

PALISADOES
CO-OP
CREDIT
UNION
LIMITED



2016 ANNUAL REPORT

'Flying To New Horizons'



PALISADOES
COOPERATIVE
CREDIT UNION
LIMITED

OUR MISSION

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

OUR VISION

To be the premier credit union by:

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

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

HIGHLIGHTS OF 2016



The Credit Union's SMART Pac members who were successful in scoring 90% and over in the 2016 GSAT examination were recognised at a breakfast held in their honour at the Knutsford Court Hotel.



Members of the Port Royal Golden Agers Club were feted at the annual treat.



The credit union's Annual Helping Hands Outreach Breakfast was held at the Marie Atkins Shelter in downtown Kingston. Many homeless persons were treated with hot meals, toiletries and other items.

ANNUAL GENERAL MEETING



Cross section of members attending the AGM



The SMART Pac Savers were kept occupied.

General Manager, Ms Maxine Wilson (centre) had the full attention of her audience. From left are Vice President Orville Shaw, member Mrs. Hazel Johnson and Mr. Derrick Tulloch, then President of JCCUL

Political Ombudsman, Honourable Donna Parchment Brown, shared lens with then President of the Jamaica Co-op Credit Union League, Mr. Derrick Tulloch

ANNUAL COMMUNITY OUTREACH AT HARBOUR HEIGHTS



Ms Faith D'Aguiar (centre) provided entertainment for the children



General Manager Maxine Wilson is being interviewed by radio personality Vernon Derby from Nationwide News Network



The children were out in their numbers to enjoy the day's activities



Members of staff were on hand to serve the scrumptious meal that was being prepared

Our Corporate Profile

Board of Directors:

Mr. Robert Thelwell, BBA Mgmt. – President

Mr. Thelwell is presently 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-five (35) years.

Mr. Orville Shaw, MBA Telecommunication & Technology Mgmt. – Vice President

Mr. Shaw has been employed to the Jamaica Civil Aviation Authority for the past 39 years; and presently serves in the position of Special Project Officer – Air Navigation Services. He is the holder of an MBA in Telecommunication and Technology Management from Mona School of Business; and a BSc in Management Studies from the University of the West Indies. He has been a member of the credit union for over thirty-seven (37) years.

Mr. Audley Deidrick, MBA – Treasurer

Mr. Deidrick is the President of Airports Authority of Jamaica, and CEO of NMIA Airports Ltd. He is the holder of an MBA from the University of the West Indies; and a BBA in Accounting from the University of Technology Jamaica. His work experience comprises over 30 years in the field of Accounting & Finance. He has been a member of the credit union for over six (6) years.

Mr. Anthony Young, MBA – Assistant Treasurer

Mr. Anthony Young is presently employed to the Transport Authority and holds the position of Chief Internal Auditor. He is the holder of an MBA in Finance and a BSc in Management Studies, both from the Nova Southeastern University. He has been a member of the credit union for over thirty-five (35) years, and presently serves on the Board of Directors of the Jamaica Co-op Credit Union League.

Mrs. Celay Harwood-Gayle, BSc – Secretary

Mrs. Harwood-Gayle has been employed to the National Meteorological Service of Jamaica for the past 39 years; and presently holds the position of Administrator. 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 over thirty-eight (38) years.

Mr. Dervin Aiken, MBA – Director

Mr. Dervin Aiken is a Co-owner/Manager of Fashion Affair; having previously worked with the Airports Authority of Jamaica/NMIA Ltd for 17 years; his last position being that of Revenue Accounting Manager. He is the holder of an EMBA from the Mona School of Business.

Mr. Winston Ormsby, BSc – Director

Mr. Ormsby is presently a Consultant in the Petroleum industry, serving clients both in Jamaica and overseas. He previously worked with Rubis Energy Jamaica (formerly Shell) for over 28 years; and is the holder of a BSc in Engineering from the University of the West Indies.

Our Supervisory Committee

Ms. Nicola Reid, MSc, FCCA - Secretary

Miss Reid has been employed to Airports Authority of Jamaica/NMIA Ltd for the past 19 years; and presently holds the position of Director of Finance. She is the holder of an MBA (Finance) from the University of the West Indies. Miss Reid is a certified Internal Auditor, Certified Information Systems Auditor and a Certified Fraud Examiner; and presently serves as Chair of the Supervisory Committee of the Jamaica Co-op Credit Union League. Miss Reid has been a member of the credit union for the past 18 years.

Mr. Samuel Manning, MBA CPA - Member

Mr. Manning has been employed to Airports Authority of Jamaica/NMIA Ltd for the past 18 years and presently holds the position of Vice President-Finance. 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 16 years

Mrs. Margareth Antoine, MBA BSc - Member

Mrs. Antoine has been employed to IGL for 21 years, and presently occupies the position of Financial Controller. She is the holder of an MBA from the University of Manchester, a BSc. in Business Administration from the University of Technology Jamaica; and is also a Certified Accounting Technician. She has been a member of the credit union (PIECCU/Palisadoes) for the past 11 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 7 years; having 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.

Ms. Karen Green, MBA – Member

Ms. Karen Green has been employed to Jamaica Civil Aviation Authority for the past 23 years and presently holds the position of Chief Air Traffic Controller. She is the holder of an MBA (Marketing major) from the University of the West Indies and a BSc. in Business and Professional Management from Nova Southeastern University. Ms. Green has been a member of the credit union since 1998.

Our Credit Committee

Mrs. Berthlyn Plummer - Chair (acting)

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.

Mrs. Sheryll Hamilton, MBA

Mrs. Hamilton has been a member of the credit union (PIECCU/Palisadoes) since 2005, and has been employed to IGL for the past 19 years. She occupies the position of Human Resources Manager.

She is a graduate of the Nova Southeastern University and holds a MBA in General Management. Mrs. Hamilton previously served on the Credit Committee and the Board of Directors of the former PIECCU Credit Union, and also on the Credit Committee of Palisadoes as per the merger agreement between both credit unions.

Mr. Devon Howell

Mr. Howell has been a member of the credit union since 2004. He has been employed to Carib Cement for the past 16 years, and presently holds the position of Payroll Supervisor. He is presently completing a BSc in Financial Accounting at the University College of the Caribbean, having completed his Associate Degree at the same institution.

Mr. Orrette Staple, BA - Member

Mr. Staple has been a member of the credit union (PIECCU/Palisadoes) for the past 11 years; having joined the movement in 1975. A teacher by profession, he is the holder of Bachelor of Arts (majoring in Economics) from the University of the West Indies. Mr. Staple served as President of the former Esso Co-op Credit Union, and also served as a member of the Credit Committee of the former Petroleum Industry Employees Co-op Credit Union (PIECCU).

Our General Manager

Miss Wilson has been employed in the credit union movement for thirty-six (36) years, and has been employed to Palisadoes Credit Union since 1996. She is the holder of a MBA from the University of New Orleans (UNO), and a Bachelor of Laws (LLB) from the University of Technology Jamaica. She is a certified Family Counsellor and also a certified Financial Counsellor.

Miss Wilson also serves as a Trustee on both the Jamaica Credit Union Pension and the HEART Trust/NTA Pension Funds and is a member of the Board of Directors of the Centralised Strategic Services (CSS) of the Jamaica Co-op Credit Union League, Duncan Tree Foundation and the Jamaica Youth for Christ.

Our Locations

Registered Office: Norman Manley Int'l Airport, Palisadoes P.A. Kingston
Branches: Sangster Int'l Airport, Montego Bay
 Carib Cement Company, Rockfort P.O. Kingston
 Rubis Energy Jamaica, Rockfort P.O. Kingston

Our Principal Banker

National Commercial Bank Jamaica Ltd

Our Auditors

Mair Russell Grant Thornton

Our Attorneys-at-law

Audrey Allen & Company

HERE IS A LITTLE ABOUT US

- On April 21, 2017 we will celebrate our 64th birthday
- Our Portfolio balances as at 2016 December 31 are:
 - ✓ Assets - \$1.74B
 - ✓ Net Loans - \$1.092B
 - ✓ Total Savings Deposit - \$1.21B
- We operate from 4 locations, namely:
 - ✓ Norman Manley Int'l Airport – our head office
 - ✓ Sangster Int'l Airport (Montego Bay)
 - ✓ Carib Cement Co (Rockfort Plant)
 - ✓ Rubis Energy Jamaica (Rockfort)
- We also operate from a satellite office located at Wheels & Wheels Auto Brokers Ltd at 18-20 Dunrobin Avenue, Kingston 10. You can find us there on Mondays and Thursdays between the hours of 2-5 p.m.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Vol. Shares	418.44	502.03	545.79	557.20	574.91	624.88	668.63	890.42	960.62	1,010.42
Saving/Deposits	160.73	160.02	210.88	208.41	203.59	199.40	187.93	204.99	215.02	203.29
Loans	617.36	717.80	772.15	813.54	841.09	849.81	922.68	1,077.54	1,107.56	1,101.44
Assets	782.36	914.41	1046.34	1,098.41	1,119.40	1,208.90	1,283.31	1,568.29	1,664.66	1,744.88
Avail. for dist.	52.29	30.94	34.52	34.58	26.65	23.40	53.29	72.02	72.81	84.90
Inst. Capital	102.71	139.28	175.15	200.62	209.10	216.01	225.43	274.23	281.00	298.82
Membership	8,896	9,400	8,194	7,930	7,894	8,247	8,447	9,020	9,343	9,616
Gross Income	111.60	138.45	149.00	145.67	142.74	150.61	152.06	188.17	188.47	191.10
Dividends Paid	27.00	33.18	33.69	35.70	37.25	39.80	43.09	58.00	54.70	58.72
Interest Rebate										3.24

Notice of Meeting

Notice is hereby given that the 64th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2017 March 29 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 2017 March 16


 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. ANY OTHER BUSINESS
- Supervisory Committee	12. TERMINATION
- Delegates to the League	
- Management	

MINUTES OF THE 63rd ANNUAL GENERAL MEETING Held at the Learning Development Centre Norman Manley International Airport, Kingston On 2016 March 23 commencing at 2:33 P.M.

Present at the Head Table were: Orville Shaw - Vice President, Audley Deidrick – Treasurer, Anthony Young - Assistant Treasurer, Mrs. Celay Harwood-Gayle – Secretary, and Jeffery Spooner - Director.

CALL TO ORDER

Vice President Orville Shaw, having ascertained that a quorum was present, called the meeting to order at 2:33 p.m. Secretary Celay Harwood-Gayle read the Notice of the Meeting.

PRAYER

Member Keisha Bailey offered prayers.

OBITUARY

The Vice President guided the members in observance of a minute's silence in tribute to members and pioneers of the movement who had passed during 2015.

WELCOME/ INTRODUCTIONS & APOLOGIES

General Manager Maxine Wilson extended welcome to all present. She introduced and acknowledged the presence of a number of guests; including Honourable Donna Parchment-Brown – Political Ombudsman; Mr. Derrick Tulloch – President Jamaica Co-operative Credit Union League; Mr. Christopher Samuda – Past President of both the Jamaica Co-operative Credit Union League and the Caribbean Confederation of Credit Unions. Mrs. Sonia Smith and Miss Sheryl Brown – Department of Cooperatives and Friendly Societies; Ms. Vera Lindo and Mr. Robert Carr – Jamaica Co-operative Credit Union League; Mr. Wilfred Roberts and Mr. Paul Ford – Past President and past committees' member of the credit union; Mr. Albert Smith – General Manager National Union of Co-op Societies; Mr. Sixto Coy, Auditor - Mair Russell Grant Thornton.

