



**PALISADOES
CO-OPERATIVE
CREDIT UNION
LIMITED**



2018 Annual Report

'Flying to New Horizons'



PALISADOES
CO-OPERATIVE
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.

Staff Dinner



Members of staff had a good time at the staff dinner held in February.

MBJ Airports Ltd Expo



General Manager, Maxine Wilson was well engaged at the MBJ Airports Ltd Expo held at the Sangster Int'l Airport.

65th Anniversary Celebrations



Happy birthday Palisadoes!! President Winston Ormsby was on hand to address the members and staff at the Head Office who came to celebrate the credit union's anniversary.



It's Uniform Day and the schoolers were out in their numbers.



Claudine Purboo from Morant Bay High School (at left) received a gift from Maxine Wilson from Camperdown High School for 'Most Disciplined Student'.



Members of staff participating in 'Throw Back Friday'.

Anniversary Awards Banquet



The Mountain View Men's Initiative took part in the celebration.



It was a well-attended function.



President Winston Ormsby addressed the audience.



Masters of Ceremony Ian 'Ity' Ellis and Maxine Wilson kept the audience entertained.



2018 Scholarship Awardee Chelsea Stephens 'wood' the crowd with her singing.



It was time to get 'jiggy' as we danced to the rhythm of the Fab Five Band.



"Are we touching lives or are we touching screens?" A very powerful presentation made by guest speaker Esquire Christopher Samuda.

Exclusive 90+ GSAT Awardees Function



Some of the GSAT awardees past and present along with their parents at the function.



Past Treasurer Anthony Young presented a cheque to one of the top GSAT performer, Shania Parchment.



Keeping the grades up, up, up! Dane Davis, a 2017 inductee was awarded for his above 90% average at Wolmer's High School for Boys.



Runner-up Credit Union of the Year Award



Congratulations! Palisadoes received the 'Large Credit Union of the Year Runner Up 2017 Award'. General Manager Maxine Wilson along with Directors Robert Thelwell and Anthony Young proudly posed with the award.

OUTREACH

Children from the Hampstead Park Community in Mountain View were out in their numbers for the back to school treat.



And they had a ball! Words could not describe the experience they had that Day.



Members of the Mountain View Men's Initiative were treated to a day of fun at Dolphin's Cove in Ocho Rios.



The discussions were intense. Volunteers and staff at the credit union's mid-year Strategic Planning Retreat.

ANNUAL GENERAL MEETING



Members were out in their numbers to attend to the business of the credit union



The hardworking Board of Directors who charts the path of the credit union towards the pinnacle of success.

Board of Directors

Mr. Winston Ormsby, JP BSc – President

Mr. Ormsby has over forty (40) years' experience in 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.

Robert Thelwell, BBA Mgmt. – Director

Mr. Thelwell presently operates a used car dealership Kobe Motors; 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-eight (38) years.

Mr. Dervin Aiken, MBA - Treasurer

Mr. Aiken assumed the role of Treasurer upon the resignation of then Treasurer Anthony Young from the Board of Directors in October 2018. He 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.

Mr. Audley Deidrick, MBA – Assistant 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 nine (9) years.

Mrs. Celay Harwood-Gayle, BSc – Secretary

Mrs. Harwood-Gayle retired a year ago 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-one (41) 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 its Human Resources Manager. She is a graduate of the Nova Southeastern University and holds an MBA in General Management. Mrs. Hamilton previously served on the Credit Committee and the Board of Directors of the former PIECCU Credit Union.

Supervisory Committee

Mr. Samuel Manning, MBA CPA - Chair

Mr. Manning has been employed to Airports Authority of Jamaica/NMIA Ltd for the past twenty-one (21) 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 eighteen (18) years.

Ms. Nicola Reid, MSc, FCCA - Secretary

Miss Reid has been employed to NMIA Airports Ltd for the past twenty-three (23) 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 a member of the Supervisory Committee of the Jamaica Co-op Credit Union League. Miss Reid has been a member of the credit union for over twenty (20) 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 over (13) 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 nine (9) years. She 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.

Mr. Devon Howell

Mr. Howell has been a member of the credit union since 2004. He is presently self-employed; having recently been separated from Carib Cement where he worked for nineteen (19) years. 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 thirteen (13) 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 Credit Committee of the former Petroleum Industry Employees Co-op Credit Union (PIECCU).

Mr. Carlington Miles

Mr. Miles has been a member of the credit union for the past sixteen (16) years. He is a Certified Accounting Technician and has been employed to the Airports Authority of Jamaica for sixteen (16) years and is presently an Accounting Officer.

Ms. Karoline Smith

Miss Smith has been a member of the credit union (PIECCU) since 2007. She is the Marketing Implementor for Sol Petroleum Jamaica Ltd a company she has worked with for the past five (5) years. She is the holder of a degree in Business Administration from the Browns Town Community College.

Our Senior Team

Our General Manager

Miss Maxine Wilson has been employed to the credit union movement for thirty-eight (38) years; twenty-two (22) 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.

Miss Wilson is a Certified Operational Risk Professional (CORP), 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; the Boards of Directors of the Peace Management Initiative (PMI), the Centralised Strategic Services (CSS), Women's Resources Outreach Centre (WROC) and the Jamaica Youth for Christ.

Our Credit Manager

Miss Letisha Williams has been employed to the credit union since 2016 November; having previously worked with COK Sodality for four (4) years; her last position there being Credit Relations Officer. Miss Williams is the holder of a Bachelor of Business Administration (BBA) degree from the University of Technology Jamaica.

Our HR/Admin Co-ordinator

Mrs. Claudine Purboo has been employed to the credit union for the past twenty-two (22) years. She has held various positions including that of Loans Officer, 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 a Diploma in Customer Service. She 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 of the Commonwealth Caribbean.

Here is a Little about us

On 2019 April 21 we will celebrate our 66th Birthday

Our Portfolio balances as at 2018 December 31 are:

- ✓ Assets - \$1,951.84M
 - ✓ Net Loans - \$1,084.65M
 - ✓ Voluntary Shares - \$1,149.44M
 - ✓ Total Savings Deposit - \$1,399M
- We operate from 3 locations, namely:
- ✓ Norman Manley Int'l Airport – our head office
 - ✓ Sangster Int'l Airport (Montego Bay)
 - ✓ Carib Cement Co (Rockfort Plant)
- 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 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)

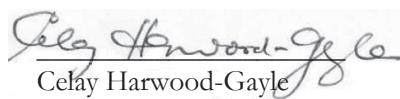
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Vol. Shares	545.79	557.20	574.91	624.88	668.63	890.42	960.62	1,010.42	1,088.75	1,149.44
Saving/Deposits	210.88	208.41	203.59	199.40	187.93	204.99	215.02	203.29	217.67	249.56
Loans	772.15	813.54	841.09	849.81	922.68	1,077.54	1,107.56	1,091.67	1,128.75	1,139.32
Assets	1,046.34	1,098.41	1,119.40	1,208.90	1,283.31	1,568.29	1,664.66	1,744.88	1,861.00	1,951.84
Avail. for dist.	34.52	34.58	26.65	23.40	53.29	72.02	72.81	84.90	83.10	86.53
Inst. Capital	175.15	200.62	209.10	216.01	225.43	274.23	281.00	298.82	314.99	353.42
Membership	8,194	7,930	7,894	8,247	8,447	9,020	9,343	9,616	9,742	9,803
Gross Income	149.00	145.67	142.74	150.61	152.06	188.17	188.47	191.10	205.06	209.10
Dividends Paid	33.69	35.70	37.25	39.80	43.09	58.00	54.70	58.72	53.24	55.69
Interest Rebate									3.24	3.33

Notice of Meeting

Notice is hereby given that the 66th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2019 March 27 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 2019 March 18


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

**MINUTES OF THE 65th ANNUAL GENERAL MEETING
Held at the Learning Development Centre
Norman Manley International Airport, Kingston
On 2018 March 28 commencing at 2:00 P.M.**

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

CALL TO ORDER

President Orville Shaw, 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 Shareen Brown 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 2017.

WELCOME/ INTRODUCTIONS & APOLOGIES

General Manager Maxine Wilson extended welcome to all present. She introduced and acknowledged the presence of several guests; including Mr. Robin Levy - the new Group CEO of the JACCUL group of companies, Honourable Donna Parchment Brown – Political Ombudsman; Mr. Andrew Thompson and Mrs. Renarda Salmon - Mair Russell Grant Thornton, Mr. Robert Carr and Mrs. Katrina Grant-D'Aguilar - Jamaica Co-op Credit Union League; Mrs. Georgia Morrison - Credit Union Fund Management Co Ltd, Mr. Peter Townsend - Sagicor Life Insurance and Mrs. Janice Knight-Chung - Credit Info Jamaica Ltd.

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:

- Treasurer Audley Deidrick (work assignment overseas)
- Mr. Sixto Coy – Managing Partner; Mair Russel Grant Thornton
- Messrs Maurice Wright and Adrian Thompson; Credit Union Fund Management Company
- Mr. Jerry Hamilton; Credit Union Representative – JACCUL Board of Directors

Miss Wilson then introduced members of the Palisadoes Credit Union sponsored Mountain View Men's Initiative who were special guests at the meeting. She told the meeting that she has been working with the group since September 21, 2017 which was celebrated as International Peace Day. She then acknowledged the Initiative's Liaison Officer Mr. Robin Clarke from Excelsior Community College one of the two joint sponsors of the Initiative; the Airports Authority of Jamaica being the other. She thanked both entities for believing in the young men who live in the Mountain View community.

ADOPTION OF MINUTES

President Shaw, 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 Mrs. Berthlyn Plummer and seconded by Honourable Donna Parchment Brown. Secretary Celay Harwood-Gayle then took the meeting through the minutes contained on pages 8 to 19 of the Annual Report.

She pointed the members to the Errata Sheet which was previously circulated, and highlighted the corrections as hereunder:

1. Page 3 – Add “Assistant Secretary” beside the name Dervin Aiken
2. Page 3 – Beside the name Robert Thelwell remove the word “President” and replace with the word “Director”
3. Page 22 headlined “Treasurer's Report” – under “Performance Results” replace “2016” with “2017” to read 2017 December 31.
4. Page 23 – Under “Dividends”, second paragraph – add “a proposal for” between the “and” and “20%” to read “a proposal for dividend payment of 5% on voluntary shares and **a proposal for 20%** on permanent shares is being presented”.
5. Page 24 – Under the heading “less our cost to operate the credit union were”, under the section that states “leaving surplus before distribution” change “87, 115, 764” and replace with “87,403,514”
6. Page 76, under column “Loan Type”, change the word “vocation” to “vacation”
7. Page 83, under the heading “Insurance Settlement”; second paragraph – change the word “wo” to “who”.
8. Page 83, under heading “Claim Settlement Record” change “2016” to “2017”.
9. Page 88, under “Profiles of Nominees”, under Sheryll Hamilton, change “Shas” to “She”, to read “She has been employed...”

CORRECTIONS TO MINUTES

There was no other correction to the Minutes.

CONFIRMATION OF THE MINUTES

Mr. Randolph Jones moved a motion for its confirmation. This was seconded by Ms. Tameisha Williams.

MATTERS ARISING FROM MINUTES

Mr. Michael Burke enquired as to the status of a resolution passed at the previous meeting. The Chairman responded that the Resolution was sent to the Jamaica Co-op Credit Union League.

REPORTS

BOARD OF DIRECTORS

President Shaw presented the Report. He referred the members to pages 19 to 21 of the Annual Report and began his presentation by informing the meeting that the credit union was in a transformation mode, which requires constant change and disruption of the traditional ways of conducting business, and to improve operational efficiencies. He continued by saying that unlike many other institutions where the shareholdings are divided into majority and minority shares, each shareholder in the credit union has equal rights, including voting rights with each member having one vote regardless of the number of shares held in the credit union.

Highlights of his presentation included the following areas:

Financial Results

Mr. Shaw told the meeting that despite significant reduction in interest rates on loans and investments, the credit union achieved more than reasonable results in 2017. This, he continued, will allow the credit union to pay dividend of 5% on voluntary shares. He lamented the fact that the credit union experienced an increase in the number of members who joined the unemployment ranks due to redundancy; in addition to a significant increase in the number of members who have migrated. He said the fact that the credit union experienced increase in assets of 6.7%, voluntary shares of 7.8% and income of 7.3% among other achievements is commendable given that the credit union had to respond to the market and significantly adjust its interest rates on loans.

Corporate Governance

The Board continued its quest to identify areas of priorities as it continues to fulfill its mandate of ensuring that the credit union remains strong, by employing strategies to guide the management and control of the credit union. This includes organizational planning, the management of risks and performance reviews.

The credit union has a five-year plan in place and is closely monitored by the Board to ensure that the objectives as set out are met. The Board has also put in place additional policies and procedures to ensure that the credit union is fully compliant with regulatory and other requirements. The Board continues to review our own performance, as we view this as a critical part of the corporate governance process.

IFRS9

The IFRS9 Standard requires all financial institutions to account for Expected Credit Losses rather than incurred losses. As a result, the credit union will have to utilize methods of economic analysis and forecasting that is supported by adequate data. The credit union participated in Phase 1 of the IFRS9 Project undertaken by the League and has contracted the services of a company to assist with its full implementation.

