposed additional transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

APPROPRIATIONS	2017	2016
Additional Amount to Statutory Reserve	\$ 8,000,000	\$ 8,253,883
20% dividend on Permanent Shares	\$ 3,210,000	\$ 2,624,212
Education & Outreach	\$ 2,500,000	\$ 2,500,000
Provision for Loan Loss	\$ 2,000,000	\$ 2,000,000
Loan Loss Reserves	\$ 6,000,000	\$ 2,000,000
65 th Anniversary Celebration	\$ 3,000,000	\$ -
Honoraria	\$ 2,500,000	\$ 2,500,000
Share Transfer Fund	\$ -	\$ 1,000,000
Sub Total	\$27,210,000	\$20,878,095

The Board of Directors has approved the following for distribution to the membership:

EXPENSES		
Dividends	\$50,025,425	\$56,100,000
2% rebate on Loan int. paid (patronage refund)	\$ 3,330,650	\$ 3,244,444
GRAND TOTAL	\$80,566,075	\$80,222,539

For and on behalf of the Board of Directors



Audley Deidrick
TREASURER

REPORT OF THE NOMINATING COMMITTEE

The Nominating Committee comprises the following:

Celay Harwood-Gayle	Chair
Maxine Daley	Member
Claudine Purboo	Staff Liaison

The committee wishes to use this medium to thank all the members of the Board of Directors, Supervisory and Credit Committees, members of the other sub-committees, Delegates and all others who served the credit union throughout 2017. You continue to demonstrate the true meaning of volunteerism, and self-less service as we continue on the path to enhancing our members' economic well-being, and ensuring that our credit union remain a safe and sound one.

The Committee engaged in a series of processes/due diligence to identify and then determine the suitability of members it recommends to the AGM for election. Having determined this, the committee makes the following recommendations for the year 2018-2019:

BOARD OF DIRECTORS**Retiring at this AGM Recommended Term in office Serving to 2019 AGM**

Retiring at this AGM	Recommended	Term in office	Serving to 2019 AGM
Dervin Aiken	Dervin Aiken	2 years	Celay Harwood-Gayle
Audley Deidrick	Audley Deidrick	2 years	Anthony Young
Orville Shaw	Sheryll Hamilton	2 years	Winston Ormsby
Robert Thelwell	Robert Thelwell	2 years	

CREDIT COMMITTEE**Retiring at this AGM Recommended Term in office Serving to 2019 AGM**

Retiring at this AGM	Recommended	Term in office	Serving to 2019 AGM
Devon Howell	Devon Howell	2 years	Orrette Staple
Berthlyn Plummer	Berthlyn Plummer	2 years	Karoline Smith
Sheryll Hamilton	Andre Duncan	2 years	

SUPERVISORY COMMITTEE**Retiring at this AGM Recommended Term in office**

Retiring at this AGM	Recommended	Term in office
Maria Chen	Maria Chen	1 year
Samuel Manning	Samuel Manning	1 year
Nicola Reid	Nicola Reid	1 year
Margareth Antoine	Margareth Antoine	1 year
Strephon Sanderson	Strephon Sanderson	1 year

DELEGATES TO THE LEAGUE**Retiring at this AGM Recommended Position**

Retiring at this AGM	Recommended	Position
Anthony Young	Anthony Young	Delegate
Maxine Wilson	Maxine Wilson	Delegate
Robert Thelwell	Robert Thelwell	Alternate Delegate
Celay Harwood-Gayle	Celay Harwood-Gayle	Alternate Delegate

The committee wishes to place on record its sincere thanks to Mr. Orville Shaw, who indicated his inability to continue serving.

The committee is also pleased to provide you with a short profile of the new nominees.

For and on behalf of the Committee


Celay Harwood-Gayle
CHAIR

PROFILE OF NOMINEES

Sheryll Hamilton, MBA

Mrs. Hamilton has been a member of the credit union (PIECCU/Palisadoes) since 2005, and presently serves on the Credit Committee. She has been employed (since 2017 November) to Grace Kennedy Co. Ltd as its Human Resource Manager; functioning as HR Generalist with HR oversight for 3 of its Strategic Business Units. Mrs. Hamilton was previously employed to IGL for twenty (20) years.

She holds a MBA in General Management from Nova Southeastern University; and is presently pursuing a Master of Science degree in Industrial and Organisational Psychology at Walden University.

Andre Duncan

Mr. Duncan has been a member of the credit union since April 1998. He has been employed to Airports Authority of Jamaica since 1997 and currently holds the position of Commercial Officer. He is the holder of a first degree in Management Studies from the University of the West Indies.

RESOLUTION**Resolution for the transfer of Development Reserves to Loan Loss Reserve**

Whereas it was considered prudent in the past to create a Development Reserve to plan for the future development of property owned by the credit union;

Whereas members at an Annual General Meeting agreed to set aside various amounts over the years to a Development Reserve from realised surplus;

Whereas it has now become necessary for the Credit Union to make the necessary preparations to be IFRS9 compliant, in keeping with new International Financial Reporting Accounting Standards;

Whereas efforts are being made to increase the Loan Loss Reserves to cater to this new standard;

Whereas the credit union has, as a part of its Non-Institutional Capital Reserves, Development Reserves in the amount of Eight Million, Three Hundred and Eighty-Five Thousand, Eight Hundred and Sixty-One Dollars (\$8,385,861) and;

Whereas there are no immediate plans for the use of funds in the Development Reserve for the purpose intended;

Be it resolved that the members at the 65th Annual General Meeting of Credit Union approve the transfer of Eight Million, Three Hundred and Eighty-Five Thousand, Eight Hundred and Sixty-One Dollars (\$8,385,861) from the Development Reserve to the Loan Loss Reserves.