Apologies were tendered on behalf on the following:

- President Robert Thelwell (overseas on work assignment)
- Mr. Robert Jackson
- Mrs. Tanya Brown-Granston
- Mrs. Kleo-ann Errar
- Miss Joydene Jarrett
- The Fly Jamaica team (absence due to funeral service of team member's son)

ADOPTION OF MINUTES

Vice President Shaw, having noted that the minutes of the Annual General Meeting was previously circulated, asked that a motion be moved that it be adopted as read. The Minutes was adopted as read, on a motion moved by Ms. Kimberlyn Asphall and seconded by Ms. Tamesha Williams. Secretary Celay Harwood-Gayle then took the meeting through the minutes contained on pages 7 to 18 of the Annual Report.

CORRECTIONS TO MINUTES

Mrs. Harwood-Gayle referred members to the errata sheet which contained the following corrections:

1. Page 10, under "Treasurer's and Auditors" – add the word "Assistant" before Treasurer; to read Assistant Treasurer Anthony Young.
2. Page 10, under "Financial Performance"; 3rd line – replace "Spooner" with "Thelwell"; to read Mr. Thelwell.
3. Page 11, penultimate line – delete "on 2 pages, straight through to the end of sentence.
4. Page 12, paragraph 4, 1st line – change the word "continue" to "continued"
5. Page 12, under "Credit Committee", 2nd paragraph, second line – change "ans" to "and"

6. Page 19, under heading “Board of Directors” – Remove the apostrophe from “Da”Costa to read “DaCosta”
7. Page 24, under heading “Assets”, penultimate line – place a full stop after the word “office”
8. Page 80, under heading “Business Continuity”, 2nd line, change the word “whist” to “whilst”
9. Page 82, under heading “Bull Bay Community”, 2nd paragraph, 3rd to last line – change the word “Cub” to “Club”.

Member Michael Burke advised that he was going to help the credit union to get members from East Kingston, but they will not join if they have to come all the way to the airport. He then advised that he took the liberty to find a place called Bourbon House that the credit union could rent. He identified the owner and location of the property. He asked that the credit union look into the matter of putting an office in New Kingston.

CONFIRMATION OF THE MINUTES

Member Kimberly Vaz moved a motion for its confirmation. This was seconded by Mrs. Marcia Palmer.

MATTERS ARISING

There were no matters arising from the minutes.

REPORTS

BOARD OF DIRECTORS

Vice President Shaw presented the report. He referred the members to pages 21 through to 23 of the Report, and began his presentation by thanking the membership, other volunteers, the Management and staff and all other stakeholders for their support and confidence placed in the credit union throughout the years.

The meeting’s Chair noted that during 2015, the credit union was faced with many obstacles, but its focus never shifted from its Mission; that of “Creating and Maximising Member’s Wealth and Equity”. The performance of the credit union in 2015, he continued, was a credible one. Highlights of his presentation included the following areas:

Corporate Governance

As Corporate Governors, your Board is accountable to the membership, and has therefore identified a number of areas of priority, and dealt with specific matters for decision, to ensure effective management and control of the credit union. These he continued, include strategic issues, organizational planning, the management of risks, and performance reviews.

The Board also has in place, and is guided by the Ethics and Conflict of Interest Policy which defines the minimum standards of conduct required for elected officials and employees.

Regulatory Compliance

The Board takes seriously, its role of ensuring regulatory compliance, and ensuring that policies and procedures are in place; and that there are mechanisms in place for them to be adhered to. The Board has in place the following committees:

- Finance and Planning
- Risk Committee
- BOJ Preparedness

During the year, the Board’s efforts were geared at creating an improved and effective Risk Management framework, and the attendant strong risk culture within the organisation.

The Risk Committee was entrusted with responsibilities; which included:

- Ensuring that the credit union’s Risk Appetite is developed to confirm with its policies and levels of authority
- To assess the adequacy of the system of Risk Management, internal controls and regulatory compliance

BOJ Preparedness Committee

In anticipation of the passing of the BOJ Credit Unions Regulations, which will see the credit union operating in a new environment; the committee was entrusted with the responsibility to ensure the credit union's readiness. The responsibilities of the committee include:

- Ensure the preparation of additional policies and procedures
- Classification of credit and other provisioning requirements

Mr. Shaw continued the presentation by noting that the composition of the Board continued to reflect an array of required professional skills, experience and personal qualities; coupled with the independence and objectivity required in the decision-making process. He told the meeting that each Director has considerable exposure to current corporate governance practices; with most having significant accounting, and or business acumen.

Mr. Shaw ended his presentation by noting that given the significant interest rate reduction in 2015, the credit union was forced to respond to the market, in order to remain competitive, adding also, that a number of members were either made redundant, had their work hours significantly reduced, or had migrated. He pledged that the Board will continue to review the Corporate Governance framework to reflect the latest standards; adding that the Board is confident in the credit union's long term growth strategy, and will continue to remain focused and disciplined in striving to achieve its Mission.

Adoption of Report

A motion for the adoption of the Report was moved by Member Orrette Staple and seconded by Mrs. Berthlyn Plummer. The members in unison voted in favour of the motion.

Matters Arising

There were no matters arising from the Report of the Board of Directors; however Mr. Wilfred Roberts referred the members to Pages 3-5 of the Annual Report, and indicated that he was very impressed with the cadre of persons serving as elected officials and management.

Mr. Michael Burke told the meeting that he intends to set up a task force to look at the possibility of setting up a co-operative hotel. In response to the Chairman's request for the matter to be discussed under the "Any other business" segment of the meeting, Mr. Burke moved a motion for a suspension of the standing orders, to allow for him to continue the discussion on the matter, noting that he was unable to stay until the end of the meeting. The motion was seconded by Mr. Andrew Thomas.

Mr. Burke continued by indicating to the meeting plans for the proposed hotel, to include job opportunities, and increase in the credit union's surplus.

A motion was moved by Mr. Burke, and seconded by Mrs. Berthlyn Plummer for the resumption of the standing orders.

TREASURER'S AND AUDITORS'

Treasurer Anthony Young presented the Reports. He directed the meeting to pages 24 through to 72. He then invited Mr. Sixto Coy, Auditor, representing Mair Russel Grant Thornton to read the Independent Auditors' Report contained on pages 28 and 29.

Mr. Coy advised that he will be presenting excerpts of the report. He read portions of the report, ending with the statement "In our opinion, proper accounting records have been kept, so far as appears from our examination of these records, and the accompanying financial statements are in agreement therewith and give the information required by the Co-operatives Societies Act, in the manner required".

Mr. Young told the meeting that given the low interest rates which prevailed during 2015, the credit union was required to make significant adjustments in order to remain viable. He further stated that reduced margins have had a negative effect on revenues. Despite this however, he noted that the credit union did extremely well.

He said that the tight fiscal management space in which the credit union operated, coupled with low economic growth and high unemployment rate impacted the credit union's performance; and required timely, proactive responses to the challenges faced.

Mr. Young advised the meeting that the credit union continues to actively monitor its performance indicators as frequently as required to ensure that it remains viable; adding that the credit union has in place clearly defined financial and other strategic measures which aligns perfectly with the credit union's mission.

Other highlights of the presentation are noted hereunder:

- **Capital Requirements** – On the assumption that the proposal for the appropriation of surplus which is being presented to the AGM is accepted, an additional \$6,205,380 will be transferred to Institutional Capital. When applied, the Institutional Capital would be increased to \$297.46m or 17.87% of Assets.
- **Assets** – Assets over the period increased by 6.14%, moving from \$1,568.29m to \$1,664.44m.
- **Income & Surplus**– At year-end, an amount of \$72,705.38m was available for distribution; this after the mandatory 30% of Net Income was transferred to Institutional Capital.
 - **Income from Loans**– This remained relatively flat, moving from \$160.18m to \$160.91m
 - **Non-interest Income** – This remained relatively flat moving 160.18m to \$160.91m
 - **Income from Investments** – Income from “Investments” of \$23.07m marginally from \$4.46m to \$4.49m
 - Net Loans represents 66% of Assets
- **Expenses** – Total operating expenses increased by 7.95% moving from \$85.98m to 92.81m
- **Voluntary Shares Portfolio Growth** – Voluntary shares increased by 7.88%; moving from \$890.42m to 960.62m
- **Dividend** – A dividend on 6% on Voluntary Shares, and 15% on Permanent Shares was proposed..

Mr. Young pointed the meeting to the line item “Actuarial loss on defined benefit plan” which reduced the surplus by \$2.016m. He then expressed thanks to the membership for the confidence placed in the Board. He also thanked fellow Directors and the Management and staff of the credit union for their continued support.

Adoption of Treasurer's and Auditors' Report

The Treasurer's and Auditors' Reports were adopted on a motion moved by Donna Parchment Brown and seconded by Mr. Wilfred Roberts. The members in unison voted in favour of the motion.

Mr. Staple encouraged members who were having financial difficulties, and are delinquent to communicate with the credit union.

CREDIT COMMITTEE

The committee's Chairman Dervin Aiken presented the report. He referred members to Pages 73 and 74 of the Annual Report, and named the other members of the Committee as under:

- Pamela Chuck - Secretary
- Orrette Staple
- Dalton Richardson
- Robert Jackson

Mr. Aiken indicated that the committee met on forty (40) occasions during the year to carry out its mandate; as determined by the membership.

He stated that the following activities were undertaken by the committee during the year:

- Approval of loans
- Ratification of loans approved by in-house committee and authorized personnel as per the credit union's policy
- Provide feedback to the Board of Directors as it relates to trends, both within and external to the Credit Union

Highlights of the committee's report are detailed hereunder:

- The number of loans processed increased by 4.8% moving from 10,080 in 2014, to 10,563 in 2015.
- The value of loans disbursed amounted to \$430.22m which was 2% above the \$421,75m disbursed in 2014.
- The "Personal Requisites" category accounted for 7,819 loans; with a value of \$421.75m, reflecting a 8.5% increase.
- There were 33 loans for "Motor Vehicle purchase" which amounted to \$49.63m; an increase of 7.8% over the previous year.
- Loans for "Educational" purposes recorded a 62.18% increase, moving from \$14.59m to \$23.67m.
- The number of loans disbursed under the "Bills/Debt Payment" category declined. The value of these loans however, increased by \$5.6m or 16.3%.

Mr. Aiken stated that from the feedback provided, members are generally pleased with the turn-around time for loans; and the information provided to them as it relates to credit is adequate; adding that the committee continued to be represented on the Finance and Planning, Risk Management and BOJ Preparedness committees.

On behalf of the committee, he thanked the Board of Directors, staff and other committee members of the credit union for their support; extending special thanks to the members for having placed their confidence in the committee to manage the credit affairs of our credit union.

Adoption of Committee's Report

With no matter arising from the Minutes, a motion for the adoption of the report was moved by Mr. Andrew Thomas and seconded by Mr. Paul Ford. The motion was carried.

SUPERVISORY COMMITTEE

The Supervisory Committee's Report was presented by committee's Chair Kevin Price.

He named the other members of the committee as under;

- Nicola Reid - Secretary
- Samuel Manning
- Donn Griffiths
- Margareth Antoine

Mr. Price referred the members to pages 75 & 76 of the Report. He noted that during the period, the committee met on ten (10) occasions; and reviewed several critical areas of the credit union's operations; including:

- Internal control mechanisms; noting that for the most part, the controls were found to be operating as intended, but there were areas for improvement. These he said, were brought to the attention of the management of the credit union
- Review of Bank Reconciliation statements – Statements for all the credit union's bank accounts were reviewed and found to be in order
- Policies Review – Four (4) policies were reviewed during the period and found to conform to best practices.
- Loans – Loans were found to be adequately collateralised, and sufficient documentation maintained thereon.
- Payroll and Statutory Returns – Payroll and annual returns were examined for arithmetical accuracy and compliance with filing deadlines. These were found to be generally satisfactory and compliant.