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

Credit Union of the Year – Runner-up Award

The credit union received the award for the second consecutive year.

The Future

The President ended his presentation by informing the meeting that the Board has every confidence that the credit union will continue to weather the storm despite the continued redundancy programmes in some of the allied companies. He thanked 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.

Comments

Mr. Burke congratulated the President for reminding the members that the credit union belongs to them, and that “its one person one vote”. He pointed out that what was missing from the presentation was a reminder to the members that the highest authority in the credit union is the Annual General Meeting; adding that he wished other credit unions would do the same.

Adoption of Board of Directors’ Report

The Board of Directors’ Reports were adopted on a motion by Ms. Sybil Cole and seconded by Mr. Paul Ford. The members in unison voted in its favour.

TREASURER’S AND AUDITORS’

Assistant Treasurer Anthony Young (in the absence of Treasurer Audley Deidrick) presented the Reports. He directed the meeting to pages 21 through to 73 of the Annual Report, and then invited Mr. Andrew Thompson from Mair Russell Grant Thornton to read the Auditors’ Report.

Mr. Thompson read the key sections of the Independent Auditors’ Report addressed to the Registrar of Co-operatives and Friendly Societies. Among the key points read were – “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 the financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standard and the requirements of the Co-operative Societies Act. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion’. In our opinion, Mr. Thompson continued, “proper accounting records were maintained so far as it appears from our examination of these records and the financial statements are in agreement with the given information required by the Co-operatives Societies Act in a manner so required.”

Assistant Treasurer Young then referred the meeting specifically to Pages 21 to 24 of the Report. He told the meeting that that the Jamaican economy continued to show signs of improvements during the year 2017, and that 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, he continued, included the transitioning of the policy interest rate to market rates. He told the meeting that inflation in 2017 increased to 5.2% relative to 1.7% in 2016. This he said, reflected the impact of supply shocks associated with adverse weather conditions, rising international commodity prices, and an uptick in inflation expectations.

Highlights of the credit union’s performance as at 2018 December 31 as outlined by the Treasurer are detailed below:

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 Reserves, the Institution Capital is increased to \$331.32m or 17.80% of Assets.

Assets

Assets increased by 6.66% (4.82% in 2016) to reach \$1,861.00m.

Loans

Net Loans represents 61% of Assets. While \$527.48m was disbursed during the period; which represents an increase of 5% or \$25.50m over the previous year's figure, \$489.14m was repaid.

Loan Provisioning Reserve

The Loan Loss Reserve account serves as a "cushion" to protect 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 Instrument Recognition and Measurement Standard. 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.

Income/Surplus

- In response to the market, the credit union made several downward adjustments to its interest rates, which impacted the credit union's main source of income, this being "Income on Loans". Despite this, there was a moderate increase of 4.41%, moving from \$161.00m to \$168.11m. Income from Loans represents 82% of Income while Income from Investments accounted for 14.16%.
- At year end, an amount of \$83,095,328 was available for distribution; this after the mandatory 30% of Net Income was transferred to Statutory Reserves.
- Non-interest Income increased by 41.40% moving from \$5.59m to \$7.90m.
- "Actuarial loss on defined benefit pension plan" amounted to \$1.09m. This had a negative impact on the Net Surplus for the year.

Expenses

- Total Operating Expense increased by 10.32% (3.70% in 2016) moving from \$96.24m to \$106.17m. "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. "Representation & Affiliation" remained flat, moving from \$10.92m to \$13.16m.

Voluntary Shares

The Voluntary Shares portfolio recorded an increase of 7.75% or \$78.33m to reach \$1,088.75m.

Permanent Share Capital

This portfolio recorded an increase of 19.80% to reach \$13.80m.

Savings Deposits

There was a 30.78% increase in Savings Deposit; as the Portfolio moved from \$166.44m to \$217.67m.

Dividends/Interest Rebate

With the reduction in interest rates on both loans and investments, the credit union is pleased to be able to recommend dividend payments which far exceeds market interest rates on deposits. An amount of \$56,586,075 is proposed for payout to the membership. The proposal is for a dividend payment of five percent (5%) on Voluntary Shares, twenty percent (20%) on Permanent Shares; and a loan interest rebate of two percent (2%).

The Assistant Treasurer in closing, said that the credit union is cognizant of the challenges faced by the membership, and it will continue to monitor the environment both internally and externally, to ensure that the members' assets are protected and keep growing. He thanked the membership, fellow Directors and staff for their commitment throughout the years.

Matters arising from Treasurer's & Auditors' Report

Mr. Michael Burke pointed out that the Report spoke to the culture of the members of the credit union, wherein they tend to repay their loans quickly, and therefore the Board has to create innovative ways to get them to borrow. He suggested that the credit union give a named airline loans to repair "the planes or even one." He suggested that the Pilots Association and the members of the credit union could be encouraged to form either a friendly society or another co-operative that will look into overnight bed and breakfast for a lot of the passengers who come in on the planes that are only there because they are in-transit. He then apologized for not being able to stay for the remainder of the meeting.

Adoption of Treasurer's and Auditors' Report

The Treasurer's and Auditors' Reports were adopted on a motion by Mr. Orrette Staple and seconded by Mrs. Margareth Antoine. The members in unison voted in favour of the motion.

CREDIT COMMITTEE

The committee's Chair Mrs. Berthlyn Plummer presented the report. She referred members to Pages 74 to 77 of the Annual Report, and named the other members of the Committee as under:

- Devon Howell - Secretary
- Orrette Staple
- Sheryll Hamilton
- Karoline Smith.

Mrs. Plummer told the meeting that the committee met on forty-six (46) 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 Chair are detailed hereunder:

- Despite a reduction in the number of loans processed, there was an increase in the value of loans disbursed. Total loans disbursed for the year was 6,623 with total value of \$525.11M. When compared to 2016 this represented a decrease of 1,745 loan; and an increase in value of \$29.27M.
- The introduction of "Pay Day Loans" was welcomed by the membership, as it provided members with short term loans to cater to immediate expenses.
- The "Motor Vehicle Purchase/Repairs" category reflected 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 largest number of loans processed with 2,510 loans at a value of \$82.01M or 15.62% of total disbursements for the year.
- The "Real Estate" category recorded an impressive increase of 246.55%, moving from \$21.42m to \$74.24m. This was despite the uncertainties in the economic environment and the redundancy programmes at some of the credit union's allied companies.

Mrs. Plummer noted that the committee continued to be represented on the Finance and Planning, Risk & Compliance, and BOJ Preparedness committees. On behalf of the committee, she 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. Sharon Parchment Scott and seconded by Mr. Paul Ford. The motion was carried.

SUPERVISORY COMMITTEE

The Supervisory Committee's Report was presented by Chairman Samuel Manning. He apologized for the absence of committee members Miss Nicola Reid and Mrs. Maria Chen. He then referred members to the committee's Report contained on pages 78 and 79 of the Annual Report; and named the committee as under:

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

Mr. Manning reported that the committee met on five (5) occasions as it sought to fulfill the responsibilities entrusted to it by the membership. He read the committee's mandate which states "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 undertook 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."

The major areas of focus of the Committee for the year in review 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. Other areas of focus included bank reconciliation, staff payroll, staff contracts, GCT returns, property taxes, loans, legal and regulatory compliance, capital adequacy among other areas.

The Chairman 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). As part of its programme, he continued, the Supervisory Committee had representatives on different committees and attended meetings of the Finance and Planning, BOJ Readiness and the Risk and Compliance committees.

Matters arising from the Supervisory Committee's Report

There were no matter arising from the Report.

Adoption of Supervisory Committee's Report

A motion for the adoption of the report was moved by Mrs. Sheryll Hamilton, and seconded by Mr. Orrette Staple. 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 2017 Convention and 76th Annual General Meeting which took place at the Hilton Rose Hall Hotel during the period May 25-28. Approximately one hundred and thirty-seven (137) delegates and observers were in attendance. Alternate Delegate Celay Harwood-Gayle also represented the credit union at the meeting.

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 titled "Violence and Doing Business in Jamaica" by Dr. Herbert Gayle Sociologist and Criminologist.

Friday May 26 commenced with the Women’s Global Network Breakfast meeting as well as the President’s Breakfast. The official opening of the conference followed, with Action Coach Marcia Woon Choy being the main speaker. The plenary session followed and matters of critical importance to the credit union movement’s future were discussed.

Two (2) workshops were held simultaneously, they being:

- Building a culture of compliance: The role of Board and Management. Mr. Robin Sykes, Chief Technical Director of the Financial Investigation Division was the guest presenter.
- IFRS9: What you need to know

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. Palisadoes Co-op Credit Union was named “Credit Union of the Year-Runner-up” in the Large Credit Union category.

LEAGUE’S AGM – May 27

Twenty-seven (27) credit unions were registered for the meeting. President Winston Fletcher gave a summary of the Board of Directors’ Report, after which the Treasurer presented the Financial Reports. The Treasurer reported that the amount available for distribution for the year 2016 amounted to \$16.7m, compared to \$28.14m in 2015.

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 Executive of the 2017-2018 League’s Board of Directors:

Mr. Winston Fletcher - President
Mr. Clide Nesbeth – 1st Vice President
Mr. Lambert Johnson – 2nd Vice President
Mrs. Andrea Wilson-Messam, Treasurer
Mr. Jerry Hamilton – Asst. Treasurer
Mr. Norris Gilbert - Secretary

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 mentioned that it is seldom raised that Radio Jamaica is partly owned by the Credit Union League which is made up of credit unions; adding also that Radio Jamaica now owns the Gleaner. He said that “credit unions need to look at how the money is spent and also the programming to make sure that the best people and the best takes place; so we can bring in the greatest number of ads and so forth, which will benefit the credit union”.

Adoption of Delegates’ Report

The Report was accepted on a motion by Mrs. Berthlyn Plummer and seconded by Ms. Gay Clunis.

MANAGEMENT

General Manager Maxine Wilson referred the members to the report contained on Pages 82-85 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 told the meeting that human resources, staff training, and development continue to be an area of priority as the organization seeks to develop its human capital. She said staff members were exposed to training in POCA, Robbery Prevention, Reaction and Coping Skills and Risk Management.

As it relates to KYC requirement, Miss Wilson said that the credit union continues to tighten and enhance KYC functions; this includes additional steps to ensure full compliance.

Other highlights of Miss Wilson's presentation include:

Smart Pac Savings Programme

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

Deceased Members

Condolences to the families of deceased members were expressed. Deceased members mentioned were Janet Grant, Donald Jack, Valeria Muir and Linford Charles.

Mountain View Men's Initiative

The members of the Initiative present were again introduced. The Airports Authority of Jamaica and Excelsior Community College co-sponsors of the Initiative were acknowledged. The work of the Initiative was highlighted as hereunder:

- Participation in meaningful activities which will allow the young men to better manage situations in a non-violent manner, thus positively influencing others to do the same.
- Assist with training in micro-business management
- Identification of specific skills of interest, and facilitate training
- Preparation for the world of work
- Assistance in upgrading literacy

Port Royal Golden Agers Club

The Annual Treat was held in December and the members of the Club were feted and presented with bags of groceries.

GSAT 90s and over Exclusive Club

Seven (7) new members joined the Club. Those present were acknowledged. Mr. Dayne Davis (Southborough Primary School) was the top performer, having scored an average of 99%.

Matters arising from Management Analyses

Mr. Burke questioned 'how far up Mountain View does the common bond extends'. Miss Wilson indicated that the bond is not specific, and cover areas such as Bull Bay, Port Royal, Windward Road and Rockfort. Mr. Burke indicated that he wishes to bring in the Rockfort Development.

Proposal for the Fixing of Maximum Liability

Assistant Treasurer Anthony Young presented the report on behalf of Treasurer Audley Deidrick. He referred the meeting to pages 85 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 2018 December 31 be set at ten (10) times the Credit Union's Capital. The proposal was seconded by Mr. Devon Howell, and accepted by the membership.

Proposal for the Appropriation of Surplus for year ending 2017 December 31

Mr. Young, in presenting the proposal, referred the meeting to the proposal contained on page 85 and 86 of the Annual Report. He outlined the proposal for appropriation and distribution of surplus as detailed hereunder:

SURPLUS DISTRIBUTION - \$80,566,075

Total amount for Appropriation - \$27,210,000 as under:

Additional Amount to Statutory Reserve	\$8,000,000	Loan Loss Reserve	\$6,000,000
Education & Outreach	\$2,500,000	Provision for Loan Loss	\$2,000,000
Dividend on Permanent Shares	\$3,210,000	65 th Anniversary Celebration	\$3,000,000
Honoraria	\$2,500,000		

Total amount for Expenses - \$53,356,075 as under:

Dividend	\$50,025,425	2% Rebate on loan interest paid	\$3,330,650
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Mr. Young indicated that, before distribution of the Net Surplus, the Capital Sufficiency as at 2017 December 31 stood at 22.13%; which included the amount of \$7,853,791, which represents 30% of “Net Surplus before Transfers”. He further noted that after the proposed distribution, the Capital will be decreased to \$331,318,574 or 17.80% of Assets. The Proposal which was moved by Treasurer Audley Deidrick was seconded by Honourable Donna Parchment Brown. The motion was carried.