Moved By:
Audley Deidrick

Seconded By:

**PALISADOES CO-OP CREDIT UNION LTD.
LOANS POLICY**

1. Loans shall be made for provident or productive purposes only and in accordance with the rules of the credit union.
2. Loans are normally granted on a maximum loan to share ratio determined by the Board of Directors from time to time, after six (6) months of membership, except in the following cases:
 - a) Where the Credit Union is offering Monthly Loans Special
 - b) Where there are open periods for new members to access loans
 - c) Where externally generated funds are used
 - d) Special Loan Product Offering
 - e) Transfer of accounts in good standing from other credit unions
3. Loans shall not be granted for down payment on Hire Purchase transactions.
4. Loans shall not be granted to delinquent members.
5. Members who have saved regularly with the Credit Union shall be eligible for loans as follow:
 - a) **Membership up to six (6) months** – within shares and savings. Where applicable (2a-2d above), members may borrow in excess of shares and savings at a special loan rate
 - b) **Membership over six (6) months** – four (4) times shares, except where 2a-2d applies.
 - c) **Membership after nine (9) months in the SMART PAC Savings Programme** – four (4) times savings.
6. Loans above savings under the SMART PAC Savings Programme shall be for educational purposes only.
7. Fixed Deposits may not be used to qualify for a loan; however, it may be used as collateral.
8. For Premium financing, a deposit to shares representing 20% of premium is required. The Credit Union will finance 100% of premium, repayable over nine (9) months at a special loan rate.
9. Verification of income e.g. last three (3) pay slips, are required for all loans above shares and savings in the credit union. The Credit Union reserves the right to request additional information.
10. The maximum repayment period of a loan shall not exceed seven (7) years, except in cases a-g listed below:
 - a. Loan within shares, deposits and savings in Palisadoes C.U. – 15 years
 - b. Loans secured by funds held in other approved institutions – 5 years
 - c. Real Estate purchase (and affiliated costs) (for members primary residence) – Where a member is offering a first (1st) mortgage on property or a pari passu arrangement with NHT or a Building Society, the Credit Union may extend loan for a period not exceeding twenty (20) years.
 - d. Other loans for which the Credit Union will hold first mortgage on property – 15 years
 - e. Home improvement – 15 years
 - f. Loans for motor vehicles 0-1 year – 8 years
 - g. Loans for motor vehicles 2-3 years – 7 years
 - h. Loans for motor vehicles 4-5 years – 5 years
 - i. Loans for motor vehicles 6-8 years – 3 years

SECURITY

- a) Co-makers are required to have unencumbered (free) shares which will be hypothecated.
- b) All items offered as security must be fully insured and the Credit Union must be satisfied as to arrangements in place for future payments of premium.
- c) Motor vehicles may be used as security, provided that the vehicle will continue to get comprehensive insurance until loan has expired. The percentages used (except where these vary for Loans Specials are outlined below:

New vehicle	-	90%
1 year	-	80%
2 – 3 years	-	75%
4 years	-	70%
5 years	-	60%
6 years	-	55%
7-8 years	-	50%

(The Credit Union reserves the right to request an engineer's report)

- d) For mortgage financing, or where a registered title is offered as security, the security must be a first (1st), parri passu or second (2nd) mortgage on property.

Approval Limits:

Credit Officer:	Loans up to \$500,000 above shares, deposits and savings
General Manager	Loans up to \$1,000,000 above shares, deposits and savings
In-house Loans Committee	Loans up to \$3,500,000 above shares, deposits and savings
Credit Committee	All loans

*As approved by the Board of Directors
2017 February*

**PALISADOES CO-OP CREDIT UNION LTD
LIST OF ACCEPTABLE SECURITIES**

1. Members' savings and deposits in Credit Union.
2. Hypothecation of savings and deposits in other Credit Unions and other financial institutions deemed acceptable by the Credit Union, where such savings and deposits are transferable during the period of the loan.
3. Unencumbered shares of members of the Credit Union. Hypothecation must be confirmed in writing before disbursements.
4. Motor vehicles not older than seven (7) years. Motor vehicle **MUST** be comprehensively insured on an "open policy" basis.
5. Letter of undertaking from other lending institutions deemed acceptable by the Credit Union, to remit proceeds of an approved loan directly to the Credit Union.
6. First legal mortgage on unencumbered title. A second mortgage may be taken where first mortgagor agrees to protect the interest of the Credit Union.
7. Assignment of fifty percent (50%) Cash Surrender Value (CSV) of life insurance policies owned by member.
8. Guaranteed deposits.
9. Life insurance over CUNA limit.
10. Assignment of up to seventy (70%) of Receivables payable to the Credit Union upon satisfactory evaluation and acceptance of legally binding charge by the payee.
11. Assignment of up to seventy percent (70%) of Government of Jamaica transferable stocks/bonds.
12. Guarantee from employer, bank or other organization deemed acceptable by the Credit Union, subject to assessment of latest audited Financial Statements and examination of Certificate of Incorporation, Articles and Memorandum of Association and any other documents required by the Credit Union.
13. Assignment of fixed assets and/or stocks upon satisfactory professional assessment deemed suitable by the Credit Union.

*As approved by the Board of Directors
2017 February*



*Prayer of
St. Francis of Assisi*

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