An issue as it related to certain services for which GCT was not charged was identified. This was rectified by the management

- Re-imburement Process and External Loans – These areas were reviewed and found to be generally compliant.
- Pension Fund and Shares Register – These were found to be in order
- Education & Outreach – Disbursements were adequately supported, and approved in accordance with established procedures

Mr. Price stated that the examination and evaluation carried out by the committee over the period would not necessarily unearth all weaknesses or errors; noting also that queries/request for clarification were all satisfactorily addressed by Management. He noted that the committee was 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).

Mr. Price advised the meeting that as a part of its programme, representatives of the Committee attended meetings of the Finance & Planning and Risk & Compliance Committees. The committee members were exposed to training in Proceeds of Crime Act (POCA) and Anti-money laundering during the period.

He ended his presentation by thanking the Board of Directors, Management and Staff for their co-operation during the year; and extended special thanks to the members, for the confidence placed in the committee. He invited members to forward any queries and suggestion to the Supervisory Committee by writing to the Chairman of the Committee under confidential cover.

Matters Arising

There were no matters arising from the report and it was adopted on a motion moved by Mr. Dervin Aiken and seconded by Ms. Kimberly Vaz. 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 74th Convention and Annual General Meeting which took place at the Hilton Rose Hall Hotel during the period May 28-31. The conference, she stated, was held under the theme "Local Service Local Good". Approximately one hundred and fifty (150) delegates and observers were in attendance.

Ms. Wilson stated that the week-end of activities commenced with the holding of the Credit Union Managers Association AGM. This was followed by a presentation "Reality Check... A day in the life of our members", which was a simulation of the challenges faced by ordinary members in their attempts to access financing from credit unions.

The conference was declared open by Ms. Cynthia Campbell of the Filene Research Institute.

Friday May 29 commenced with the Credit Union Movement's Strategic Planning Session. This was facilitated by four (4) presenters from the Cornerstone Texas League and other United States of America affiliated organisations. Four workshops were held simultaneously with the Planning session; they being:

- The art of war..... Cyber war
- Enhancing customer service and competitiveness in credit union
- Financial education – Empowering the next generation
- Implementing flexi-work day in credit unions

Annual Awards Dinner

The Annual Awards Dinner took place in the evening and a number of credit unions received various awards, the main ones being those of "Credit Union of the Year" in the various categories.

League's AGM

Miss Wilson noted that the League's Annual General Meeting took place on May 30 (Saturday). President Derrick Tulloch summarized the Board Report in a power-point presentation; highlighting the achievements and challenges of the Credit Union Movement in 2014.

A number of amendments (all of which were accepted) to present League rules were proposed which are highlighted hereunder:

- Rule 1 – The interpretation section was amended to:
 - ❖ Tighten the definition of “financial distress”
 - ❖ Define “Prior Undivided Earnings Deficit Guarantee”
 - ❖ Define “Net Institutional Capital”

These changes were proposed to the rules to provide for the approval of Bylaws relating to Rule 77.

Resolutions

A number of condolence and congratulatory resolutions were passed on behalf of credit unions for volunteers who had served the respective credit unions. Sunday morning’s Ecumenical Service took the form of a vibrant Praise and Worship session during the breakfast.

The following comprised the 2015-2016 League’s Board of Directors

Mr. Derrick Tulloch - President	Mr. Martin Blackwood - Director
Miss Carol Anglin – 1st Vice President	Dr. Paul Gardener - Director
Mr. Winston Fletcher – 2nd Vice President	Mr. Norris Gilbert - Director
Mrs. Andrea Wilson-Messam - Treasurer	Mr. O’Neil Grant - Director
Mr. Jerry Hamilton – Asst. Treasurer	Mr. Glenroy Williams - Director
Mr. Rodcliffe Robertson - Secretary	Mr. Clide Nesbeth - Director
Dr. Dorothy Raymond – Asst. Secretary	Mr. Anthony Young - Director
Mr. Lambert Johnson	

The following comprised the 2015-2016 Supervisory Committee

Nicola Reid (Palisadoes) - Chair	Mr. Sefton Cummings
Mr. Paul Nathan	Ms. Tamara Baugh
Mr. Robert Ramsay	

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

Adoption of Report

The report was adopted on a motion moved by Orrette Staple and seconded by Venecia Dixon-Smith

MANAGEMENT

The General Manager Maxine Wilson referred the members to the report contained on Pages 79-84, and noted that the financial performance was outlined in detail in the Treasurer’s Report. She told the meeting that the credit union’s financial measurement included, but were not limited to, quantitative targets for surplus, capital and risk management and operational efficiencies. Non-financial measurement, she continued, included the quality of service given to members, employee engagement satisfaction, and efficiencies, in addition to product penetration. All these measurements, she continued, are assessed against set benchmarks, both internally and externally. She began by stating that the credit union performed admirably in 2015; given the tight fiscal management and low economic growth that were permanent features during the year.

Other highlights of her presentation include:

- **Our Performance**
Miss Wilson lamented the slow economic growth and the attendant uncertainty about job security which continued to weigh on business and consumer confidence throughout 2014; noting that while the members were impacted by the economic conditions, the credit union faced daunting challenges including that of managing its operating expenses, especially as it relates to those which were paid in US\$, given the continued devaluation of the J\$ during the year.

Competitive pressure, she said, were heightened as competitors aggressively vied for a larger share of the loans and savings market.

Notwithstanding these challenges, Miss Wilson said the credit union continued on the path of strength, stability, safety and soundness, and that the focus during the year was on growing the core business, that of loans; while prudently managing risk and improving operating efficiencies. She further stated that financial measurements included (but were not limited to) quantitative targets for surplus (in order to provide reasonable returns to the membership), capital management, risk management and operational efficiencies. Non-financial measurements include the quality of member services given and the level of member satisfaction, employee engagement satisfaction and efficiency, in addition to product penetration. All these measurements are assessed against set benchmarks both internally and externally.

- Business Continuity – The Business Continuity Plan details the responses to be undertaken, including the minimum resources required, to ensure the continuity of key business functions in the event of a disaster or disruption. The Business Continuity Plan was tested during the year, as a simulation exercise was conducted. This proved beneficial, as we were able to identify and rectify areas of weaknesses in our plan. We will continue to refine, and redefine this plan in a timely manner to ensure our readiness
- Staff Training & Development - Staff training and development continues to be an area of priority in our organization, as we believe that we must have the right capability, capacity and organization design to create value for both our members and employees. During the year, members of staff were exposed to training courses which included (but were not limited to) POCA/Anti-money laundering, The do's and don'ts during a Robbery, Member/Customer Service, Pension benefits, Risk & Compliance, Business Continuity, Internal Procedures, HIV/AIDS policy, Safety on the Job and First Aid and CPR. The staff participated in one fire drill during the period. Staff members were guided through a number of critical policies and procedures during our training sessions
- Know Your Member (KYM) Requirements - During the year we implemented a number of measures to tighten and enhance our KYM function. This included the modification of our Membership Application form, and the procedures involved in opening of, and monitoring of accounts.
- Smart Pac Savings Programme - At the end of the year there were 19 schools (2014: 19) enrolled in the programme; including 4 from Montego Bay. There were 2,386 SMART Pac Account holders, (2014:2,024) with savings of \$17.16m (\$ 2014: \$15.94m).
- Insurance Settlement 2015 - Claims were settled on behalf of Glynis Bell, Donald Leslie and Errol Cole
- Helping Hands Outreach - The credit union reached out to residents of the Seven Miles, Bull Bay and adjoining communities, at our “Helping Hands” outreach event, held at the Church of God of Prophecy, Seven Miles, Bull Bay on April 25. We were pleased to be able to reach out to a number of organisations and individuals during the year. Organisations that benefitted during the year, include:
 - ❖ Jamaica Youth for Christ
 - ❖ Richmond Fellowship Jamaica (Patricia House)
 - ❖ Mustard Seed Communities (Mary's Child)
 - ❖ Adastra Garden Basic School
 - ❖ Sophia Johnson (for medical tests)
 - ❖ Pauline Dinnall (purchase of medical supplies)
 - ❖ St. Andrew District Scout Council
 - ❖ United Way of Jamaica
 - ❖ Webster Memorial United Church

Matters Arising

Member Orrette Staple commented on the report, noting that the report was well documented. He encouraged the members of staff of the credit union to get themselves qualified.

Proposal for the Fixing of Maximum Liability

Assistant Treasurer Anthony Young presented the report. He referred the meeting to page 85, 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 2016 December 31 be set at ten (10) times the Credit Union’s Capital.

The proposal which was submitted by Treasurer Audley Deidrick (as contained on page 85) was seconded by was accepted on a motion moved by Mr. Orrette Staple. The proposal was accepted by the membership.

Proposal for the Appropriation of Surplus for year ending 2014 December 31

Mr. Young, in presenting the proposal, referred the meeting to the proposal contained on page 85 of the Annual Report; which is detailed hereunder:

SURPLUS DISTRIBUTION - \$72,705,380

Total amount for Appropriation - \$11,705,380 as under:

Additional Amount to Statutory Reserve	\$6,205,380	Loan Loss Reserve	\$2,000,000
Education & Outreach	\$1,500,000	Provision for Loan Loss	\$2,000,000

Total amount for Expenses - \$61,000,000 as under:

Dividend	\$59,000,000	Special Payment	2,500,000
Honoraria	\$ 2,000,000		

Mr. Young indicated that, before distribution of the Net Surplus, the Capital Sufficiency as at 2015 December 31 stood at 21.86%; which included the amount of \$5,009,478, which represents 30% of “Net Surplus before Transfers”. He further noted that after the proposed distribution, the Capital will be decreased to \$297.46m or 17.87% of Assets. The Proposal which was moved by Treasurer Audley Deidrick (as contained of page 85) was seconded by Mrs. 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 to 88; and listed the other members of the committee as hereunder:

Hazel Johnson – Member

Claudine Purboo – Staff Liaison

Mrs. Harwood-Gayle advised the meeting that the committee met to consider members to serve as volunteers on the Board and various committees for the year 2016-2017 and the following recommendations were made:

BOARD OF DIRECTORS

RETIRING

Robert Thelwell
Orville Shaw
Audley Deidrick
Jeffery Spooner

RECOMMENDED

Robert Thelwell
Orville Shaw
Audley Deidrick
Jeffery Spooner

TERM IN OFFICE

2 years
2 years
2 years
2 years

Directors retiring at the next AGM are:

Celsy Harwood-Gayle	National Met. Office
Winston Ormsby	
Anthony Young	Transport Authority

Secretary
Director
Asst. Treasurer

CREDIT COMMITTEE**RETIRING**

Pamela Chuck
Dalton Richardson
Robert Jackson

RECOMMENDED

Berthlyn Plummer
Sheryll Hamilton
Devon Howell

TERM IN OFFICE

2 years
2 years
2 years

Members retiring at the next AGM are:

Dervin Aiken	NMIA Airports Ltd
Orrette Staple	

SUPERVISORY COMMITTEE**RETIRING**

Samuel Manning
Nicola Reid
Kevin Price
Donn Griffiths
Margareth Antoine

RECOMMENDED

Samuel Manning
Nicola Reid
Karen Green
Maria Chen
Margareth Antoine

TERM IN OFFICE

1 year
1 year
1 year
1 year
1 year

DELEGATES TO THE LEAGUE**RETIRING**

Robert Thelwell
Maxine Wilson
Jeffery Spooner
Anthony Young

RECOMMENDED

Anthony Young
Maxine Wilson
Jeffery Spooner
Robert Thelwell

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 2015. Special thanks were extended to Mr. Kevin Price, Mr. Donn Griffiths, and Mr. Robert Jackson for their contribution to the credit union while serving. She then read the profiles of new members nominated to both the Credit and Supervisory committees.