NOMINATING COMMITTEE’S REPORT

Mrs. Celay Harwood-Gayle, Chair of the committee presented the report. She referred the meeting to Pages 86 and 87, and then listed the other members of the committee as Ms. Maxine Daley – Member and Mrs. Claudine Purboo – Staff Liaison. She advised the meeting that the committee met to consider members to serve as volunteers on the Board and various committees for the year 2018-2019; 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	RECOMMENDED	TERM IN OFFICE
Audley Deidrick	Audley Deidrick	2 years
Orville Shaw	Sheryll Hamilton	2 years
Dervin Aiken	Dervin Aiken	2 years
Robert Thelwell	Robert Thelwell	2 years

CREDIT COMMITTEE

RETIRING	RECOMMENDED	TERM IN OFFICE
Devon Howell	Devon Howell	2 years
Berthlyn Plummer	Berthlyn Plummer	2 years
Sheryll Hamilton	Andre Duncan	2 years

SUPERVISORY COMMITTEE

RETIRING	RECOMMENDED	TERM IN OFFICE
Samuel Manning	Samuel Manning	1 year
Nicola Reid	Nicola Reid	1 year
Maria Chen	Maria Chen	1 year
Karen Green	Strephon Sanderson	1 year
Margareth Antoine	Margareth Antoine	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

Mrs. Harwood-Gayle, on behalf of the committee, acknowledged with thanks the contribution of all elected officers who served the credit union in 2017. She then referred the members to the profiles of new nominees contained on page 88 of the Report.

ELECTION OF OFFICERS

Mr. Shaw 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 65th 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. He also indicated that all elections will be determined by majority vote.

There were no other nominations tendered for the Board of Directors; as such Dervin Aiken, Audley Deidrick, Sheryll Hamilton and Robert Thelwell were elected to the Board of Directors.

Miss Judith McCalla nominated Mr. Carlington Miles for the Credit Committee; this was seconded by Miss Andrea Francis. Having accepted the nomination, and there being no other nomination, Mr. Miles was asked to introduce himself. Mr. Webb asked that ballots be distributed as there were four (4) nominees for three (3) vacancies. While this is being done, he added, the election for the other positions will continue.

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

There were no other nominations tendered for the Delegates to the League; as such Anthony Young and Maxine Wilson were elected as Delegates, while Mr. Robert Thelwell and Mrs. Celay Harwood-Gayle were elected as Alternate Delegates respectively.

SUSPENSION OF STANDING ORDERS

While the ballots were counted, a motion was moved for the suspension of standing order for other matters to be dealt with while the ballots were being completed. This was moved by Mr. Orville Shaw and seconded by Mr. Winston Ormsby. The motion was carried.

RESOLUTION

Mr. Webb referred the members to Page 89 which contained "The Resolution for the Transfer of Development Reserves to Loan Loss Reserves" was read as under:

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

The motion was seconded by Mr. Jermaine Francis. The members voted in unison, as such the Resolution was passed.

NOTICE OF RESOLUTION

Mr. Webb read the Notice of Resolution as under:

“Whereas the Palisadoes Co-operative Credit Union Limited encourages its members to maintain active accounts and be actively involved in the affairs of the credit union; and Whereas the credit union continues to foster effective corporate governance and has established fit and proper criteria for members who also have the requisite skills/expertise required to serve as elected officers of the credit union.

Be it resolved that members with inactive or dormant accounts for a period in excess of one year are ineligible to serve as elected officers. Where an inactive or dormant account is reactivated, a one-year waiting period is also required”.

Mr. Orrette Staple extended thanks to the staff, and in particular Miss Wilson for her leadership, noting that they did a tremendous job in the last financial year. He also congratulated member the Honourable Donna Parchment Brown for the tremendous job she has been doing as Political Ombudsman; and that it augurs well for the country.

Chairman Shaw extended special thanks to Miss Wilson for over 20 years of sterling service to the credit union. He then handed over to Miss Wilson who acknowledged the presence of a number of invited guests who arrived after the official introduction. She also acknowledged the presence of Mr. Robin Levy, Group CEO of the JACCUL Group who was attending his first AGM in that capacity. She invited him to bring greetings.

Mr. Levy congratulated the credit union on behalf of the League, and noted that the Audit was completed on March 12, which was very impressive.

Miss Wilson acknowledged with thanks the many companies and individuals who have contributed gifts, thus ensuring that the AGM was an exciting one. She named the contributors as follow:

Spectrum Insurance Brokers Ltd, Paper Alternative, Credit Union Fund Management Company, Airports Authority/NMIA Airports Ltd, CUNA Caribbean, Sol Petroleum Jamaica Ltd, Royale Computers, IGL Ltd, Goddard Catering, GB Energy Jamaica Ltd, Credit Info, Blue Chip Strategies, Audrey Allen & Company, HEART Trust/NTA, Massy Gas Pro, Rubis Energy Jamaica, BCNS Printery, Paradigm Pioneers, Mar-Roc Ltd, Wheels and Wheels Auto Brokers, Best Regards, NB Super Store, Petrojam Ltd, Wilberforce Gayle, MicroSoftware Designs, Caribbean Airlines, Grace Kennedy, Smith and Associates, Koby Motors, JCIA and Pricesmart.

RESUMPTION OF STANDING ORDERS

The motion for the resumption of the standing orders was done by Mrs. Celay Harwood-Gayle and seconded by Mr. Winston Ormsby. Mr. Webb announced the results of the election for Credit Committee as under:

- Devon Howell – 97 votes
- Berthlyn Plummer – 100 votes
- Carlington Miles – 89 votes
- Andre Duncan – 79 votes

He then announced that the persons duly elected to the Credit Committee were Devon Howell, Berthlyn Plummer and Carlington Miles; adding that they will all serve for two (2) years.

ANY OTHER BUSINESS

There being no other matters, Mr. Ormsby, on behalf of President Shaw (who had to leave) 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 5:34 p.m.

Report of the Board of Directors

For year ended 2018 December 31

On behalf of the Board of Directors, I am pleased to present to you the Board of Directors' Report for the Year 2018. The strength of our organization is not determined only by its financial success, but even more importantly, by the deep commitment of our members, staff and other stakeholders. As such, our own commitment is to continue the path to organizational agility; as we continue to improve our ability to rapidly adapt and respond to market and environmental changes in productive and cost-effective ways. It is on this basis that we embarked on a comprehensive information technology upgrade and have (and continue) to put plans and programmes in place to be the very best we can. Of course, there is much more room for improvement, but fellow members, the process has started. We are even more conscious that the future is not tomorrow, it's not a year's time, the future is now, and we **MUST** remain relevant in this very competitive environment.

Corporate Governance

Your credit union operates within a comprehensive corporate governance framework, and firmly acknowledges that strong governance is critical to our achieving sustainable value in a dynamic and ever-changing environment. Your Board values and take seriously, our responsibility to operate within the highest ethical standards, and ensure the ongoing enhancement of our corporate governance framework. We are committed to ensuring the continued strengthening of the oversight of the organization with revised and enhanced policies and procedures, and other enhancements; as we are aware that the direction, management and control of the credit union is our mandate. We continue to provide direction to management with regards to the articulation of the vision of the credit union.

We continue to identify areas of priorities, and reserve specific matters for our decision, and made ourselves available for training to keep abreast of emerging trends and advances in business innovation, thus enabling more informed governance. All members of the Board, and by extension all elected officials are required to sign the Ethics and Conflict of Interest Policy.

In addition to the above, the Board also undertakes the following responsibilities:

- Approval of the risk parameters and policies, as well as the Risk Appetite for the organization
- Ensure that the credit union operates within applicable laws, regulations and procedures
- Approval of strategic plans to include budgets, business plans and targets
- Assessment of the adequacy of risk management and internal controls etc.

Board Skills and Experience

Our Board is equipped with the requisite skills required to propel the credit union going forward. Some of the skills and experience include (but is not limited to) financial literacy, human resource management, business/strategy leadership, corporate governance, administrative and business management, information technology, executive level experience and risk management.

Board Evaluation

We continue to evaluate our own performance through an annual Board Evaluation exercise; and seek always to address areas that require improvements or inputs.

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), Counter Terrorism Financing, 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.

65th Anniversary Celebrations

We began our 65th Anniversary celebrations on April 22 with a church service at the Webster Memorial United Church. The service was very well attended as members and other stakeholders joined us in giving thanks.

Our Anniversary Awards Banquet was held on September 22 at the Spanish Court Hotel. It was indeed a wonderful occasion as the credit union paid tribute to past and present elected officers for their sterling contribution to the development of the credit union. Several employees were also recognized for their contribution.

Smart Pac Savings Programme

At year end, there were 23 schools (2017: 23) including 5 from Montego Bay enrolled in the programme. Membership under the programme stood at 2,817 (2,231 in 2017) SMART Pac Account holders, with savings of \$20.89m (\$ 2017: \$19.54m).

Insurance Settlement 2018

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

- Lineth Davis
- Beula Malcolm
- Linton Lynch
- Donna Williams
- Deloris Bryan
- Duval Binns
- Donovan Henry

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 CLAIM SETTLEMENT RECORD

	2018	2017
Life Savings	\$ 335,350.73	\$ 59,746.82
Loan Protection	\$ -	\$ 14,276.41
Average Claim	\$ 83,837.69	\$ 37,011.62
Total# of Claims	4	2

OUR CORPORATE RESPONSIBILITY

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

Mountain View Men's Initiative

We continue to impact lives in a meaningful way through the sponsorship of this Initiative. We use this medium to thank the Airports Authority of Jamaica and Excelsior Community College, co-sponsors for their continued contribution to enhancing the lives of some of the young men in the Mountain View Community. We have seen the positive difference our presence has made in providing members of the Initiative with alternate ways of dealing with situations and in addition, preparing them for the world of work.

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.

90 & over Exclusive GSAT Club

The credit union feted and awarded additional scholarships to SMART Pac Members who scored 90% and above in the 2018 GSAT exams at an Awards Breakfast held at the Knutsford Court Hotel in July.

Congratulations to SMART-Pac holder Ellysia Powell (Montego Bay High School) was the top GSAT performer; scoring 97%. Ms. Powell is presently attending the Montego Bay High School.

We extend congratulations also to the other Awardees listed below:

<u>Wolmers High:</u> Abigail Johnson Alana Williams	<u>Immaculate Conception:</u> Shania Parchment	<u>St. Hugh's</u> Amanda Fennell
<u>Jamaica College:</u> Ethan Stephens	<u>Ardenne High:</u> Dane Sutherland	

Credit Union of the Year 2017 - Runner-up Award; Large Credit Union Category

Our credit union, for the second consecutive year received this award at the Jamaica Co-op Credit Union League's Awards Banquet in 2018 May. We place on record our thanks to each member, including elected officers, management and staff of the credit union.

Financial Results

The financial results are detailed in the Treasurer's and Auditors' Report. The significant reduction in interest rates both on loans and on investments, coupled with the uncertainty regarding employment that exists among many of our members and migration had a negative effect on our performance. Given all the challenges, we are pleased that we were able to post creditable results and are able to propose competitive returns on your investments in the credit union. We continue to crave your support going forward, as together we ensure that our credit union remain relevant and continue to be the best financial alternative for its members.

Thank You

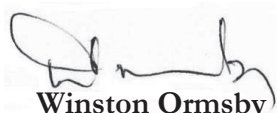
On behalf of the Board of Directors we thank all those who have served us throughout the years. It was Warren Buffett who said, "Someone is sitting in the shade today because someone planted a tree a long time ago." We thank you for planting the tree called Palisadoes Co-op Credit Union. We thank all those members and other stakeholders who watered and nourished it throughout the years, and we look forward to your continued nourishment, as we continue to strive to make our credit union that much better.

To our ever-faithful members who continue to repose their faith and confidence in us, to the various stakeholders who provide support all along the way. As we face the challenges and storms that lie ahead, we are reminded of the saying that "storms make trees take deeper roots". We will weather the storms and will emerge even more rooted and grounded than ever before; ready to take on the challenges of 2019.

BOARD MEETING ATTENDANCE 2018

NAMES	MEETINGS HELD	MEETINGS ATTENDED	MEETINGS EXCUSED
Winston Ormsby	9	5	4
Robert Thelwell	9	8	1
Audley Deidrick	9	6	3
Anthony Young	8	8	0
Dervin Aiken	9	7	2
Celay Harwood-Gayle	9	9	0
Sheryll Hamilton	7	7	0

ON BEHALF OF THE BOARD OF DIRECTORS



Winston Ormsby
PRESIDENT

TREASURER’S REPORT FOR
YEAR ENDED 2018 DECEMBER 31

It is indeed a pleasure to report to you on the financial affairs of our credit union for the year 2018. It was an eventful year internationally, locally and for our own credit union.