The Nominating Committee's Report was adopted on a motion moved by Mr. Randolph Jones and seconded by Mr. Paul Ford.

ELECTION OF OFFICERS

Mr. Shaw invited the Co-op Department's representative Mrs. Sheryl Ramsay-Brown to conduct the election of officers. She told the meeting that her responsibility was to ensure that the election of officers were free and fair..

There were no other nominations tendered for the Board of Directors; as such Robert Thelwell, Orville Shaw, Audley Deidrick and Jeffery Spooner were elected to the Board of Directors

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

There were no other nominations tendered for the Credit Committee; as such Berthlyn Plummer, Sheryll Hamilton and Devon Howell were elected to the Credit Committee.

There were no other nominations tendered for the Delegates to the League; as such Anthony Young, Maxine Wilson, Robert Thelwell and Jeffery Spooner were elected as Delegates and Alternates to the League.

SUSPENSION OF STANDING ORDERS

A motion moved by Maxine Wilson and seconded by Mr. Plummer for the suspension of the standing orders to facilitate a presentation from the League regarding the BOJ/Credit Union Regulations was carried.

Presentation on BOJ Credit Union Regulations

Miss Vera Lindo conducted the presentation on behalf of the League. She told the meeting that discussions between the League and BOJ have been ongoing for a number of years, and for the most part agreements have been reached for most of the issues; but there remained five (5) outstanding ones. She highlighted the issues as hereunder:

- Unsecured credit (where only 10% of the loan portfolio could be unsecured credit) - Miss Lindo advised that following intense negotiations, there is no longer a cap on unsecured credit
- Unclaimed monies – The issue revolved around BOJ’s proposal that if a beneficiary did not claim the deceased members’ savings up to 15 years after the member is deceased, it would be transferred to the government’s Consolidated Fund. As funds were nominated for beneficiaries, these could not be classified as “unclaimed”. Miss Lindo encouraged members to ensure that their beneficiaries are updated.
- Minimum Capital Requirements – Initially it was said that credit union will have 24 months to satisfy the minimum Capital requirements; this was however changed to 12 month.
- Start-up Capital for new credit unions – This was initially set at \$20m. The amount was reduced to \$5m.

Miss Lindo also advised the meeting that the Co-operative Societies Act is being amended. In response to a question posed by Mr. Orrette Staple, Miss Lido advised that there is no indication at this time that credit unions will be required to pay Asset Tax. She however indicated that credit unions are required to pay the Minimum Business Tax.

RESUMPTION OF STANDING ORDERS

A proposal for the resumption of the standing orders was moved by Mr. Orrette Staple, and seconded by Mrs. Berthlyn Plummer.

The motion was carried. Mr. Sylbert Kerr nominated Mr. Randolph Jones, who declined the offer. There were no nominations from the floor and the persons recommended by the Nominating Committee to serve were all elected. No nomination from the floor was tendered for Delegates and Alternate Delegates to the League, as such persons nominated by the committee were elected to serve.

ANY OTHER BUSINESS

Mr. Orrette Staple congratulated member The Honourable Donna Parchment Brown on her appointment as Political Ombudsman; and acknowledged the tremendous work she has been doing since assuming the position.

Mrs. Sonia Smith, the representative from the Department of Co-operatives and Friendly Societies congratulated the credit union on hosting another successful AGM. She advised that the Department is reviewing the process of nominations from the floor, with a view of ending such practice; adding that the criteria of “fit and proper” persons serving is the reason behind such proposal.

Member Gay Clunis commended the credit union for the excellent service she has received over the years. Presentations of spot prizes were made to members and guests; after which Miss Wilson thanked the members for their continued support. Mr. Shaw congratulated all the winners; and thanked the members, committees and staff for a great meeting; and their continued support.

TERMINATION

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

**Report of the Board of Directors
For year ended 2016 December 31**

The year 2016 may best be described as an eventful year for our credit union, given the very dynamic business environment in which we operated. The marketplace has been, and is still characterized as a volatile and unpredictable one. We however continued to focus our “energies” on ensuring that the credit union remained successful and relevant, as it carried out its mandate of serving its members to the utmost.

OUR PERFORMANCE

Our performance is detailed in the Treasurer’s and Auditors’ Report, contained elsewhere in this Report. Let me however provide a “glimpse” of our 2016 performance.

Assets recorded an increase of 4.82% to reach \$1.745b. The Net Loan Portfolio remained flat at \$1.092b. Despite the lack of growth in the Loan Portfolio, the amount of \$502m was disbursed; an increase of 17% or \$73m over the previous year’s disbursement figures.

Our Share Portfolio crossed the \$1b mark during the year, ending the year at \$1,010.42m, an increase of \$49.8m or 5.2%. Savings Deposits increased by 25.16% to reach \$166.44m.

Interest Income amounted to \$185.51m; while Non-interest amounted to \$5.59m. Undistributed Surplus (available for distribution) amounts to \$84.9m compared to \$72.71m in 2015; a 16.8% increase. At the end of the financial year under review, each \$ you our members invest in the credit union, is worth \$1.39.

Corporate Governance

As your Corporate Governors, we are accountable to you our members. The Board has therefore identified areas of priorities, and reserve specific matters for its decision; this to ensure that the direction, management and control of the credit union rests and remains with it, as mandated by you.

This includes strategic issues, organizational planning, the management of risks, performance reviews (both financial and otherwise), and authority levels. A five (5) year Strategic Plan (including the annual budget and operational plans) is in place. We continued to provide effective oversight over Management’s activities and strategies, and are pleased to report that these are in line with the overall objectives of the credit union.

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

We continue to review our own performance as we view this as a critical part of the corporate governance process. The general consensus arrived at from the performance review was that the Board is effective in carrying out its responsibilities.

The monthly reports on the activities of the Credit, Supervisory and other committees also allow the Board to effectively evaluate the performance of these committees.

Regulatory Reporting

Your Board is pleased to advise 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 now has in place the following sub-committees

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

Our efforts at creating an improved and effective Risk Management framework and a strong risk culture within the organization continue. Our credit union has also taken steps to prepare itself for the new regulatory framework under which it will operate, when the BOJ Credit Unions Regulations become effective. These include the preparation of additional policies and procedures, classification of credit, and other provisioning requirements.

Specific Loan Provisioning

We are pleased to report that the credit union has, and continues to allocate a portion of its surplus to the **Specific Loan Provision Reserve** Account, which ensures that provision are made for at least 1% of the credit union's Net Loans. To date the credit union has reserved \$17m for this purpose.

Board Composition

The composition of our Board continues to reflect a good mix of required professional skills, ethics, experience and personal qualities; coupled with the independence and objectivity required in the decision making process.

Director Jeffery Spooner resigned during the year, and Mr. Dervin Aiken was co-opted to fill the position until the next Annual General Meeting. The Board uses this opportunity to thank Mr. Spooner for his sterling contribution to the growth of the credit union over the many years; and wish him well as he settles in his new homeland. Mr. Aiken's profile is listed in the Corporate Profile section of this book.

The Future

The Board recognises that there is always room for improvement in our governance practices; as such we continuously review our Corporate Governance Framework to reflect the latest standards; this to ensure that the interest of the credit union remains safeguarded. We are confident in our long-term growth strategy and remain focused and disciplined as we seek to ensure that the credit union remain successful and relevant.

Acknowledgement

On behalf of the Board of Directors, thanks to you our members for your continued confidence in us. To the members of the Credit, Supervisory and other committees, the Management and staff, thanks for your unwavering commitment to the cause. We acknowledge with a debt of gratitude all the sacrifices that you have made, and continue to make.

To our other stakeholders, we thank you for your continued support throughout the years. We are confident that together we will be able to hurdle the challenges that 2017 brings. May God continue to bless our beloved credit union.

BOARD OF DIRECTORS' ATTENDANCE 2016

NAMES	MEETINGS HELD	MEETINGS PRESENT	MEETINGS EXCUSED
Robert Thelwell	12	11	1
Orville Shaw	12	10	2
Anthony Young	12	12	-
Audley Deidrick	12	10	2
Jeffrey Spooner*	9	7	2
Celay Harwood-Gayle	12	12	-
Winston Ormsby	12	8	4
Dervin Aiken	2	2	-

ON BEHALF OF THE BOARD OF DIRECTORS



Robert Thelwell
PRESIDENT

TREASURER'S REPORT FOR YEAR ENDED 2016 DECEMBER 31

It is my absolute pleasure to present to you the Treasurer's Report for the year 2016. It was a year in which our strength and resilience were severely tested, as we confronted challenges after challenges. Despite this, we were able to post creditable results; and are able to propose reasonable returns on your investments in the credit union. Our responses to the dynamic changes in the environment in which we operated were timely and sometimes immediate.

The Jamaican economy showed signs of improvements during the year. The country experienced historically low interest rates, and gradual reductions in domestic interest rates. The fiscal trajectory remained on the path to sustainability. However, while the country fared better overall, consumers continued to be impacted by slow improvement in the job market, and the continued devaluation of the Jamaican dollar.

During the year, we experienced heightened competitive pressure, as there were new entrants to the banking sector; and also with credit unions merging, creating larger institutions; enhancing their ability to offer larger unsecured loans for example. We were however able to navigate these business challenges somewhat, by enhancing our offerings to the membership; while we continue to actively monitor our key performance indicators.

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

Performance Results

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

Capital Requirement

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

Assets

Assets increased by 4.82% (6.14% in 2015), moving from \$1,664.66m to \$1,744.88m. An increase in Financial Investments (\$57.44m), accounted for the majority of the increase.

Loans

Net Loans represents 63% (66% in 2015) of Assets. While \$502m was disbursed during the period; which represents an increase of 17% or \$73m over the previous year's disbursement figures as \$508.10m was actually repaid. After careful analyses, the following were identified as reasons for the high repayment rate during 2016:

- Job losses/reduced work hours
- Uncertainty of remaining in a job (due to privatization or possible redundancies)
- Migration

Gross Loans amounted to \$1,101.44m, while the Allowance for Loan Losses amounted to \$9.77m (\$15.64m in 2015). Loans written off during the year amounted to \$591.

Loan Provisioning Reserve

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

Income/Surplus

- At year end, an amount of \$84,897,392 (\$72,205,380 in 2015) was available for distribution; this after the mandatory 30% of Net Income was transferred to Statutory Reserves.
- Income from Loans remained relatively flat, moving from \$160.91m to 161.00m, and represented 87.79% (85.38% in 2015) of Total Income; Income from Investments decreased to \$3.94m (\$ 23.07m in 2015).
- Non-interest Income increased by 25.42% moving from \$4.45m to \$5.59m.
- ‘Actuarial gain on defined benefit pension plan’ amounted to \$2.12m which is not distributable, but has increased Total Comprehensive Income for the year to \$38.67m.

Expenses

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

Voluntary Shares

The Voluntary Shares portfolio recorded an increase of 5.20% or \$49.8m moving from \$960.62m to \$1,010.42m.

Permanent Share Capital

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

Savings Deposits

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

Dividends/Interest Rebate

A record \$61,968,656 is proposed for payout to the membership this year. At this meeting a proposal is being placed before the membership for a dividend payment of six percent (6%) on Voluntary Shares and twenty percent (20%) on Permanent Shares. We are also very pleased to advise that in addition to this, an interest rebate of 2% of interest paid on loans for the year 2016 is also being proposed.

Our Focus

The credit union is cognisant of the challenges faced by its membership. We will continue to monitor the environment, both internally and externally to ensure that our members’ assets are protected, and that we employ the level of proactivity and resilience required to wade through the challenges of 2017 and beyond.

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

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

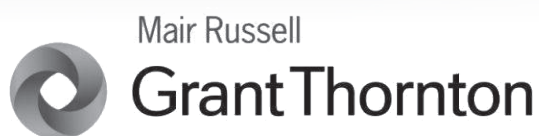
Best Wishes for a successful 2017.



Audley Deidrick
TREASURER

Simplified Statement of Financial Position Year ended 2016 December 31

<u>WE THE MEMBERS OWN</u>	2016	2015	% GROWTH/ REDUCTION
Statutory Reserves	298,823,723	281,601,582	6.12%
Retirement Benefit Reserve	17,464,000	13,655,000	27.89%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	11,520,556	9,653,635	19.34%
Permanent Share Transfer Fund	58,127	77,957	-25.44%
General Reserves	27,010,991	26,484,583	1.99%
Loan Loss Reserve	17,000,000	15,000,000	13.33%
Undistributed Surplus	84,897,392	72,705,380	16.77%
Making the grand total owned by us as members	480,140,861	442,544,209	8.50%
<u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,091,665,648	1,091,916,978	-0.02%
To invest in others	510,241,029	463,535,554	10.08%
Cash in hand and at bank	58,063,267	29,544,293	96.53%
Advances to Others	13,559,794	12,544,521	8.09%
Retirement Benefit Asset	17,464,000	13,655,000	27.89%
To purchase Assets	53,881,851	53,462,646	0.78%
Less amount we owe to others at year end	(1,264,734,728)	(1,222,114,783)	-3.49%
Agreeing our net investment with our grand total owned	480,140,861	442,544,209	8.50%
<u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	161,003,269	160,909,163	0.06%
Interest on short-term investments and loans	24,505,833	23,066,110	6.24%
Other Income	5,587,565	4,489,727	24.45%
Total Income earned	191,096,667	188,465,000	1.40%
<u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	10,915,918	10,853,798	-0.57%
Administration	85,324,643	81,956,003	-4.11%
Financial	9,518,981	13,987,100	31.94%
Bad Debt Expensed	(7,868,295)	2,905,785	370.78%
Leaving Surplus before distribution of	93,205,420	78,762,314	18.34%
Dividend paid (2015 paid in 2016)	(54,647,717)	(60,064,053)	-9.02%
Honoraria paid (2015 paid in 2016)	(2,000,000)	(2,000,000)	0.00%
Balance	36,557,703	16,698,261	118.93%
Transfer to Statutory Reserve	(10,967,311)	(5,009,478)	118.93%
Less prior year adjustments and appropriation	(13,398,380)	(11,000,602)	21.80%
To which we add previous Undistributed Surplus	72,705,380	72,017,199	0.96%
Resulting in a total undistributed surplus at this yearend of	84,897,392	72,705,380	16.77%



Palisadoes Co-operative Credit Union Limited

Financial Statements

December 31, 2016

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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 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, 2016, statement of income and expenditure, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Co-operative Societies Act.

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.

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)

Key audit matters (cont'd)

Impairment losses on loans

As at December 31, 2016 loans after provision for impairment amounted to \$1,092 million or 63% of the total assets of the Credit Union on which impairment provisions of \$9.8 million have been recognised.

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

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

How our audit addressed the key audit matter

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

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

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

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

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
 Re: Palisadoes Co-operative Credit Union Limited
 (A society registered under the Co-operative Societies Act)

Report on the Financial Statements

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

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

Other information

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

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

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

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

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Co-operative Societies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Credit Union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Credit Union or to cease operations, or has no realistic alternative but to do so.

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

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
Re: Palisadoes Co-operative Credit Union Limited
(A society registered under the Co-operative Societies Act)

Report on the Financial Statements

Auditor's Responsibilities for the Audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

Independent auditor's report (cont'd)

To the Registrar of Co-operative Societies
 Re: Palisadoes Co-operative Credit Union Limited
 (A society registered under the Co-operative Societies Act)

Report on the Financial Statements

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Credit Union to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

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

Kingston, Jamaica

March 14, 2017



Chartered Accountant



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 PERMANENT
SECRETARY AND THE FOLLOWING
REFERENCE QUOTED:-

**S1
R 99/-50/03/17**

March 17, 2017

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, 2016.

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

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

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

Yours sincerely,

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

LE/kd

Statement of financial position

December 31, 2016

	Note	2016 \$	2015 \$
Assets			
Non-current assets			
Earning			
Financial investments	(6)	77,865,381	81,612,352
Loans, after provision for loan impairment	(7)	1,091,665,648	1,091,916,978
Automatic Teller Machines	(8)	3,263,442	3,227,761
		<u>1,172,794,471</u>	<u>1,176,757,091</u>
Non-Earning			
Property, plant and equipment	(9)	50,618,409	50,234,885
Retirement benefit asset	(10)	17,464,000	13,655,000
		<u>68,082,409</u>	<u>63,889,885</u>
Total non-current assets		<u>1,240,876,880</u>	<u>1,240,646,976</u>
Current assets			
Earning			
Financial investments	(6)	61,191,698	-
Liquid assets	(11)	318,469,860	350,204,043
Resale agreement	(12)	42,501,481	18,714,832
Repossessed asset held-for-sale		10,212,609	13,004,327
		<u>432,375,648</u>	<u>381,923,202</u>
Non-earning			
Bank and cash balances	(13)	58,063,267	29,544,293
Accounts receivables	(14)	13,559,794	12,544,521
		<u>71,623,061</u>	<u>42,088,814</u>
Total current assets		<u>503,998,709</u>	<u>424,012,016</u>
Total assets		<u>1,744,875,589</u>	<u>1,664,658,992</u>

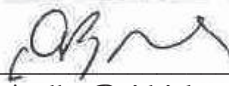
Statement of financial position

December 31, 2016

	Note	2016 \$	2015 \$
Capital and liabilities			
Capital			
Permanent share capital	(15)	11,520,556	9,653,635
Institutional capital	(16)	298,823,723	281,601,582
Non-institutional capital	(17)	84,899,190	78,583,612
Undistributed surplus		84,897,392	72,705,380
Total capital		480,140,861	442,544,209
Liabilities			
Non-current liabilities			
Interest bearing			
Savings deposits	(18)	36,842,756	74,251,123
Members' shares	(19)	1,010,417,375	960,619,436
External credit	(20)	27,812,276	27,174,783
		1,075,072,407	1,062,045,342
Non-interest bearing			
External credit	(20)	5,138,413	5,138,413
Total non-current liabilities		1,080,210,820	1,067,183,755
Current liabilities			
Interest bearing			
Savings deposits	(18)	166,441,256	132,977,809
Non-interest bearing			
Accounts payable and accruals	(21)	18,082,652	21,953,219
Total current liabilities		184,523,908	154,931,028
Total liabilities		1,264,734,728	1,222,114,783
Total capital and liabilities		1,744,875,589	1,664,658,992

Approved for issue by the Board of Directors on March 16, 2017 and signed on its behalf by:


_____) President
Robert Thelwell


_____) Treasurer
Audley Deidrick

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

Statement of comprehensive income

Year ended December 31, 2016

	Note	2016 \$	2015 \$
Interest income			
Members' loans		161,003,269	160,909,163
Liquid assets		20,564,767	18,921,010
Investments		3,941,066	4,179,888
		<u>185,509,102</u>	<u>184,010,061</u>
Interest expense and dividends			
Interest on members' savings and deposits		8,007,814	11,029,096
Dividends		54,697,680	57,564,053
Special dividends - PIECCU (prior year)		(49,963)	2,500,000
External credit		648,202	1,214,463
Bank charges and interest		862,965	737,336
		<u>64,166,698</u>	<u>73,044,948</u>
Net interest income			
		121,342,404	110,965,113
Net movement on loan impairment provision		7,868,295	(2,905,785)
Loss on impairment of shares	(22)	-	(1,006,205)
Net interest income after provision for losses		<u>129,210,699</u>	<u>107,053,123</u>
Non-interest income			
Service fees		1,961,549	1,519,456
Quick cash commission		17,719	32,279
Phone card net		230,519	481,081
Foreign exchange gain		42,420	8,577
Other income		3,335,358	2,413,546
		<u>5,587,565</u>	<u>4,454,939</u>
Gross margin			
		134,798,234	111,508,062
Less: Operating expenses	(23)	96,240,561	92,809,801
Surplus for the year before honorarium		<u>38,557,703</u>	<u>18,698,261</u>
Honorarium		2,000,000	2,000,000
Net surplus for the year		<u>36,267,299</u>	<u>16,698,261</u>
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit plan		2,116,000	(2,016,000)
Other comprehensive income/(loss) for the year		<u>2,116,000</u>	<u>(2,016,000)</u>
Total comprehensive income for the year		<u>38,673,703</u>	<u>14,682,261</u>

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

Statement of changes in equity

Year ended December 31, 2016

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2016	9,653,635	281,601,582	78,583,612	72,705,380	442,544,209
Surplus for the year	-	-	-	36,557,703	36,557,703
Other comprehensive income					
Actuarial gain on defined benefit asset	-	-	2,116,000	-	2,116,000
Total comprehensive income	-	-	80,699,612	109,263,083	481,217,912
30% transfer of statutory reserve	-	10,967,311	-	(10,967,311)	-
Transfer of retirement benefit asset	-	-	1,693,000	(1,693,000)	-
Share transfer fund	19,830	-	(19,830)	-	-
Entrance fee	-	49,450	-	-	49,450
Increase in market value of equities	-	-	526,408	-	526,408
Appropriation – education and outreach	-	-	-	(1,500,000)	(1,500,000)
Loan provision	-	-	2,000,000	(4,000,000)	(2,000,000)
Permanent shares	1,847,091	-	-	-	1,847,091
Additional transfer to statutory reserve	-	6,205,380	-	(6,205,380)	-
Balance at December 31, 2016	11,520,556	298,823,723	84,899,190	84,897,392	480,140,861

Statement of changes in equity

Year ended December 31, 2016 (cont'd)

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2015	8,732,789	274,512,705	74,701,626	72,017,199	429,964,319
Surplus for the year	-	-	-	16,698,261	16,698,261
Other comprehensive income					
Actuarial loss on defined benefit asset	-	-	(2,016,000)	-	(2,016,000)
Total comprehensive income	-	-	(2,016,000)	16,698,261	14,682,261
30% transfer of statutory reserve	-	5,009,478	-	(5,009,478)	-
Transfer of retirement benefit asset	-	-	2,065,000	(2,065,000)	-
Transfer to general reserve	-	-	2,000,000	(2,000,000)	-
Entrance fee	-	62,200	-	-	62,200
Sale of equities	-	-	(167,014)	581,597	414,583
Appropriation – education and outreach	-	-	-	(1,500,000)	(1,500,000)
Loan provision	-	-	2,000,000	(4,000,000)	(2,000,000)
Permanent shares	920,846	-	-	-	920,846
Additional transfer to statutory reserve	-	2,017,199	-	(2,017,199)	-
Balance at December 31, 2015	9,653,635	281,601,582	78,583,612	72,705,380	442,544,209

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

Statement of cash flows

Year ended December 31, 2016

	2016	2015
	\$	\$
Cash flows from operating activities:		
Surplus for the year	36,557,703	16,698,261
Adjustments for:		
Gain on retirement asset	(1,693,000)	(2,065,000)
Depreciation	5,428,545	4,973,608
Net cash provided by operating activities	40,293,248	19,606,869
Cash flows from investing activities:		
Loans after provision for loan impairment	251,330	(25,260,673)
Liquid assets	31,734,183	(52,777,298)
Financial investments	(57,444,727)	(10,816,711)
Resale agreement	(23,786,649)	9,025,724
Accounts receivables	1,776,444	(5,514,473)
Purchase of intangible asset	(608,015)	(2,737,303)
Purchase of property, plant and equipment	(5,239,734)	(10,224,774)
Net cash used in investing activities	(53,317,168)	(98,305,508)
Cash flows from financing activities:		
Issue of permanent shares	1,847,091	920,846
Members' shares	49,797,939	70,196,393
Savings deposits	(3,944,920)	10,035,264
External credit	637,492	461,330
Payables and accruals	(3,870,566)	3,093,589
Entrance fees	49,450	62,200
Appropriations	(1,500,000)	(1,500,000)
Investment revaluation reserve	526,408	414,582
Non-institutional capital	(2,000,000)	(2,000,000)
Net cash provided by financing activities	41,542,894	81,684,204
Net increase in bank and cash balances	28,518,974	2,985,565
Bank and cash balances at beginning of year	29,544,293	26,558,728
Bank and cash balances at end of year	58,063,267	29,544,293

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

Notes to the financial statements

December 31, 2016

1. Identification and activities

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

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

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

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

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

2. Regulation

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

3. Statement of compliance with IFRS

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

4. Changes in accounting policies

New and revised standards that are effective for annual periods beginning on or after January 1, 2016

- i Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has determined that none will have a material impact on the company.

ii **Standards, amendments and interpretations issued but not yet effective and have not been adopted early by the company**

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 company.