The Macro-economy

The Jamaican economy grew by an estimated 1.7% in 2018, the strongest since the year 2011. This was due mainly to a faster pace of growth in mining and tourism, significant growth in construction due to various road works, and a rebound in domestic agriculture production from the effect of adverse weather conditions in May/June and November 2017. These positive developments resulted in increased employment, heightened business confidence and a stable macroeconomic environment.

During 2018, the Bank of Jamaica continued to ease monetary policy. Specifically, the policy interest rate was reduced on five occasions by a total of 150 basis points (bps) to 1.75% at year end. The further loosening of the monetary policy stance the Bank stated, was aimed at “fostering greater credit expansion, stronger growth in Gross Domestic Product (GDP) and increased job creation that will support inflation returning within the target of 4.0% to 6.0%. The unemployment rate for 2018 average of 9.2% in 2018, relative to 11.7% in the previous year.

Improved Sovereign Ratings

During the year, international rating agency Moody’s affirmed Government of Jamaica's B3 long-term issuer credit ratings and changed the outlook to positive from stable. Jamaica's senior unsecured rating was also affirmed at B3, and its senior unsecured shelf rating was affirmed at (P) B3. The affirmation of the B3 rating captured Jamaica’s commitment to continued fiscal consolidation and the government’s continuous meeting of

its quantitative performance criteria set in the IMF's Stand-By Arrangement. S&P Global Ratings also revised its outlook on Jamaica to positive from stable.

IMF Standby Agreement (SBA)

In November 2018, the IMF completed its fourth review under the SBA and reported that as at the end of June 2018 the country had successfully met all quantitative performance criteria while supply-side measures were broadly on track.

Net International Reserves

At year end the reserves stood at US \$3.005b which is able to support 19.47 weeks of goods and services imports.

Inflation

The annual inflation was below the Bank's inflation target of 4.0% to 6.0%. This the Bank noted was due to the "impact of stronger-than-anticipated declines in the prices of agricultural produce as well as lower-than-forecasted oil prices. In addition, despite evidence of increased employment and greater economic activity in the domestic economy, there was limited pass-through of the improved domestic demand conditions to prices. This was largely due to continued fiscal consolidation". As at December 31, 2018, the calendar year-to-date inflation was 2.4% and the movement in the index for the fiscal year-to-date was 2.7%.

The Bank has predicted that there is some risk that headline inflation would fall below its target at various times during 2019 and 2020.

Outlook for the Jamaican Economy

The outlook for growth in the Jamaican economy continues to be positive. Growth in aggregate spending over the short term is expected to be chiefly driven by an increase in net external demand and consumption. Investment growth is anticipated to be subdued given the non-recurrence of significant investment in 2017. This forecast assumes expansions primarily in Mining & Quarrying, Agriculture, Forestry & Fishing, Hotels & Restaurants and Manufacturing. In the context of this outlook, Bank of Jamaica projects that GDP growth will fall in the range of 1.5% to 2.5% over the medium-term.

Jamaica's Credit Union Movement

At year end there were 26 credit unions operating in Jamaica, with Savings of \$89.31b, Loans \$79.66b and Asset of \$114.43b.

Our Credit Union

The financial performance of the credit union during 2018 may best be described as creditable. It was a year in which we experienced increased competitive pressure. This was further compounded by the increase in the number of members who have migrated, the continued redundancy programmes in some of our allied companies, preparations for the privatisation of the Norman Manley International Airport and other challenges. These had and continue to have a negative effect on the credit union's overall growth strategy.

Given all the challenges, we are pleased to be able to provide above-market returns on your investment in the credit union, as dividend of five percent (5%) will be paid on Voluntary Shares, and a proposal is being made for dividend payment of twenty percent (20%) on Permanent Shares. We continue to reward our members who have invested in the credit union via loans and are once again pleased to be able to pay a patronage refund of two percent (2%) of your annual loan interest paid.

While these rates of payment may not be sustainable in the future given the government's thrust to continue its low interest rate policy among other factors, we remain committed to ensuring that our credit union is managed in a most frugal manner, to ensure the best returns on investments.

The credit union continues to have 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 2018 December 31.

Capital Requirement

When the 30% or \$9.35m of Undistributed Surplus is applied; the Institution Capital is increased to \$349.39m or 17.90% of Assets.

Assets

Assets increased by 4.88% (6.66% in 2017), moving from \$1,861.00m to \$1,951.84m. Increase in Voluntary Shares and Financial Investments were the main contributors for the increase.

Loans

Net Loans represents 56% (61% in 2017) of Assets. While \$469.91m was disbursed during the period, \$470.37m was actually repaid compared to repayment of \$489.14m in 2017.

Gross Loans amounted to \$1,139.32m (\$1,139.78m in 2017). The Expected Credit Loss was \$10.76m. The Allowance for Loan Losses for 2017 was \$11.03m.

Loan Provisioning Reserve

Under the IFRS9 standard, we are required to now write back any excess in our previously held Loan Loss Reserves, as IFRS 9 deals with expected credit loss; a different methodology from the “incurred loss” IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS9 became effective on 2018 January 1. After the amount of \$1,333,409 representing “additional provision through loan loss reserve” is deducted from the Reserves, the remaining amount of \$17,666,591 is added to surplus. A proposal is being put forward to the AGM for these funds to be placed into a non-institutional capital reserve and therefore not be distributed.

At the AGM of 2018, a Resolution was passed for the amount of \$8,385,861 held in Development Reserve be transferred to the Loan Loss Reserve Account. Given the foregoing, reallocation of the funds were not allowed.

Income/Surplus

- In response to the market, the credit union continued to make several downward adjustments to its interest rates. This impacted our main source of Income (Income from Loans). Interest income recorded a 9.30% reduction; moving from \$168.11m in 2017 to \$152.49m.
Income from Loans represents 73% of Income; while Investments accounted for 22.37% (14.16% in 2017).
- Non-interest Income increased by 24.43% moving from \$7.90m to \$9.83m.
- ‘Actuarial **loss** on defined benefit pension plan’ amounted to \$5.25m; this effectively reduced our Total Comprehensive Income by that amount. The Pension Plan is administered by the Jamaica Co-op Credit Union League.
- The amount available for distribution (after the required 30% statutory reserve is deducted) is \$108,376,046; this compared to \$83,095,328 which was available in 2017. Included in the amount is the net amount of \$17.67m which was transferred from the Loan Loss Reserve account. Also included is the amount of \$4,175,000 “transfer of retirement benefit asset” which represents a decrease in the Retirement Benefit Asset.

Expenses

- Total Operating Expense increased by 5.42% (10.32% in 2017) moving from \$106.17m to \$111.93m
- “Staff Costs” and “Marketing & Promotion” accounted for the largest percentage increases; being 10.02% and 144.15% respectively. “Staff Costs” moved from \$52.54m to \$57.81m; while “Marketing and Promotion Costs” moved from \$1.69m to \$4.13m. “Representation & Affiliation” reflected a decrease, moving from \$13.16m to \$10.87m.
- “Administrative Costs” remained relatively flat moving from \$38.78m to \$39.13m.

Shares

- The Voluntary Shares portfolio continued its steady growth path during the year; and recorded an increase of 5.57% or \$60.69m; when compared to an increase of 7.75% or \$78.33m in 2017.
- The Permanent Shares portfolio recorded a 22.86% (2017:19.80%) increase and ended the year at \$16.95m (\$13.80m in 2017). Members continue to receive higher dividend payment on these shares.

Savings Deposits

There was a marginal increase of 1.5% in the Savings Deposit portfolio; this compared to a 30.78% increase in 2017 The Portfolio moved from \$217.67m to \$220.89m.

Returns on Our Investments

We continue to seek ways in which the credit union can reward members for their commitment to ensuring the safety, soundness and viability of the credit union. From the Surplus, an amount of \$59,705,000 is made available for payout to the membership this year. A dividend payment of five percent (5%) on Voluntary Shares is approved by the Board of Directors, in addition to an interest rebate (patronage refund) of 2% of loan interest paid in 2018. A proposal for dividend payment of twenty percent (20%) on Permanent Shares is being presented to the meeting.

Our Focus

We expect 2019 to be no less challenging. The anticipated privatisation of the Norman Manley International Airport is slated for this year, other allied companies will continue to “restructure”; we expect redundancies, increased unemployment, migrations etc; but we are more than committed to grasp the opportunities that will present themselves, putting in place strategies, monitor the environment, to be proactive and resilient in ensuring that our credit union remain a healthy one.

Thanks to you our members for having placed their confidence in us. 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 2019.



Dervin Aiken
TREASURER

Simplified Statement of Financial Position
Year ended 2018 December 31

<u>WE THE MEMBERS OWN</u>	2018	2017	% GROWTH/ REDUCTION
Statutory Reserves	332,441,414	314,990,196	5.54%
Retirement Benefit Reserve	13,686,000	17,861,000	-23.00%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	16,953,058	13,799,125	2.86%
Permanent Share Transfer Fund	1,040,043	1,040,043	0.00%
General Reserves	26,674,215	27,660,220	-3.56%
Adjustment for Expected Credit Loss from Reserve	1,333,409	0.00	0%
Loan Loss Reserves		19,000,000	0%
Undistributed Surplus	108,376,046	83,095,328	32.03%
Making the grand total owned by us as members	523,870,257	500,811,984	8.13%
<u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,084,646,493	1,073,699,420	1.02%
To invest in others	748,254,375	656,181,973	14.03%
Cash in hand and at bank	38,510,963	46,486,860	-17.16%
Advances to Others	14,736,468	17,098,332	-13.81%
Retirement Benefit Asset	13,686,000	17,861,000	-23.37%
To purchase Assets	52,007,521	49,672,339	4.70%
Less amount we owe to others at year end	(1,427,971,563)	(1,360,187,940)	-4.69%
Agreeing our net investment with our grand total owned	523,870,257	500,811,984	5.41%
<u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	152,486,383	168,109,982	-9.29%
Interest on short-term investments and loans	46,781,034	29,045,509	61.06%
Other Income	9,831,363	7,900,376	24.44%
Total Income earned	209,098,780	205,055,867	1.97%
<u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	10,865,863	13,155,881	-17.41%
Administration	101,061,320	93,015,980	-8.65%
Financial	9,261,717	11,624,367	-20.32%
Net movement/expected credit loss for IFRS 2018	(1,440,326)	(143,875)	-99.89%
Leaving Surplus before distribution of	89,350,206	87,403,514	-2.23%
Dividend paid (2017 paid in 2018)	(55,685,149)	(58,724,212)	-5.18%
Honoraria paid (2017 paid in 2018)	(2,500,000)	(2,500,000)	0.00%
Balance	31,165,057	26,179,302	19.04%
Transfer to Statutory Reserve	(9,349,517)	(7,853,791)	19.04%
Less prior year adjustments and appropriation	(15,534,822)	(19,839,825)	21.70%
Add amt. transferred from Loan Loss Reserve	19,000,000		
To which we add previous Undistributed Surplus	83,095,328	84,897,392	-2.12%
Resulting in a total undistributed surplus at this yearend of	108,376,046	83,095,328	30.42%

Palisadoes Co-operative Credit Union Limited

FINANCIAL STATEMENTS

December 31, 2018



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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, 2018, 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, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the 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.

Loan and allowances for credit losses on loans

As at December 31, 2018 loans after allowances for credit losses of \$10.7 Million amounted to \$1,129 million or 61% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgements by management, including:

- Determining the criteria for a significant increase in credit risk, which impacts the staging of the asset and the related calculation, ie one year or lifetime expected loss calculations.
- Determining the relevant inputs and techniques included in the expected credit loss model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters.
- For loans and advances, a significant amount of historical data is built into the PD, LGD and EAD risk parameters.

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)

- Use of multiple economic scenarios that are forward looking.
- Valuation of real estate property pledged as collateral for term loans: this is the most significant repayment source for credit-impaired assets.
- We evaluated the appropriateness of the Credit Union's staging and where applicable, determined whether the significant increase in credit risk and default definitions were appropriately applied.
- We obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. We tested reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.
- We evaluated the appropriateness of management's judgement pertaining to forward looking information, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.
- We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.
- We performed the calculation of days past due, a key data input into the PD parameter, in the Credit Union's banking system on a sample basis.

We tested the completeness and accuracy of the historical data used by agreeing details on default rates and recovery rates. The data used for these assessments were based on the Credit Union's internal default experience segmented by loan type. For a sample of credit exposures, we agreed the critical data fields, such as origination date, maturity date, default date, principal, collateral value and cash recoveries and exposure limits, used in developing default, recovery and utilisation rates to source documents.

- For a sample of stage 3 loans we obtained an understanding of the latest developments at the borrowers and the basis of measuring the impairment provisions and considered whether key judgements were appropriate given the borrower's circumstances. We re-performed management's impairment calculation including the expected future cash flows and valuation of collateral held and determined reasonableness of the valuation of real estate collateral with the assistance of auditors' expert.
- Based on the procedures described above, no material exceptions were noted in our assessment of the Credit Union's implementation of IFRS 9, including its provisioning in accordance with its newly adopted expected credit loss model.

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

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 and the assumptions. 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.

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.

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)

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.

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.