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

IFRS 9 'Financial Instruments'

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

The company's management have yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

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

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

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

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

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

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

Annual Improvements

The Annual Improvements 2010 - 2012, 2011 - 2013 and 2012 - 2014 made several minor amendments to a number of IFRSs. The Annual Improvements are effective for various periods beginning on or after January 1, 2014 to January 1, 2016. There was no material impact and management does not anticipate a material impact on the company's financial statements from these Amendments which are effective and those that are to become effective.

5. Summary of significant accounting policies

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

a Property, plant and equipment

i Carrying value

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

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

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

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

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

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

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

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining

operating profit. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

iii Repairs and renewals

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

b Intangible asset – computer software

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

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

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

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

c Revenue

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

d Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

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

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

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

Financial assets

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

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

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

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

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

Loans and receivables

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. Unquoted shares in CUFMC and its related entities are included in this category.

Financial liabilities

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

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

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

e Foreign currency translation

Functional and presentation currency

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

Foreign currency translations and balances

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

f Statutory reserve

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

g Institutional capital

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

h League fees and Stabilisation dues

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

i Originated loans and provision for loan impairment

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

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

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

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

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

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

j Pension obligations and short-term employee benefits

Pension to employees is provided through a Defined Benefit Plan.

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and remuneration. The legal obligation for any benefits from this kind of pension plan remains with the Credit Union, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

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

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

All expenses related to pension benefits are included in staff costs.

Short-term employee benefit is recognised for the number of paid leave days (usually holiday entitlement) remaining at the statement of financial position date. It is included in

staff costs at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement.

k Members' deposits and other borrowed funds

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

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

l Receivables

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

m Other liabilities

Other liabilities are stated at their nominal value.

n Borrowing costs

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

o Impairment

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

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

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

p Critical accounting estimates and judgments in accounting policies

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

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

Impairment losses on loans and receivables

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

Pension and post-retirement benefits

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

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

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Credit Union. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

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

- i Financial investments classified as fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities are measured at historical cost less impairment, as their face values cannot be reliably determined.

- ii The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets, with the exception of available for sale securities, and the short term elements of all other financial assets and financial liabilities;
- iii The fair value of demand deposits with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- iv The fair value of variable rate financial instruments is assumed to approximate their carrying amounts and;
- v The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values. The fair value of financial investments classified as originated debt is determined by reference to current market prices for similar investments.

6. Financial investments

	Remaining to Maturity					
	Three to Twelve Months \$	One to Five Years \$	Current \$	Fair Values 2016 Non-Current \$	Current \$	Fair Values 2015 Non-Current \$
Available-for-sale -						
Unquoted Shares at cost						
Shares NUCS Co-operative Insurance Services	-	500,000	-	500,000	-	500,000
JCCUL shares unquoted	-	8,550,576	-	8,550,576	-	8,550,576
Shares – Quality Networks Co-operative Limited	-	2,093,247	-	2,093,247	-	2,093,247
Credit Union Fund Management Company	-	10,050,000	-	10,050,000	-	10,050,000
Centralised Strategic Service Limited	-	30,000	-	30,000	-	10,000
	-	21,223,823	-	21,223,823	-	21,203,823
Quoted shares at cost						
Grace Kennedy	-	966,960	-	966,960	-	650,000
JMMB	-	679,252	-	679,252	-	489,804
Proven Investments	-	672	-	672	-	672
	-	1,646,884	-	1,646,884	-	1,140,476
Held to maturity						
Victoria Mutual Building CUMBO	-	5,112,638	-	5,112,638	-	10,924,906
JCCUL - Mortgage fund	-	-	-	-	-	8,014,332
JCCUL - CUETS Settlement Deposit	-	1,963,137	-	1,963,137	-	1,921,037
Government of Jamaica Bond	-	20,000,000	-	20,000,000	-	20,000,000
JCCUL – Cu Premium	-	27,918,899	-	27,918,899	-	18,407,778
NCB Capital Market	61,191,698	-	61,191,698	-	-	-
	61,161,698	54,994,674	61,191,698	54,994,674	-	59,268,053
Total	61,161,698	77,865,381	61,191,698	77,865,381	-	81,612,352

7. Loans, after provision for loan impairment

(a) Loans comprise:

	2016	2015
	\$	\$
Balance at January 1	1,107,559,182	1,077,539,333
Add: Loans granted	501,982,284	429,423,879
	1,609,541,466	1,506,963,212
Less: Repayment and transfers	(508,102,500)	(399,404,030)
	1,101,438,966	1,107,559,182
Less: Allowance for loan losses	(9,773,318)	(15,642,204)
Total	1,091,665,648	1,091,916,978

(b) Delinquent loans

During the year, loans to members totalling \$591 (2015 - \$255,242), 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, 2016, there were thirty-five (35) (2015 – twenty-six (26)) delinquent loans totalling \$27,910,022 (2015 – totalling \$29,148,441) aged two months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
2 - 3	5	5,348,722	10	534,872
3 - 6	9	16,438,443	30	4,931,533
6 – 12	9	4,539,859	60	2,723,915
Over 12	12	1,582,998	100	1,582,998
	35	27,910,022		9,773,318

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 \$34.78M (2015 - \$48.5M). 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:

	2016	2015
	\$	\$
Within 3 months	1,986,536	7,150,790
From 3 months to 1 year	22,050,366	46,106,199
Over 1 year	1,067,628,746	1,038,659,989
Total	1,091,665,648	1,091,916,978

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

	2016	2015
	\$	\$
Home equity	193,464,113	206,980,001
Motor vehicle	133,059,667	160,206,863
Loans within shares	392,205,685	115,345,835
Unsecured loans	62,426,510	53,426,290
Others	320,282,991	571,600,193
Total	1,101,438,966	1,107,559,182

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

	2016	2015
	\$	\$
Neither past due nor impaired	1,073,068,507	1,077,116,472
Past due but not impaired	460,437	1,294,270
Impaired loans:		
2 to 3 months	5,348,722	7,096,906
3 to 6 months	16,438,443	9,380,811
6 to 12 months	4,539,859	1,381,132
Over 12 months	1,582,998	11,289,591
Less provision for loan losses	(9,773,318)	(15,642,204)
Total	1,091,665,648	1,091,916,978

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

	2016	2015
	\$	\$
Balance at January 1	15,642,204	10,883,028
Loans written-off during the year as uncollectible	(591)	(255,242)
	15,641,613	10,627,786
Specific provision for the year (IFRS)	(7,868,295)	3,014,418
Loan loss provision (IFRS)	7,773,318	13,642,204
Additional provision through loan loss reserve	2,000,000	2,000,000
PEARLS provision	9,773,318	15,642,204

8. Automatic teller machines

The carrying amounts are reconciled as follows:

	Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2015	8,209,907	8,209,907
Addition	608,015	608,015
Balance at December 31, 2016	8,817,922	8,817,922
Depreciation		
Balance at December 31, 2015	(4,982,146)	(4,982,146)
Depreciation	(572,334)	(572,334)
Balance at December 31, 2016	(5,554,480)	(5,554,480)
Carrying amount at December 31, 2016	3,263,442	3,263,442

	Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2014	5,472,604	5,472,605
Addition	2,737,303	2,737,303
Balance at December 31, 2015	8,209,907	8,209,908
Depreciation		
Balance at December 31, 2014	(4,505,613)	(4,505,613)
Depreciation	(476,533)	(476,533)
Balance at December 31, 2015	(4,982,146)	(4,982,146)
Carrying amount at December 31, 2015	3,227,761	3,227,762

9. Property, plant and equipment

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2016 can be analysed as follows:

	Land	Leasehold Improvement	Office Furniture & Equipment	Computer	Software	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at December 31, 2015	33,605,925	10,051,832	11,883,519	14,160,052	13,804,441	83,505,769
Additions	-	-	804,315	3,661,388	774,031	5,239,734
Balance at December 31, 2016	33,605,925	10,051,832	12,687,834	17,821,440	14,578,472	88,745,503
Depreciation						
Balance at December 31, 2015	-	(8,870,086)	(7,763,236)	(13,438,346)	(3,199,216)	(33,270,884)
Depreciation	-	(527,200)	(919,176)	(1,002,941)	(2,406,893)	(4,866,210)
Balance at December 31, 2016	-	(9,397,286)	(8,682,412)	(14,441,287)	(5,606,109)	(38,127,094)
Carrying amount at December 31, 2016	33,605,925	654,546	4,005,423	3,380,153	8,972,362	50,618,409
	Land	Leasehold Improvement	Office Furniture & Equipment	Computer	Software	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at December 31, 2015	33,605,925	9,551,832	11,116,716	13,276,403	5,730,119	73,280,995
Additions	-	500,000	766,803	883,649	8,074,322	10,224,774
Balance at December 31, 2016	33,605,925	10,051,832	11,883,519	14,160,052	13,804,441	83,505,769
Depreciation						
Balance at December 31, 2015	-	(7,394,472)	(6,829,482)	(12,292,355)	(2,257,500)	(28,773,809)
Depreciation	-	(1,475,614)	(933,754)	(1,145,991)	(941,716)	(4,497,075)
Balance at December 31, 2016	-	(8,870,086)	(7,763,236)	(13,438,346)	(3,199,216)	(33,270,884)
Carrying amount at December 31, 2016	33,605,925	1,181,746	4,120,283	721,706	10,605,225	50,234,885

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,

	2016	2015
	\$	\$
Present value of funded obligation	42,548,000	34,238,000
Fair value of plan assets	(60,012,000)	(47,893,000)
Asset recognised in the statement of financial position	(17,464,000)	(13,655,000)

Expense recognised in the Revenue and Expenditure Statement

	2016	2015
	\$	\$
Current service cost	1,366,000	889,000
Interest cost	2,981,000	2,483,000
Return on plan assets	(3,951,000)	(3,632,000)
Net pension credit included in staff costs	396,000	(260,000)

Changes in the present value of the pension obligation

	2016	2015
	\$	\$
Present value of obligation at beginning of year	34,238,000	25,357,000
Current service cost and contributions	3,382,000	2,573,000
Interest cost	2,981,000	2,483,000
Benefits paid	(353,000)	(123,000)
Actuarial (gain)/loss	2,300,000	3,948,000
Changes in the present value of obligation at end of year	42,548,000	34,238,000

Changes in the fair value of plan assets

	2016	2015
	\$	\$
Fair value of plan assets	47,893,000	38,963,000
Contributions	4,104,000	3,489,000
Return on plan assets	3,952,000	3,633,000
Benefits paid	(353,000)	(123,000)
Actuarial loss on plan assets	4,416,000	1,931,000
Changes in the fair value of plan assets at end of year	60,012,000	47,893,000