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)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

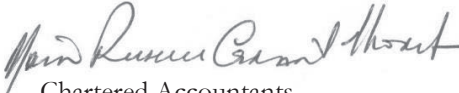
Report on Other Legal and Regulatory Requirements

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

Audit Date March 18, 2019


Chartered Accountants



**DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES**

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



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

S1

R 99/-620/03/19

March 18, 2019

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, 2018.

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

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

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

Yours truly,

.....
Errol Gallimore
**REGISTRAR OF CO-OPERATIVE SOCIETIES
AND FRIENDLY SOCIETIES**

LGE/kd

Statement of financial position December 31, 2018

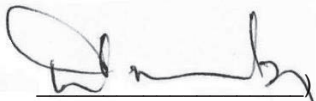
	Note	2018 \$	2017 \$
Assets			
Non-current assets			
Earning			
Financial investments	(6)	63,715,411	22,238,514
Loans, after provision for expected credit losses	(7)	1,084,646,493	1,073,699,420
Automated Teller Machines	(8)	4,647,579	2,734,484
		<u>1,153,009,483</u>	<u>1,098,672,418</u>
Non-Earning			
Property, plant and equipment	(9)	47,359,942	46,937,855
Retirement benefit asset	(10)	13,686,000	17,861,000
		<u>61,045,942</u>	<u>64,798,855</u>
Total non-current assets		<u>1,214,055,425</u>	<u>1,163,471,273</u>
Current assets			
Earning			
Financial investments	(6)	431,113,972	481,120,855
Resale agreement	(11)	199,300,450	87,556,370
Repossessed asset held-for-sale		10,212,609	10,212,609
Loans, after provision for loan impairment	(7)	43,911,933	55,053,625
		<u>684,538,964</u>	<u>633,943,459</u>
Non-earning			
Bank and cash balances	(12)	38,510,963	46,486,860
Accounts receivables	(13)	14,736,468	17,098,332
		<u>53,247,431</u>	<u>63,585,192</u>
Total current assets		<u>737,786,395</u>	<u>697,528,651</u>
Total assets		<u>1,951,841,820</u>	<u>1,860,999,924</u>


Statement of financial position December 31, 2018

	Note	2018 \$	2017 \$
Capital and liabilities			
Capital			
Permanent share capital	(14)	16,953,058	13,799,125
Institutional capital	(15)	332,441,414	314,990,197
Non-institutional capital	(16)	66,099,739	88,927,335
Undistributed surplus		108,376,046	83,095,327
Total capital		523,870,257	500,811,984
Liabilities			
Non-current liabilities			
Interest bearing			
Savings deposits	(17)	40,840,500	64,970,498
Members' shares	(18)	1,149,437,781	1,088,746,258
External credit	(19)	28,674,251	28,294,565
		<u>1,218,952,532</u>	<u>1,182,011,321</u>
Non-interest bearing			
External credit	(19)	4,880,491	4,880,491
Total non-current liabilities		1,223,833,023	1,186,891,812
Current liabilities			
Interest bearing			
Savings deposits	(17)	180,046,226	152,702,336
Non-interest bearing			
Accounts payable and accruals	(20)	24,092,314	20,593,792
Total current liabilities		204,138,540	173,296,128
Total liabilities		1,427,971,563	1,360,187,940
Total capital and liabilities		1,951,841,820	1,860,999,924

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

Approved for issue by the Board of Directors on March 18, 2019 and signed on its behalf by:


Winston Ormsby President


Dervin Aiken Treasurer

Statement of comprehensive income

Year ended December 31, 2018

	Note	2018 \$	2017 \$
Interest income			
Members' loans		152,486,383	168,109,982
Liquid assets		44,230,719	25,674,915
Investments		2,550,315	3,370,594
		<u>199,267,417</u>	<u>197,155,491</u>
Interest expense and dividends			
Interest on members' savings and deposits		7,817,361	10,106,854
Dividends		55,685,149	58,724,212
External credit		506,245	660,785
Bank charges and interest		938,111	856,728
		<u>64,946,866</u>	<u>70,348,579</u>
Net interest income		134,320,551	126,806,912
Net movement on loan impairment provision		1,440,326	143,875
Net interest income after provision for losses		<u>135,760,877</u>	<u>126,950,787</u>
Non-interest income			
Service fees		2,490,818	2,308,686
Quick cash commission		24,209	16,307
Phone card net		114,192	152,422
Rental income		1,100,000	-
ATM fees		231,000	-
Foreign exchange gain		4,267	45,606
Other income		5,866,877	5,377,355
		<u>9,831,363</u>	<u>7,900,376</u>
Gross margin		145,592,240	134,851,163
Less: Operating expenses	(21)	111,927,183	106,171,861
Surplus for the year before honorarium		<u>33,665,057</u>	<u>28,679,302</u>
Honorarium		2,500,000	2,500,000
Net surplus for the year		<u>31,165,057</u>	<u>26,179,302</u>
Other comprehensive income:			
Actuarial loss on defined benefit plan		(5,253,000)	(1,092,000)
Other comprehensive loss for the year		<u>(5,253,000)</u>	<u>(1,092,000)</u>
Total comprehensive income for the year		<u>25,912,057</u>	<u>25,087,302</u>

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

Statement of changes in equity Year ended December 31, 2018

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2018	13,799,125	314,990,197	88,927,335	83,095,327	500,811,984
Adjustment from adoption of IFRS 9	-	-	-	(2,623,412)	(2,623,412)
Transfer of loan loss reserve	-	-	(19,000,000)	19,000,000	-
Adjusted balance at January 1, 2018	13,799,125	314,990,197	69,927,335	99,471,915	498,188,572
Surplus for the year	-	-	-	31,165,057	31,165,057
Other comprehensive income					
Actuarial loss on defined benefit asset	-	-	-	(5,253,000)	(5,253,000)
Total comprehensive income	-	-	-	25,912,057	25,912,057
30% transfer of statutory reserve	-	9,349,517	-	(9,349,517)	-
Transfer of retirement benefit asset	-	-	(4,175,000)	4,175,000	-
Share transfer fund	-	-	-	-	-
Entrance fee	-	101,700	-	-	101,700
Loan provision	-	-	1,333,409	(1,33,409)	-
Decrease in market value of equities	-	-	(986,005)	-	(986,005)
Appropriation – education and outreach	-	-	-	(2,500,000)	(2,500,000)
Permanent shares	3,153,933	-	-	-	3,153,933
Additional transfer to statutory reserve	-	8,000,000	-	(8,000,000)	-
Balance at December 31, 2018	16,953,058	332,441,414	66,099,739	108,376,046	523,870,257

Statement of changes in equity Year ended December 31, 2018 (cont'd)

	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

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

Statement of cash flows

Year ended December 31, 2018

	2018	2017
	\$	\$
Cash flows from operating activities:		
Surplus for the year	31,165,057	26,179,302
Adjustments for:		
Gain on retirement asset	(1,078,000)	(1,489,000)
Depreciation	6,375,753	5,855,381
Adoption of IFRS 9	(2,623,412)	-
Net cash provided by operating activities	33,839,398	30,545,683
Cash flows from investing activities:		
Loans after provision for loan impairment	194,619	(37,087,397)
Financial investments	8,529,986	(45,832,430)
Resale agreement	(111,744,080)	(45,054,889)
Accounts receivables	2,361,864	(3,538,538)
Purchase of intangible asset	(2,442,054)	-
Purchase of property, plant and equipment	(6,268,882)	(1,645,869)
Net cash used in investing activities	(109,368,547)	(133,159,123)
Cash flows from financing activities:		
Issue of permanent shares	3,153,933	612,700
Members' shares	60,691,523	78,328,883
Savings deposits	3,213,892	14,388,822
External credit	379,686	224,367
Payables and accruals	3,498,523	2,511,140
Entrance fees	101,700	58,800
Appropriations	(2,500,000)	(2,500,000)
Investment revaluation reserve	(986,005)	649,229
Non-institutional capital	-	(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	67,553,252	91,037,033
Net decrease in bank and cash balances	(7,975,897)	(11,576,407)
Bank and cash balances at beginning of year	46,486,860	58,063,267
Bank and cash balances at end of year	38,510,963	46,486,860

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

Notes to the financial statements

December 31, 2018

1. General information and nature of operation

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 and going concern assumptions

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They have been prepared under the assumption that the Credit Union operates on a going concern basis.

4. New and revised standards that are effective for annual periods beginning on or after January 1, 2018

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

IFRS 9 ‘Financial Instruments’

IFRS 9 replaces IAS 39 ‘Financial Instruments: Recognition and Measurement’. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ‘expected credit loss’ model for the impairment of financial assets.

When adopting IFRS 9, the Credit Union has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

When adopting IFRS 9, the Credit Union has applied transitional relief and opted not to restate prior periods.

The adoption of IFRS 9 has impacted the following areas:

- the impairment of financial assets applying the expected credit loss model. This affects the Credit Union's loan to members receivables measured at amortised cost. For contract assets arising from IFRS 15 and loan to members receivables, the Credit Union applies a general approach of recognising lifetime expected credit losses.
- investment and other financial assets did not have a material impact on the opening statement of financial position as at January 1, 2018.

On the date of initial application, January 1, 2018, the financial instruments of the Credit Union were reclassified as follows:

	Original (IAS 39) Category	New IFRS 9 Category	Closing balance December 31, 2017 (IAS 39)	Adoption of (IFRS 9)	Opening balance January 1, 2018 (IFRS 9)
			\$'000	\$'000	\$'000
Financial assets					
Loans after provision for impairment	Amortised cost	Amortised cost	1,128,753,045	(2,623,413)	1,126,129,632
Resale agreement	Amortised cost	Amortised cost	87,556,370	-	87,556,370
Financial investment	Available-for-sale	FVTPL	2,549,193	-	2,549,193
Financial investment	FVTOCI	FVTOCI	21,223,823	-	21,223,823
Financial investment	Available-for-sale	Amortised cost	479,586,353	-	479,586,353
Other receivables	Amortised cost	Amortised cost	17,098,332	-	17,098,332
Other short-term investment	Amortised cost	Amortised cost	-	-	-
Cash and cash equivalents	Amortised cost	Amortised cost	46,486,860	-	46,486,860
Total financial assets balances			1,783,253,976	(2,623,413)	1,780,630,563

The Credit Union is still assessing the impact the change in model will have on its 2018 financial statements.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at January 1, 2018

	IAS 39 carrying amount December 31, 2017	Re- classification	Re- measurement	IFRS 9 carrying amount January 1, 2018	Retained earnings effect
	\$	\$	\$	\$	\$
Fair value through profit or loss					
Change to fair value through profit or loss	2,549,193	-	-	2,549,193	-
Fair value through other comprehensive income					
Change to fair value through other comprehensive income	21,223,823	-	-	21,223,823	-
Amortised cost (including held to maturity in (IAS 39))	1,759,480,960	-	(2,623,413)	1,756,857,547	(2,623,413)
Total financial assets balances	1,783,253,976	-	(2,623,413)	1,756,857,547	(2,623,413)

IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 replaces IAS 18 ‘Revenue’, IAS 11 – ‘Construction Contracts’, and several Revenue related interpretations. IFRIC 15 defines a comprehensive framework for determining when and to what extent revenue can be recognised. In accordance with IFRS 15, an entity shall recognise revenue as a monetary amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question.

According to the standard, revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer services to customers. The revenue recognition takes place over time or at a point in time, with the transfer of control as the key criterion. The Credit Union’s revenue stream consists of interest income from loans to members and service fee. Interest is accrued in accordance with the loan agreements. Application of the standard did not have an impact on the revenue or results of the Credit Union.

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

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

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

IFRS 16 Leases (*effective for annual reporting period beginning on or after January 1, 2018*)

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

a Basis of preparation

The Credit Union’s financial statements have been prepared in accordance with IFRS, and have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and certain financial assets and financial liabilities. These financial statements are expressed in Jamaican Dollars (J\$).

b 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.

c 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(q). 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.

d Foreign currency translation

Functional and presentation currency

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

Foreign currency translations and balances

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

e Revenue

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

f Operating expenses

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

g Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

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

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

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

Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)

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

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

Impairment of financial assets

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

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

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

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

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

- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime ECL.

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

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified Credit Union.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Credit Union's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below. The Credit Union's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

b 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.

i Institutional Capital

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

***j* 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.

***k* 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.

***l* 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.

***m* 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.

***n* 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.

***o* Other liabilities**

Other liabilities are stated at their nominal value.

***p* 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.

***q* 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.

r 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

	2018	2017
	\$'000	\$'000
Non-current		
Amortised cost		
Victoria Mutual Building CUMBO	6,558,086	5,112,638
JCCUL - CUETS Settlement Deposit	2,029,533	2,002,427
Government of Jamaica Bond	15,000,000	15,000,000
JCCUL – Cu Premium	127,792	123,449
Sterling Asset Management	40,000,000	-
	<u>63,715,411</u>	<u>22,238,514</u>
Current		
Amortised cost		
NCB Capital Market	60,000,000	60,000,000
Money Masters Fund	6,900,215	-
CUFMC - CU cash deposits	66,453,365	108,993,195
CUFMC - Fixed deposit	169,451,752	287,340,502
JMMB - Savings	2,796,701	1,014,142
JMMB - Fixed deposit	101,363,428	-
	<u>406,965,461</u>	<u>457,347,839</u>
Fair value through other comprehensive income		
Shares NUCS Co-operative Insurance Services	500,000	500,000
JCCUL shares unquoted	8,550,576	8,550,576
Shares – Quality Networks Co-operative Limited	2,093,247	2,093,247
Credit Union Fund Management Company	10,050,000	10,050,000
Centralised Strategic Service Limited	30,000	30,000
	<u>21,223,823</u>	<u>21,223,823</u>
Fair value through profit or loss		
Grace Kennedy	606,125	1,044,000
JMMB	494,912	1,118,600
Wisynco	338,552	386,593
Seprod	1,340,340	-
Elite Diagnostics	144,759	-
	<u>2,924,688</u>	<u>2,549,193</u>
Total current	<u>431,113,972</u>	<u>481,120,855</u>
Total	<u>494,829,383</u>	<u>503,359,369</u>

7. Loans, after provision for expected credit losses

(a) Movement in loans during the year

	2018	2017
	\$	\$
Balance at the beginning of the year	1,139,780,516	1,101,438,966
Add: Disbursement during the year	469,911,614	527,484,450
	<u>1,609,692,130</u>	<u>1,628,923,416</u>
Less: Repayment	(470,370,454)	(489,142,900)
	<u>1,139,321,676</u>	<u>1,139,780,516</u>
Less: Expected credit losses	(10,763,250)	(11,027,471)
	<u>1,128,558,426</u>	<u>1,128,753,045</u>
Less: Current portion	(43,911,933)	(55,053,625)
Total	<u>1,084,646,493</u>	<u>(1,073,699,420)</u>

(b) **Expected credit losses**

	2018 \$	2017 \$
Provision for impairment at beginning of year	11,027,471	9,773,318
Adjustment from adopting IFRS 9	2,623,413	-
Adjusted expected credit loss at January 1, 2018	13,650,884	9,773,318
(Reduction)/increase amounts provided for during the year	(1,661,619)	2,104,974
Loans recovered that were previously provided for	-	(247,370)
Bad debt written-off	(1,226,015)	(603,451)
Provision for impairment at end of year	10,763,250	11,027,471

(c) **Net movement on loan impairment provision:**

	2018 \$	2017 \$
Increase in loan loss provision during the year	264,221	-
Loan recovered that were previously provided for	(1,704,547)	(143,875)
Charged to income and expenditure and appropriations account during the year	(1,440,326)	(143,875)

(d) **Delinquent loans**

During the year, loans to members totalling \$1,226,015 (2017 - \$603,451), 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 thirty-four (34) (2017 – forty-six (46)) delinquent loans totalling \$17,345,453 (2017 – totalling \$23,886,523) aged two months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
2 - 3	2	42,335	10	4,234
3 - 6	8	588,008	30	176,402
6 - 12	8	11,997,716	60	7,198,629
Over 12	16	4,717,394	100	4,717,394
	34	17,345,453		12,096,659

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 \$77.6M (2016 - \$51M). 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:

	2018	2017
	\$	\$
Within 3 months	51,018,247	2,344,065
From 3 months to 1 year	160,492,904	28,037,481
Over 1 year	917,047,275	1,098,371,498
Total	1,128,558,426	1,128,753,045

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

	2018	2017
	\$	\$
Home equity	200,792,701	189,585,405
Motor vehicle	236,121,991	192,393,580
Loans within shares and savings	418,623,181	420,676,817
Unsecured loans	72,939,874	65,328,798
Others	210,843,970	271,795,916
Total	1,139,321,717	1,139,780,516

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

	2018	2017
	\$	\$
Neither past due nor impaired	1,120,955,328	1,106,401,675
Past due but not impaired	1,020,895	9,492,318
Impaired loans:		
2 to 3 months	42,335	9,589,213
3 to 6 months	588,008	2,777,067
6 to 12 months	11,997,716	5,712,034
Over 12 months	4,717,394	5,808,209
Less provision for loan losses	(10,763,250)	(11,027,471)
Total	1,128,558,426	1,128,753,045

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

	2018	2017
	\$	\$
Balance at January 1	11,027,471	9,773,318
Loans written-off during the year as uncollectible	(1,226,015)	(603,451)
	9,801,456	9,169,867
Specific provision for the year (IFRS)	961,794	(142,396)
Loan loss provision (IFRS)	10,763,250	9,027,471
Additional provision through loan loss reserve	1,333,409	2,000,000
PEARLS provision	12,096,659	11,027,471

8. **Automated teller machines**

The carrying amounts are reconciled as follows:

	Automated Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2017	8,817,922	8,817,922
Addition	2,442,054	2,442,054
Balance at December 31, 2018	11,259,976	11,259,976
Depreciation		
Balance at December 31, 2017	(6,083,438)	(6,083,438)
Depreciation	(528,958)	(528,958)
Balance at December 31, 2018	(6,612,397)	(6,612,397)
Carrying amount at December 31, 2018	4,647,579	4,647,579
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

9. Property, plant and equipment

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2018 can be analysed as follows:

	Land \$	Leasehold Improvement \$	Office Furniture & Equipment \$	Computer \$	Software \$	Total \$
Gross carrying amount						
Balance at December 31, 2017	33,605,925	10,051,832	13,901,091	18,244,937	14,587,587	90,391,372
Additions	-	-	319,120	345,477	5,604,285	6,268,882
Balance at December 31, 2018	33,605,925	10,051,832	14,220,211	18,590,414	20,191,872	96,660,254
Depreciation						
Balance at December 31, 2017	-	(9,714,338)	(9,725,370)	(15,711,538)	(8,302,271)	(43,453,517)
Depreciation	-	(159,194)	(1,001,229)	(1,353,100)	(3,333,272)	(5,846,795)
Balance at December 31, 2018	-	(9,873,532)	(10,726,599)	(17,064,638)	(11,635,543)	(49,300,312)
Carrying amount at December 31, 2018	33,605,925	178,300	3,493,612	1,525,776	8,556,329	47,359,942
	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

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,

	2018	2017
	\$	\$
Present value of funded obligation	62,921,000	51,636,000
Fair value of plan assets	(76,607,000)	(69,497,000)
Asset recognised in the statement of financial position	<u>(13,686,000)</u>	<u>(17,861,000)</u>

Expense recognised in the revenue and expenditure Statement

	2018	2017
	\$	\$
Current service cost	1,967,000	1,755,000
Interest cost	4,164,000	3,874,000
Return on plan assets	(5,211,000)	(4,958,000)
Net pension credit included in staff costs	<u>920,000</u>	<u>671,000</u>

Changes in the present value of the pension obligation

	2018	2017
	\$	\$
Present value of obligation at beginning of year	51,636,000	42,548,000
Current service cost and contributions	3,935,000	3,810,000
Interest cost	4,164,000	3,874,000
Past service cost	-	148,000
Benefits paid	(1,147,000)	(1,065,000)
Actuarial (gain)/loss	4,333,000	2,321,000
Changes in the present value of obligation at end of year	<u>62,921,000</u>	<u>51,636,000</u>

Changes in the fair value of plan assets

	2018	2017
	\$	\$
Fair value of plan assets	69,496,000	60,012,000
Contributions	3,966,000	4,215,000
Return on plan assets	5,211,000	5,107,000
Benefits paid	(1,147,000)	(1,065,000)
Actuarial loss on plan assets	(919,000)	1,227,000
Changes in the fair value of plan assets at end of year	<u>76,607,000</u>	<u>69,496,000</u>

Movements in net liability/(asset)

	2018	2017
	\$	\$
Opening net asset	(17,861,000)	(17,464,000)
Pension income	920,000	671,000
Total re-measurements included in other comprehensive income	5,253,000	1,092,000
Employer's contributions	(1,998,000)	(2,160,000)
Closing net asset	<u>(13,686,000)</u>	<u>(17,861,000)</u>

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

	2018		2017	
	\$	%	\$	%
J\$ debentures	28,058,000	36.63	33,278,000	47.88
US\$ Certificates of deposit	2,261,000	2.95	2,153,000	3.10
J\$ Certificates of deposit	-	-	1,227,000	1.77
Repurchase Agreements	2,048,000	2.67	2,536,000	3.65
US\$ debentures	3,716,000	4.85	3,084,000	4.44
Quoted equities	12,924,000	16.87	10,001,000	14.39
Investment properties	18,178,000	23.73	11,250,000	16.19
Real estate fund	769,000	1.00	668,000	0.96
Local registered stocks	7,278,000	9.50	4,790,000	6.89
Unit trust	2,265,000	2.96	1,821,000	2.62
Net current assets	(889,000)	(1.16)	(1,312,000)	(1.89)
	76,608,000	100.00	69,496,000	100.00

Principal actuarial assumptions

	2018	2017
	%	%
Discount rate	7.0	8.00
Future salaries increase	5.0	6.00
Pension increases	2.5	2.50

11. Resale agreement

	Fair Value 2018	Fair Value 2017
	\$	\$
NCB Capital Markets Limited	199,300,450	87,556,370

12. Bank and cash balances

	2018	2017
	\$	\$
Non-earning assets		
Cash in transit	21,296,713	22,874,655
Clearing account	1,332,701	874,329
Petty cash	141,853	422,203
Cash reserves	7,148,960	5,165,129
Cheque changing	1,372,237	571,113
Cash in vault	3,950,065	-
Current accounts NCB:		
NMIA	2,115,793	10,519,425
Carib Cement	802,684	3,896,295
Mobay	253,389	2,067,143
Current account First Global Bank	96,568	96,568
Total	38,510,963	46,486,860

13. Accounts receivables

	2018	2017
	\$	\$
Interest receivable	7,588,443	8,474,848
Prepaid expense	300,000	2,722,547
Payroll receivable	1,815,330	519,480
Withholding tax	2,192,996	2,893,764
Other receivables	1,936,715	1,490,421
Inventory	902,984	997,272
Total	14,736,468	17,098,332

14. Permanent share capital

	2018	2017
	\$	\$
Balance at beginning of the year	13,799,125	11,520,556
Allocation of shares	3,153,933	2,278,569
Balance at end of year	16,953,058	13,799,125

15. Institutional capital

	2018	2017
	\$	\$
Statutory reserve as at January 1	280,514,463	264,347,989
Add 30% of net income	9,349,517	7,853,791
Additional amount transferred to statutory reserve	8,000,000	8,253,883
Add: Entrance Fees	101,700	58,800
	297,965,680	280,514,463
Business combination reserve	34,475,734	34,475,734
Total	332,441,414	314,990,197

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.

16. Non-Institutional capital

	2018	2017
	\$	\$
Retirement benefit asset reserve (Note i)	13,686,000	17,861,000
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	1,040,043
Loan loss reserve (Note v)	1,333,409	19,000,000
Development reserve (vi)	8,385,861	8,385,861
Investment revaluation reserve (vii)	350,956	1,336,961
Total	66,099,739	88,927,335

(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.

17. Savings deposits	Remaining to Maturity					
	One to Twelve Months \$	Over One Year \$	Carrying Values 2018		Carrying Values 2017	
			Current \$	Non-Current \$	Current \$	Non-Current \$
Other deposits	16,777,316	-	16,777,316	-	14,648,325	5,469,634
Regular deposits	64,458,890	4,590,500	64,458,890	4,590,500	55,333,911	-
Members Fixed Deposits	98,810,020	36,250,000	98,810,020	36,250,000	82,720,100	59,500,864
Total	180,046,226	40,840,500	180,046,226	40,840,500	152,702,336	64,970,498

18. Members' Shares

	2018 \$	2017 \$
Balance at beginning of year	1,088,746,258	1,010,417,375
Add: Amount subscribed and dividends	456,311,000	453,491,150
	1,545,057,258	1,463,908,525
Less: Withdrawals and transfer	(395,619,477)	(375,162,267)
Balance at end of year	1,149,437,781	1,088,746,258

19. External credit

	2018 \$	2017 \$
Interest bearing:		
(i) Carib Cement Jamaica	13,204,638	13,110,320
(ii) Rubis Energy	5,275,609	5,168,000
(iii) IGL long-term loan	3,474,724	3,405,767
(iv) Airport Authority of Jamaica	6,719,280	6,610,478
Total	28,674,251	28,294,565
Non-interest bearing:		
(i) Airport Authority of Jamaica	2,413,058	2,413,058
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
Total	4,880,491	4,880,491

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

20. Accounts payables

	2018 \$	2017 \$
Employee benefit payable	1,790,527	3,322,192
Audit and accounting fee	1,271,261	350,000
Education and outreach	1,635,197	1,123,073
Trade payable	1,558,156	3,008,301
Accrued expenses	-	166,044
Accrued interest	659,064	1,111,163
Withholding tax	138,345	(7,374)
Utilities payable	30,655	-
LS & LP payable	592,251	-
Stabilisation fund	4,023,178	-
Other payable	12,393,680	11,520,393
Total	24,092,314	20,593,792

This represents the excess from funds received from the Stabilisation Fund for IFRS 9 implementation, which is held to meet compliance costs associated with the Bank of Jamaica (BOJ) monitoring system.