Movements in net liability/(asset)

	2016	2015
	\$	\$
Opening net asset	(13,655,000)	(13,606,000)
Pension income	395,000	(260,000)
Total re-measurements included in other comprehensive income	(2,116,000)	2,016,000
Employer's contributions	(2,088,000)	(1,805,000)
Closing net asset	(17,464,000)	(13,655,000)

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

	2016		2015	
	\$	%	\$	%
J\$ debentures	27,891,000	46.47	23,262,000	48.57
US\$ Certificates of deposit	3,735,000	6.22	3,053,000	6.37
J\$ Certificates of deposit	1,278,000	2.13	1,124,000	2.35
Repurchase Agreements	7,123,000	11.87	8,441,000	17.63
US\$ debentures	4,336,000	7.23	2,778,000	5.80
Quoted equities	4,719,000	7.86	2,871,000	6.00
Investment properties	9,060,000	15.10	6,043,000	12.62
Real estate fund	541,000	0.90	463,000	0.97
Corporate bonds	-	-	63,000	0.13
Unit trust	830,000	1.38	-	-
Net current assets	499,000	0.83	(204,000)	(0.43)
	60,012,000	100	47,894,000	100

Principal actuarial assumptions

	2016	2015
	%	%
Discount rate	9.00	8.5
Future salaries increase	7.00	6.00
Pension increases	3.00	2.50

11. Liquid assets

	Remaining to Maturity		
	Within Three Months	Fair Value 2016	Fair Value 2015
	\$	\$	\$
CUFMC - CU cash deposits	45,613,618	45,613,618	82,799,029
CUFMC - Fixed deposit	272,211,370	272,211,370	267,302,469
JMMB - Savings	644,872	644,872	102,545
Total	318,469,860	318,469,860	350,204,043

12. Resale agreement

	Fair Value 2016	Fair Value 2015
	\$	\$
NCB Capital Markets Limited	42,501,481	18,714,832

13. Bank and cash balances

	2016	2015
	\$	\$
Non-earning assets		
Cash in transit	30,177,233	26,259,904
Clearing account	4,710,692	(2,484,167)
Petty cash	133,635	33,411
Cash reserves	4,094,262	-
Current accounts NCB:		
NMIA	10,851,149	4,452,678
Carib Cement	6,494,387	691,078
Mobay	1,502,357	495,874
Current account First Global Bank	100,552	95,515
Total	58,063,267	29,544,293

14. Accounts receivables

	2016	2015
	\$	\$
Interest receivable	7,952,636	7,140,016
Prepaid expense	983,554	391,448
Payroll receivable	273,072	273,072
Withholding tax	2,890,485	2,578,637
Other receivables	420,519	1,686,342
Inventory	1,039,529	475,006
Total	13,559,794	12,544,521

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

15. Permanent share capital

	2016	2015
	\$	\$
Balance at beginning of the year	9,653,635	8,732,789
Allocation of shares	1,866,921	920,846
Balance at end of year	11,520,556	9,653,635

16. Institutional capital

	2016	2015
	\$	\$
Statutory reserve as at January 1	247,125,848	240,036,971
Add 30% of net income	10,967,311	5,009,478
Additional amount transferred to statutory reserve	6,205,380	2,017,199
Add: Entrance Fees	49,450	62,200
	264,347,989	247,125,848
Business combination reserve	34,475,734	34,475,734
Total	298,823,723	281,601,582

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

17. Non-Institutional capital

	2016	2015
	\$	\$
Retirement benefit asset reserve (Note i)	17,464,000	13,655,000
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)	58,127	77,957
Loan loss reserve (Note v)	17,000,000	15,000,000
Development reserve (vi)	8,385,861	8,385,861
Investment revaluation reserve (vii)	687,732	161,324
Total	84,899,190	78,583,612

- (i) This reserve was created to match the value of the Retirement Benefit Asset of the Credit Union. Movement in this reserve passes through the undistributed surplus.
- (ii) This reserve was excess fund set aside for any eventuality.
- (iii) This reserve was created to record the changes in fair value of land.

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

18. Savings deposits

Remaining to Maturity

	One to Twelve Months \$	Over One Years \$	Carrying Values 2016		Carrying Values 2015	
			Current \$	Non-Current \$	Current \$	Non-Current \$
Other deposits	12,950,868	6,941,874	12,950,868	6,941,874	27,145,784	7,019,022
Regular deposits	50,816,669	-	50,816,669	-	35,793,039	-
Members Fixed Deposits	102,673,719	29,900,882	102,673,719	29,900,882	70,038,986	67,232,101
Total	166,441,256	36,842,756	166,441,256	36,842,756	132,977,809	74,251,123

19. Members' shares

	2016 \$	2015 \$
Balance at beginning of year	960,619,436	890,423,043
Add: Amount subscribed and dividends	404,476,199	381,821,329
	1,365,095,635	1,272,244,372
Less: Withdrawals and transfer	(354,678,260)	(311,624,936)
Balance at end of year	1,010,417,375	960,619,436

20. External credit

	2016	2015
	\$	\$
Interest bearing:		
(i) Carib Cement Jamaica	13,013,411	12,817,014
(ii) Rubis Energy	5,026,303	5,026,303
(iii) IGL long-term loan	3,307,102	3,009,253
(iv) Airport Authority of Jamaica	6,465,460	6,322,213
Total	27,812,276	27,174,783
Non-interest bearing:		
(i) Airport Authority of Jamaica	2,670,980	2,670,980
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
Total	5,138,413	5,138,413

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

21. Accounts payables

	2016	2015
	\$	\$
Employee benefit payable	1,413,350	1,622,418
Audit and accounting fee	1,108,775	719,000
Education and outreach	131,636	703,008
Trade payable	4,278,354	6,426,738
Accrued expenses	166,044	166,044
Accrued interest	989,864	-
Withholding tax	123,699	218,140
Asset for sale	-	3,000,000
Other payable	9,870,930	9,097,871
Total	18,082,652	21,953,219

22. Loss on impairment of shares

This represented the impairment of shares held in Centralised Strategic Services (CSS).

23. Operating expenses

	2016	2015
	\$	\$
Staff costs		
Employees salaries and allowances	46,056,874	42,411,436
Employee benefits	2,369,344	2,629,860
Employee welfare and training	732,730	597,927
Employee travel and related expenses	1,323,500	1,258,244
	50,482,448	46,897,467
Administrative		
Office rental	7,290,446	6,738,682
Audit fees	1,941,095	1,437,752
Depreciation	5,428,545	4,973,608
Legal fees and professional fees	345,656	-
Administrative expenses and subscription	7,799,599	9,178,753
Utilities	2,010,757	2,389,476
Telecommunication	3,272,142	3,205,089
Insurance premiums	4,301,798	3,528,016
Printing, stationery and supplies	1,575,555	2,442,197
Repairs and maintenance	368,834	360,725
Total administrative expenses	34,334,427	34,254,298
Representation and affiliation		
League fees and other fees	4,082,390	3,475,992
Stabilization dues	1,751,773	1,643,116
Seminars and meetings	1,072,313	1,270,289
Board and committee meetings	2,297,083	2,555,448
League AGM	1,712,359	1,908,953
Total representation and affiliation expenses	10,915,918	10,853,798
Marketing and promotion		
Promotion and advertising	507,768	804,238
Total marketing and promotion expenses	507,768	804,238
Total operating expenses	96,240,561	92,809,801

24. Volunteers' balances

At December 31, 2016, 7 (2015 - 7) members of the Society's Board of Directors and 9 (2015 - 11) Committee Members had savings and deposits of \$32,789,019 (2015 - \$43,010,901) and loans including interest totalling \$66,013,749 (2015 - \$102,569,300).

Loans including interest due from members of staff totalled \$23,981,531 (2015 - \$20,992,164). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2016, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

25. Comparison of ledger balances

	Shares	Deposits	Loan
	\$	\$	\$
General ledgers	1,010,417,375	203,284,012	1,101,438,966
Personal ledgers	1,010,417,375	203,284,012	1,101,438,966
Ledger difference	-	-	-

26. Employee benefits

	2016	2015
	\$	\$
Salaries and allowances	46,056,874	42,411,436
Other personnel cost Staff training and welfare	3,692,844	3,888,104
	732,730	597,927
Total	50,482,448	46,897,467

27. 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:

	2016	2015
	\$	\$
Assets		
Held to maturity (Amortised cost)		
Resale Agreements	42,501,481	18,714,832
Financial investments	54,994,674	59,268,053
Total	97,496,155	77,982,885
Available for sale (Fair value)		
Quoted shares	1,646,884	1,140,476
Unquoted shares	21,223,823	21,203,823
Total	22,870,707	22,344,299
Loans and receivables at amortised cost		
Members' loans	1,091,665,648	1,091,916,978
Accounts receivables	13,559,794	12,544,521
Cash and cash equivalents	104,321,757	112,445,867
JCCUL term deposits	272,211,370	267,302,469
Total	1,481,758,569	1,484,209,835
Liabilities		
Financial liabilities measured at amortised cost		
Members shares	1,010,417,375	960,619,436
Savings deposits	203,284,012	207,228,935
Trade and other payables	18,082,652	21,953,219
External credit	32,950,689	32,313,196
Total	1,264,734,728	1,222,114,786

28. Risk management policies

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

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

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

(i) Risk Compliance Unit

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

(ii) The Finance and Planning Committee

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

(iii) Risk Committee

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

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

(iv) Credit Committee

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

(v) Supervisory Committee

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

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

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

a Market risk

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

i Currency risk and Sensitivity

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

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

ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Credit Union's cash and cash equivalents are subject to interest rate risk. However, the Credit Union attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible.

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

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Asset and Liability Committee and the Finance and Planning Committee.

(ii) Interest rate risk (cont'd)

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

2016

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

(ii) Interest rate risk (cont'd)

2015

	Range of Interest Rate %	Immediately Rate Sensitive \$	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment	5.65 - 7	-	18,714,832	-	-	-
Liquid assets	3 - 6	-	350,204,043	-	-	-
Financial investments	4 - 6.35	-	-	-	81,602,352	-
Bank balances		-	-	-	-	29,605,802
Total assets		-	368,918,875	-	81,602,352	29,605,802
Savings deposits	1.60 - 4.25	-	-	132,977,809	74,251,123	-
Non-interest bearing liabilities	-	-	-	-	-	27,091,632
Interest bearing liabilities	-	-	-	-	27,174,783	-
Members shares	7	-	-	-	-	960,619,436
Total liabilities		-	-	132,977,809	101,425,906	987,711,068

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 2016	Effect on Net Surplus 2016 \$'000	Change in basis points 2015	Effect on Net Surplus 2015 \$'000
J\$ instruments			
+100	(5,573)	+150	(7,528)
-100	<u>5,573</u>	-100	<u>5,019</u>

iii Other price risk

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

Sensitivity to changes in price of equity securities

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

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

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

	Effect on Net Surplus for the Year \$'000		Equity \$'000	
	+10%	-10%	+10%	-10%
December 31, 2016	166,206	(166,206)	166,206	(166,206)
December 31, 2015 (+20%/-20%)	<u>815,668</u>	<u>(815,668)</u>	<u>815,668</u>	<u>(815,668)</u>

b Credit risk

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

Credit review process

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

(i) Loans

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

(ii) Investments

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

Impairment

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

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

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

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

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

	2016	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,101,439	9,773
	2015	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,107,559	15,642

Credit risk exposure

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

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

	2016 \$'000	2015 \$'000
Neither past due nor impaired	1,073,069	1,077,116
Past due but not impaired	26,787	19,153
Impaired	1,583	11,290
Gross	1,101,439	1,107,559
Less: Provision for impairment	(9,773)	(15,642)
Net	1,091,666	1,091,917

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

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

	2016 \$'000	2015 \$'000
Less than 2 months	460	1,294
Net	<u>460</u>	<u>1,294</u>

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

(iii) Financial assets – individually impaired

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

	2016 \$'000	2015 \$'000
Loans	<u>1,583</u>	<u>11,290</u>

The fair value of collateral that the Credit Union held as security for individually impaired loans was approximately \$1,101,439 (2015 - \$1,107,559).