21. Operating expenses

	2018 \$	2017 \$
Staff costs		
Employees salaries and allowances	51,972,031	47,943,316
Employee benefits	3,817,800	2,618,301
Employee welfare and training	655,234	485,514
Employee travel and related expenses	1,363,782	1,495,864
	<u>57,808,847</u>	<u>52,542,995</u>
Administrative		
Office rental	7,696,378	7,522,755
Audit fees	4,573,443	2,136,168
Depreciation	6,375,753	5,855,380
Legal fees and professional fees	203,875	34,950
Administrative expenses and subscription	7,401,039	9,210,796
Utilities	2,729,871	2,253,927
Telecommunication	3,365,062	3,613,045
Insurance premiums	3,799,436	4,716,962
Printing, stationery and supplies	2,574,268	2,848,912
Repairs and maintenance	408,247	590,525
Total administrative expenses	<u>39,127,369</u>	<u>38,783,420</u>
Representation and affiliation		
League fees and other fees	4,571,302	4,287,289
Stabilization dues	1,959,628	1,820,552
Seminars and meetings	551,800	1,075,148
Board and committee meetings	2,142,138	4,026,595
League AGM	1,640,995	1,946,297
Total representation and affiliation expenses	<u>10,865,863</u>	<u>13,155,881</u>
Marketing and promotion		
Promotion and advertising	4,125,104	1,689,565
Total marketing and promotion expenses	<u>4,125,104</u>	<u>1,689,565</u>
Total operating expenses	<u>111,927,183</u>	<u>106,171,861</u>

22. Volunteers' balances

At December 31, 2018, 6 (2017 - 7) members of the Society's Board of Directors and 9 (2017 - 9) Committee Members had savings and deposits of \$41,055,936 (2017 - \$42,798,973) and loans including interest totalling \$77,595,649 (2017 - \$108,306,035).

Loans including interest due from members of staff totalled \$47,847,421. (2017 - \$21,859,536). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2018, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

23. Comparison of ledger balances

	Shares \$	Deposits \$	Loan \$
General ledgers	1,149,437,781	220,886,726	1,139,321,675
Personal ledgers	1,149,437,781	220,886,726	1,139,321,717
Ledger difference	<u>-</u>	<u>-</u>	<u>(42)</u>

24. Employee benefits

	2018	2017
	\$	\$
Salaries and allowances	51,972,031	47,943,316
Other personnel cost	5,181,582	4,114,165
Staff training and welfare	655,234	485,514
Total	57,808,847	52,542,995

25. 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:

	2018	2017
	\$	\$
Financial assets at amortised cost		
Resale Agreements	199,300,450	87,556,370
Financial investments	63,715,411	22,238,514
Total	263,015,861	109,794,884
Fair value through profit or loss		
Quoted shares	2,924,688	2,549,193
Fair value through other comprehensive income		
Unquoted shares	21,223,823	21,223,823
Financial assets at amortised cost		
Members' loans	1,128,558,426	1,128,753,045
Accounts receivables	14,736,468	17,098,332
Cash and cash equivalents	136,150,281	156,494,197
JCCUL term deposits	169,451,752	287,340,502
JMMB term deposits	101,363,428	-
Total	1,550,260,355	1,589,686,076
Liabilities		
Financial liabilities measured at amortised cost		
Members shares	1,149,437,781	1,088,746,258
Savings deposits	220,886,726	217,672,834
Trade and other payables	20,069,136	20,593,792
External credit	33,554,742	33,175,056
Total	1,423,948,385	1,360,187,940

26. 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 Credit Union 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.

2018

	Range of Interest Rate %	Immediately Rate Sensitive \$	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment		-	199,300,450	-	-	-
Liquid assets		-	340,065,246	-	-	-
Financial investments		-	-	66,900,215	87,863,922	-
Bank balances		-	-	-	-	38,510,963
Total assets		-	539,365,696	66,900,215	87,863,922	38,510,963
Savings deposits		-	-	180,046,226	40,840,500	-
Non-interest bearing liabilities		-	-	-	-	24,810,459
Interest bearing liabilities		-	-	-	28,294,565	-
Members shares		-	-	-	-	1,149,437,781
Total liabilities		-	-	180,046,226	69,135,065	1,174,248,240

(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.

2018

	Range of Interest Rate %	Immediately Rate Sensitive \$	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment		-	199,300,450	-	-	-
Liquid assets		-	340,065,246	-	-	-
Financial investments		-	-	66,900,215	87,863,922	-
Bank balances		-	-	-	-	38,510,963
Total assets		-	539,365,696	66,900,215	87,863,922	38,510,963
Savings deposits		-	-	180,046,226	40,840,500	-
Non-interest bearing liabilities		-	-	-	-	24,810,459
Interest bearing liabilities		-	-	-	28,294,565	-
Members shares		-	-	-	-	1,149,437,781
Total liabilities		-	-	180,046,226	69,135,065	1,174,248,240

i) Interest rate risk (cont'd)

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

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 2018	Effect on Net Surplus 2018 \$'000	Change in basis points 2017	Effect on Net Surplus 2017 \$'000
J\$ instruments		J\$ instruments	
+100	(7,603)	+100	(7,026)
-100	<u>7,603</u>	-100	<u>7,026</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	
	+15%	-15%	+15%	-15%
December 31, 2018	211,311	(211,311)	211,311	(211,311)
December 31, 2017	<u>382,379</u>	<u>(382,379)</u>	<u>382,379</u>	<u>(382,379)</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.

Loans to members and expected credit loss

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

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

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

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

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

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

The expected loss rates are based on the payment profile for customers over the past three years before December 31, 2018 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer’s ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

On the above basis the expected credit loss for loan members receivables as at December 31, 2018 and January 1, 2018 was determined as follows:

Expected credit loss summarise by stage

December 31, 2018			
Loan stage	Total loan balance	Expected credit loss	Expected credit loss rate
	\$	\$	
Stage 1	1,109,341,638	8,029,641	3%
Stage 2	22,820,197	471,639	2%
Stage 3	7,159,883	2,261,969	32%
Total	1,139,321,717	10,763,250	

Expected credit loss summarise by stage

January 1, 2018			
Loan stage	Total loan balance	Expected Credit loss	Expected Credit loss rate
	\$	\$	
Stage 1	1,113,164,973	6,531,950	1%
Stage 2	16,269,417	801,883	5%
Stage 3	10,178,804	6,227,050	61%
Total	1,139,613,194	13,560,884	

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:

	2018	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,139,322	10,763
	2017	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,139,781	11,027

Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements. For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

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

(i) Expected credit losses on loans

	2018 \$'000	2017 \$'000
Provision for impairment at beginning of year	11,027	9,773
Adjustment from adopting IFRS 9	2,623	-
Adjusted expected credit loss at January 1, 2018	<u>13,650</u>	<u>9,773</u>
(Reduction)/increase amounts provided for during the year	(1,661)	2,105
Loans recovered that were previously provided for	-	(247)
Bad debt written-off	(1,226)	(603)
Provision for impairment at end of year	<u><u>10,763</u></u>	<u><u>11,027</u></u>

(ii) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2018, there were no renegotiated loans.

(iii) Loans

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

	2018 \$'000	2017 \$'000
Real estate residential	156,678	147,713
Home improvement	59,596	95,631
Education	13,139	25,375
Business investment	66,973	65,436
Transport purchase	244,426	192,394
Line of credit	45,064	68,252
Bills	300,831	273,891
Personal and others	252,615	271,089
	<u>1,139,322</u>	<u>1,139,781</u>
Less: Allowances for loan losses	(10,763)	(11,027)
Total	<u><u>1,128,559</u></u>	<u><u>1,128,754</u></u>

(iv) 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:

	2018 \$'000	2017 \$'000
Real estate	12,800,000	12,800,000
Total	<u><u>12,800,000</u></u>	<u><u>12,800,000</u></u>

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

	2018	2017
	\$'000	\$'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.

c. Liquidity risk (cont'd)

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.

	2018				Total
	Within Three Months	Three to Twelve Months	One to Five Years	No Specific Maturity	
	\$	\$	\$	\$	\$
Interest bearing liabilities					
Member shares	-	-	-	1,149,437,781	1,149,437,781
Savings deposits	-	180,046,226	40,840,500	-	220,886,726
External credit	-	-	-	28,674,251	28,674,251
Non-interest bearing liabilities	19,929,968	-	-	4,880,491	24,810,459
Total liabilities	19,929,968	180,046,226	40,840,500	1,182,992,523	1,423,809,217

	2017				Total
	Within Three Months	Three to Twelve Months	One to Five Years	No Specific Maturity	
	\$	\$	\$	\$	\$
Interest bearing liabilities					
Member shares	-	-	-	1,088,746,258	1,088,746,258
Savings deposits	-	152,702,336	64,970,498	-	217,672,834
External credit	-	-	-	28,294,565	28,294,565
Non-interest bearing liabilities	20,593,792	-	-	4,880,491	25,474,283
Total liabilities	20,593,792	152,702,336	64,970,498	1,121,921,314	1,360,187,938

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.

27. 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, 2018

Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Quoted shares (Note a)	2,924,688	-	-	2,924,688
Unquoted shares (Note b)	-	-	11,173,823	11,173,823
Fixed deposits and other deposits (Note c)	-	270,815,180	-	270,815,180
Total	2,924,688	270,815,180	11,173,823	284,913,691
Net fair value	2,924,688	270,815,180	11,173,823	284,913,691

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

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 Credit Union'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.

28. 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, 2018 and 2017. The Credit Union complied with all externally imposed capital requirements to which they were subjected.

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

Effective June 1, 2017, 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.

Report of the Credit Committee

For year ended 2018 December 31

The committee comprised the following:

- ❖ Berthlyn Plummer - Chair
- ❖ Devon Howell - Secretary
- ❖ Orrette Staple
- ❖ Karoline Smith
- ❖ Carlington Miles

The committee met on forty-nine (49) occasions; in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

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

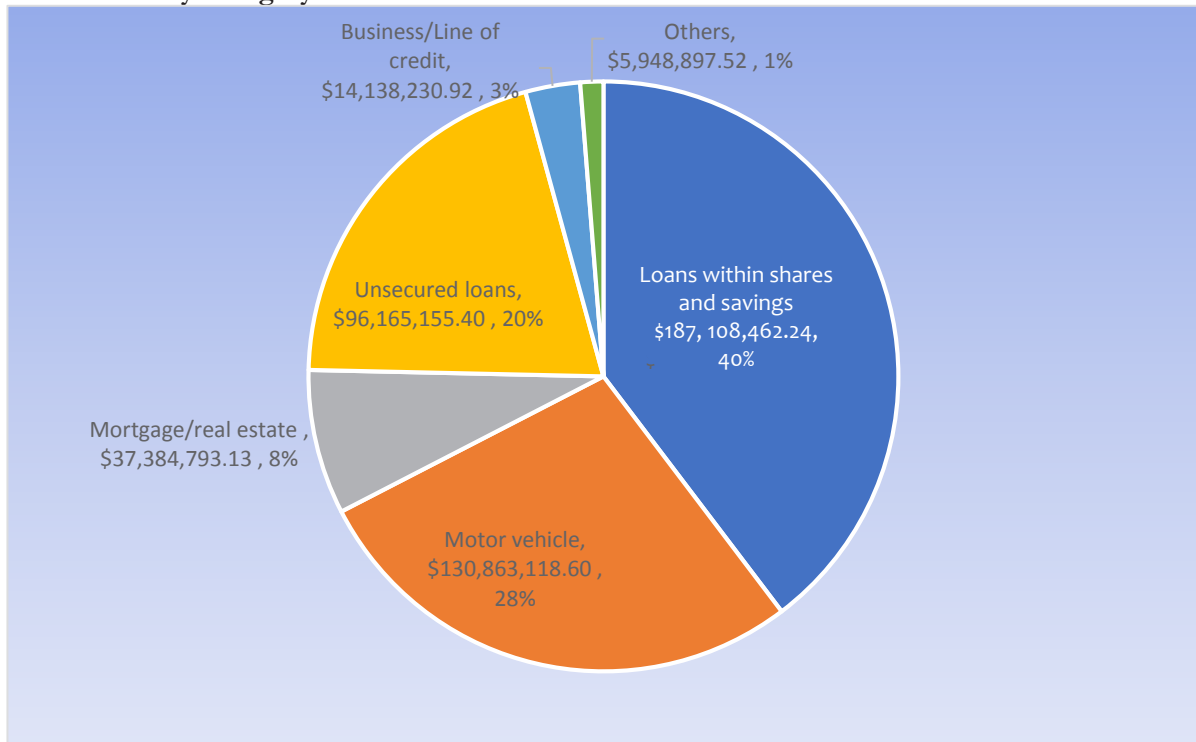
For the year being reported on, there was a reduction in both the number of loans processed and the value of these loans. Loans approved for the period amounted to 5,489 when compared to 6,623 in 2017. The value of these loans amounted to \$471.61m (\$525.11m in 2017), which resulted in a negative variance of \$53.5m.

The table below reflects the movement in the credit union's loan portfolio over the past 10 years.



COMPARATIVE ANALYSIS OF LOANS APPROVED BY CATEGORY 2018 VS 2017						
	Amount	Amount			% Allocation	% Allocation
Loan type	2018	2017	Variance	%change	2018	2017
Loans within shares and savings	\$ 187,108,462.24	\$ 176,874,593.42	\$ 10,233,868.82	5.79	39.67	33.53
Motor vehicle	\$ 130,863,118.60	\$ 120,498,614.00	\$ 10,364,504.60	8.60	27.75	22.84
Mortgage/real estate	\$ 37,384,793.13	\$ 65,718,220.20	(\$ 28,333,427.07)	-43.11	7.93	12.46
Unsecured loans	\$ 96,165,155.40	\$ 99,383,882.42	(\$ 3,218,727.02)	-3.24	20.39	18.84
Business/Line of credit	\$ 14,138,230.92	\$ 50,216,813.09	(\$ 36,078,582.17)	-71.85	3.00	9.52
Others	\$ 5,948,897.52	\$ 14,792,326.93	(\$ 8,843,429.41)	-59.78	1.26	2.80
Total Loans Disbursed	\$471,608,657.81	\$ 527,484,450.06	(\$ 55,875,792.25)	-10.59	100.00	100.00
Number of Loans	5489	6623	-1134	-17.12		

Loans Disbursed by Category



Analysis of the Data above revealed the following:

Loans within Shares and Savings

Loans disbursed in this category during the year increased by \$10.23m or 5.79% when compared to 2017 disbursements. The value of disbursements for the period amounted to \$187.11m.

Motor Vehicle Loans

Loans to the value of \$130.86m was disbursed during the year. This reflected a \$10.36m or 8.60% increase over the previous year's figures. We expect to see significant increase in disbursements in this category in 2019.

Unsecured Loans

There was a slight decrease (\$3.22m) in the value of unsecured loans disbursed when compared to 2017. Unsecured Loans represents 20% of loans disbursed for the year.

Lines of Credit and Real Estate

The committee is particularly concerned about the decrease in loans for Real Estate (residential), and Business/Line of Credit. After an encouraging performance for the year 2017, these loans were below expectation for 2018. The total for both amounts to \$51.52m against the total of \$115.93m for 2017, a decrease of \$64.41m.

Our analyses also revealed that loans for real estate in 2017 were exceptionally high as several large loans for purchase of residential homes were disbursed during the period. These loans are being repaid satisfactorily.

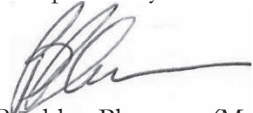
Attendance Record of Credit Committee Meetings 2018

Name	Scheduled Meetings	Attended	Excused
Berthlyn Plummer	34	29	5
Carlington Miles	22	22	0
Orrette Staple	34	33	1
Devon Howell	34	17	17
Karoline Smith	34	14	20

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 2018. We wish the Credit Union continued success.

Co-operatively Yours



Berthlyn Plummer (Mrs)
 Chairman

Report of the Supervisory Committee For year ended 2018 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 Ltd (PCCUL) for the calendar year 2018. During the period, the Committee met on four (4) 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, Chairman	4	4	-
Nicola Reid, Secretary	4	4	-
Maria Chen	4	4	-
Margareth Antoine	4	3	1
Strephon Sanderson	4	-	-

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 undertook a structured programme of review of the credit union's activities based on an assessment of associated risk. The objectives of the reviews performed included 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

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. **Payroll Statutory, Minimum Business Tax & Property Tax:** Payroll monthly returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. Both the Minimum Business and Property Taxes were paid within the period legally stipulated.

4. **Dormant Accounts:** The internal controls surrounding the management of dormant accounts were reviewed for adequacy and adherence thereto and the findings were satisfactory.
5. **Legal and Regulatory Compliance:** Within this exercise, the Committee reviewed the monthly reports of the Risk and Compliance Officer, the Proceeds of Crime Act (POCA) and Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements, 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.
6. **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.
7. **Investments:** The Committee reviewed the arithmetical accuracy of investment income calculations as well as overall compliance with the credit union's Investment policy making recommendations which could improve the level of return obtainable.
8. **Staff Training:** This important area of the credit union's operations was reviewed to ensure that staff, volunteers and members of the Board of Directors received training appropriately aligned with their functions and responsibilities as required under the existing regulations.
9. **Other Areas:** The automated teller machine (ATM) reconciliation process, management of the Family Indemnity Plan (FIP), dividend payment and interest rebate to members, Computer Backup and restore process, security testing, Securities Register review 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.



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Samuel Manning
CHAIRMAN

Report of the Delegates to the 2018 Convention & 77th Annual General Meeting of the Jamaica Co-op Credit Union League Ltd

The 2018 Convention and the 77th Annual General Meeting of the Jamaica Co-op Credit Union League took place at the Hilton Rose Hall Hotel & Spa during the period May 17-20. Approximately one hundred and forty (140) delegates, alternate delegates and observers were in attendance; and our credit union was represented by Maxine Wilson – Delegate, and Robert Thelwell – 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 Mr. Donovan Gayle, CEO of DHL Jamaica, titled Workplace Wellness and the impact on productivity.”

Friday May 18

Friday’s activities commenced with the official opening ceremony. The guest speaker was Bishop Conrod Peterkin, Custos Rotolorum of St James. The plenary session followed and matters of critical importance to the credit union movement’s future were discussed.

Two (2) workshops were held on Friday afternoon, namely:

- **“Competing in the new IFRS9 Environment and Facing the Reality of a new Paradigm”.**
- **“Risk Here, Risk There and Risk Everywhere”**

Three (3) presenters highlighted the issues and helped the participants to dissect various risks.

Annual Awards Banquet

The Annual Awards banquet took place in the evening. Guest speaker at the event was the Honourable Audley Shaw, Minister of Industry, Commerce, Agriculture and Fisheries. A number of credit unions received various awards, the main awards being those of “Credit Union of the Year” in the various categories. **For the second successive year, 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 77th Annual General Meeting

Delegates from twenty-five (25) Credit Unions registered for the meeting. President Winston Fletcher gave a summary of the Board of Directors’ Report for the year 2017; after which the Treasurer presented the Financial Reports. There were no surplus available for distribution for the Year 2017. Delegates voted for the maximum liability of the League to be set at \$5b. The Supervisory and Nominating Committees’ Reports were presented to the meeting.

Election of Officers

The Meeting voted to accept the nominations for the following persons representing their respective credit unions to serve on the Board of JCCUL:

- Mr. Norris Gilbert – PWD
- Mr. Anthony Young – Palisadoes
- Mr. Clide Nesbeth – EduCom
- Oneil Grant – FHC
- Mr. Lambert Johnson – Gateway
- Mr. Ryan Muir - Lascalles

The following persons were elected to the Supervisory Committee:

- Ms. Nicola Reid - Palisadoes
- Mrs. Tamara Baugh-Brissett - EduCom
- Mr. Michael Sutherland – C&WJ
- Mrs. Ivy Lawrence - Lascelles
- Mr. Delroy James – First Heritage

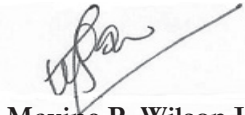
Resolutions

Seven (7) congratulatory resolutions were passed on behalf of credit unions celebrating milestones. Palisadoes Credit Union was recognized on its 65th anniversary.

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

A themed party sponsored by CUNA Caribbean Jamaica closed the activities on Saturday. The conference officially ended on Sunday May 20 with an ecumenical service. For the opportunity to represent our credit union at these meetings, we thank you our members.



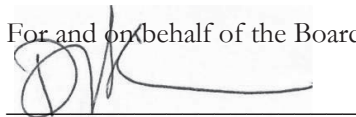
Maxine P. Wilson JP MBA LLB (Hons)
Delegate

Proposal for the Fixing of Maximum Liability

For year ended 2019 December 31

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 2019 December 31, be set at ten (10) times the Credit Union’s Capital.

For and on behalf of the Board of Directors



Dervin Aiken
TREASURER

Proposal for the Appropriation & Distribution of Surplus For year ended 2018 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 2018 December 31 amounted to \$457.77m (2017: \$411.88m).

Our Assets grossed \$1,951.84m (2017: \$1,861.00m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2017 December 31 was 23.45 % (2017: 22.13%). This includes the amount of \$9,349,517 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 \$6,000,000) decreases to \$365.77 or **18.74%** of Assets. Under the heading *WE THE MEMBERS OWN*, the undistributed surplus amounted to \$108,376,046.

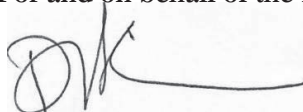
In view of the above, your Board proposes the following surplus distribution to 2018 December 31, noting that the proposed additional transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

APPROPRIATIONS	2018	2017
Additional Amount to Statutory Reserve	\$ 6,000,000	\$ 8,000,000
20% dividend on Permanent Shares	\$ 3,000,000	\$ 2,329,074
Education & Outreach	\$ 2,500,000	\$ 2,500,000
Provision for Loan Loss	\$ 3,000,000	\$ 2,000,000
Loan Loss Reserves	\$ -	\$ 6,000,000
General Reserves	\$ 24,000,000	\$ -
Honoraria	\$ 2,800,000	\$ 2,500,000
Share Transfer Fund	\$ -	\$ 1,000,000
Sub Total	\$41,300,000	\$20,878,095

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

EXPENSES		
Dividends	\$53,620,000	\$52,440,705
2% rebate on Loan int. paid (patronage refund)	\$ 3,085,000	\$ 3,244,444
GRAND TOTAL	\$98,005,000	\$80,222,539

For and on behalf of the Board of Directors



Dervin Aiken
TREASURER

Report of the Nominating Committee

The Nominating Committee comprises the following:

Robert Thelwell	Chair
Maxine Daley	Member
Claudine Purboo	Staff Liaison

The committee wishes to use this medium to thank all the elected officers and all others who served the credit union throughout 2018. We are proud that in an era when voluntarism seems to be on the decline, our members selflessly continue to make themselves available to serve.

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. In our opinion and to the extent that we were able to do the necessary due diligence, the members proposed to serve are considered fit and proper. Having determined this, the committee makes the following recommendations for the year 2019-2020:

BOARD OF DIRECTORS

Retiring at this AGM	Recommended	Term in office	Serving to 2019 AGM
Celay Harwood-Gayle	Celay Harwood-Gayle	2 years	Dervin Aiken
Winston Ormsby	Winston Ormsby	2 years	Audley Deidrick
*	Samuel Manning	2 years	Sheryll Hamilton
			Robert Thelwell

* position left vacant by resignation of Mr. Anthony Young

Please see profile of Mr. Manning in the Corporate Profile section of this Report.

CREDIT COMMITTEE

Retiring at this AGM	Recommended	Term in office	Serving to 2020 AGM
Orrette Staple	Orrette Staple	2 years	Devon Howell
Karoline Smith	Karoline Smith	2 years	Berthlyn Plummer
			Carlington Miles

SUPERVISORY COMMITTEE

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

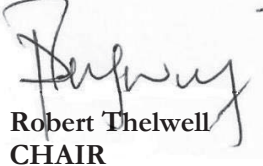
DELEGATES TO THE LEAGUE

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

The committee wishes to place on record its sincere thanks to Mr. Anthony Young who has served the credit union faithfully and committed so much to the credit union over the past twenty-four (24) years.; serving as Treasurer, President, Assistant Treasurer and Director. Thanks also to Mr. Strephon Sanderson who served on the Supervisory Committee.

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

For and on behalf of the Committee



Robert Thelwell
CHAIR

SHORT PROFILE OF NEW NOMINEES

Mrs. Marva Gordon

Mrs Gordon joined the credit union in 2004 and remains an active member in good standing. She is an attorney-at-law employed to the Jamaica Civil Aviation Authority for the past fifteen (15) years, and presently occupies the position of General Counsel and Corporate Secretary. Mrs. Gordon is the holder of an Executive MBA, an LLB and a BSc in Management Studies all from the University of the West Indies. She previously served on the Supervisory Committee at the then City of Kingston Co-op Credit Union (now COK Sodality) circa 1996-1999.

Miss Elaine Walters

Miss Walters joined the credit union in 2001 and remains an active member in good standing. She is presently the Financial Controller at the Jamaica Automobile Association. Miss Walters is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants, and is the holder of an MBA from the University of the West Indies. Miss Walters previously served on the Palisadoes Credit Union's Board of Directors for a period of three (3) years.

RESOLUTION

PALISADOES CO-OPERATIVE CREDIT UNION LIMITED

Whereas the Palisadoes Co-operative Credit Union Limited encourages its members to maintain active accounts and be actively involved in the affairs of the credit union; and

Whereas the credit union continues to foster effective corporate governance and has established fit and proper criteria for members who also have the requisite skills/expertise required to serve as elected officers of the credit union.

Be it resolved that members with inactive or dormant accounts for a period in excess of one year are ineligible to serve as elected officers. Where an inactive or dormant account is reactivated, a one-year waiting period is also required.

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*



Notes...



Notes...



*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.*