There are no financial assets other than those listed above that were individually impaired.

(iv) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. As at December 2016, there were no renegotiated loans.

(v) Loans

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

	2016 \$'000	2015 \$'000
Real estate residential	146,634	180,813
Home improvement	46,830	51,042
Education	12,714	19,440
Business investment	80,283	110,369
Transport purchase	133,160	111,713
Line of credit	52,963	23,679
Personal and others	628,855	610,503
	<u>1,101,439</u>	<u>1,107,559</u>
Less: Allowances for loan losses	(9,773)	(15,642)
Total	<u>1,091,666</u>	<u>1,091,917</u>

(vi) Repossessed collateral

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

	2016 \$'000	2015 \$'000
Real estate	12,800,000	-
Total	12,800,000	-

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

	2016 \$'000	2015 \$'000
Real estate	10,212,609	-
Total	10,212,609	-

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

c Liquidity risk

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

Liquidity risk management process

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

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

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

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

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

c Liquidity risk (cont'd)

	2016				Total \$
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	
Loans (net)	-	51,132,311	-	1,040,533,337	1,091,665,648
Liquid assets	318,469,860	-	-	-	318,469,860
Financial investments	-	61,191,698	77,865,381	-	139,057,079
Resale agreement investment	42,501,481	-	-	-	42,501,481
Accounts receivables	13,559,794	-	-	10,212,609	23,772,403
Bank balances	58,063,267	-	-	-	58,063,267
Total assets	432,594,402	112,324,009	77,865,381	1,050,745,946	1,673,529,738
Member shares	-	-	-	1,010,417,375	1,010,417,375
Savings deposits	-	166,441,256	36,842,756	-	203,284,012
Non-interest bearing liabilities	18,082,652	-	-	5,138,413	23,221,065
Interest bearing liabilities	-	-	-	27,812,276	27,812,276
Total liabilities	18,082,652	166,441,256	36,842,756	1,043,368,064	1,264,734,728
	2015				
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$
Loans (net)	-	53,256,989	-	1,038,659,989	1,091,916,978
Liquid assets	350,204,043	-	-	-	350,204,043
Financial investments	-	-	81,612,352	-	81,612,352
Resale agreement investment	18,714,832	-	-	-	18,714,832
Accounts receivables	12,544,521	-	-	13,004,327	25,548,848
Bank balances	29,544,293	-	-	-	29,544,293
Total assets	411,007,689	53,256,989	81,612,352	1,051,664,316	1,597,541,346
Member shares	-	-	-	960,619,436	960,619,436
Savings deposits	-	132,977,809	74,251,123	-	207,228,932
Non-interest bearing liabilities	21,953,219	-	-	5,138,413	27,091,632
Interest bearing liabilities	-	-	-	27,174,783	27,174,783
Total liabilities	21,953,219	132,977,809	74,251,123	992,932,632	1,222,114,783

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.

29. 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, 2016

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

December 31, 2015

Assets	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Quoted shares (Note a)	1,140,476	-	-	1,140,476
Unquoted shares at cost (Note b)	-	-	11,153,823	11,153,823
Fixed deposits and other deposits (Note c)	-	438,236,928	-	438,236,938
Total	1,140,476	438,236,928	11,153,823	450,531,227
Net fair value	1,140,476	438,236,928	11,153,823	450,531,227

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

Measurement of fair value

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

(a) Quoted shares

The fair value of quoted shares is measured by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques.

(b) Unquoted shares

Unquoted equities are measured at historical cost less impairment, as their face values cannot be readily determined.

(c) Fixed deposit and other deposits

These are collateralised by Government of Jamaica Securities. The fair values are measured by reference to determinable payments, using inputs other than quoted prices that are observable for the securities.

Level 3 fair value measurements

The company's measurement of financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data.

There were no transfers in the reporting period under review.

30. 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, 2016 and 2015.

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

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

Effective June 1, 2015, 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 2016 December 31

The committee comprised: the following:

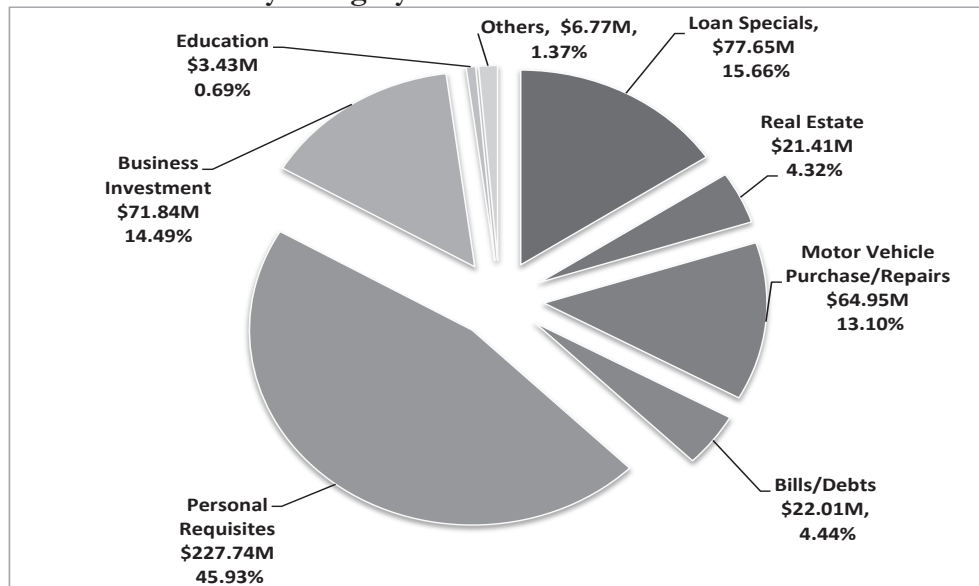
- ❖ Dervin Aiken
- ❖ Berthlyn Plummer (acting)
- ❖ Orrette Staple
- ❖ Sheryll Hamilton
- ❖ Devon Howell.

The committee met on forty-eight (48) occasions; in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

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

The challenges faced by the membership during the year impacted the number of loans processed during the period however there was an increase in the value of loans disbursed. Total loans disbursed for the year numbered 8,368 (2015:10,563) with total value of \$495.84M (2015: \$430.25M) resulting in an increase of \$65.62M or 15.3% when compared to the previous year results.

Loans Disbursed by Category:



The **“Personal Requisites”** category accounted for the largest percentage and value of the loans processed with 5,726 (2015:7,819) loans at a value of \$227.74M (2015:\$235.05M), or 45.9% of total disbursements for the year.

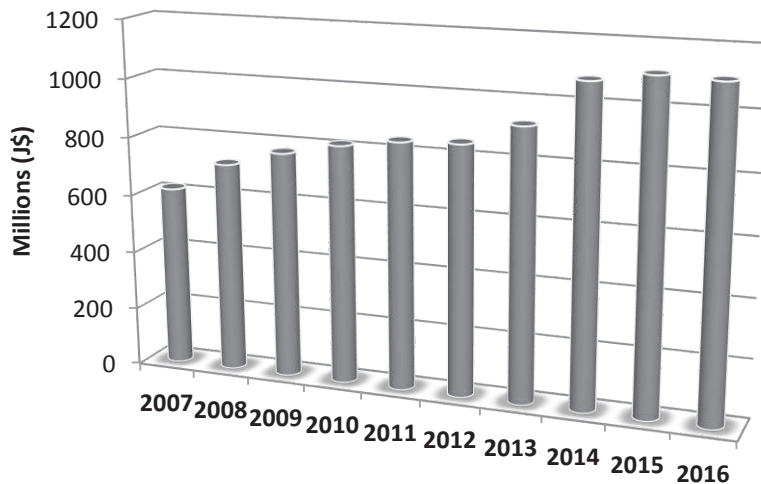
The **“Loan Specials”** were well received by the members with 2,434 loans disbursed in the amount of \$77.65M, a 177.8% increase over 2015 results which amounted to \$27.95M.

The **“Business/Investments”** loan category recorded an impressive increase of 242.8% moving from \$20.95M in 2015 to \$71.84M in 2016. This was despite uncertainty in the economic environment and the pending redundancy programmes at some of our allied companies and the pending privatization of the Norman Manley International Airport.

The **“Motor Vehicle Purchase/Repairs”** category of loans amounted to \$64.95M or 13.1% of total loans disbursed; when compared to 2015; this was an increase of 30.9% or \$15.33M. There was a notable decline in the total number of loans disbursed for **“Education”**, the value of these loans decreased by \$23.10M or 87.1%, when compared to 2015. This was due mainly to Carib Cement Company assuming the Back-to-school loan programme for its employees; which was previously managed by the credit union.

At the end of the reporting year the Credit Unions’ loans portfolio was \$1,101.44M which was a marginal decrease of 0.6% when compared to 2015 which was recorded at \$1,107.56M.

Loan Portfolio 2007 - 2016



The Credit Committee continued to be represented on the Finance and Planning, Risk Management and the BOJ Preparedness Committees.

We would like to extend our sincere appreciation to you the members that elected us to serve, the Board of Directors, General Manager, Staff and the members of the Supervisory Committee for their support during 2016 and wish the Credit Union continued success in the coming year.

Co-operatively Yours


Dervin W. Aiken

COMPARATIVE ANALYSIS OF LOANS DISBURSED 2016 V 2015

LOAN TYPE	2016	2015	AMOUNT	AMOUNT"	(%)	(%)
			2016 (\$)	2015 (\$)	2016	2015
Home Improvement	6	11	1,200,000.00	2,337,000.00	0.24	0.5
Real Estate	19	11	21,418,557.83	21,001,006.00	4.32	4.9
Motor Vehicle Purchase/Repairs	45	33	64,957,291.06	49,629,802.00	13.1	12
Bills/Debts	37	210	22,010,746.72	40,637,047.00	4.44	9.5
Personal Requisites	5,726	7,819	227,740,793.60	235,050,641.00	45.93	54.14
Medical/Maternity	2	9	280,000.00	3,000,750.00	0.06	0.7
Business Investment	15	9	71,844,921.05	20,959,759.00	14.49	4.8
Vocation/Travelling	6	8	1,037,600.00	513,562.00	0.21	0.12
Christmas Loan & Divi Loan	196	235	13,802,000.00	15,494,700.00	2.79	3.62
EasiLoan	1,716	1,775	13,104,133.53	12,456,159.00	2.64	2.91
Education	39	397	3,432,953.00	26,538,347.00	0.69	6.21
Insurance	4	11	334,090.18	704,683.00	0.07	0.16
Miscellaneous	30	35	1,411,414.07	1,895,800.00	0.26	0.44
Unsecured Loan Special	448		39,075,396.96		7.88	
Marriage	3	-	2,115,800.00	-	0.43	-
Funeral	2	-	400,000.00	-	0.08	-
Save More Special	74	-	11,676,233.12	-	2.35	-
Total Loans Disbursed	8,368	10,563	495,841,931.12	430,219,256.00	100	100

Attendance Record of Credit Committee Meetings 2016

Name	Scheduled Meetings	Attended
Dervin Aiken	28	28
Sheryll Hamilton	14	14
Orrette Staple	39	39
Devon Howell	12	12
Berthlyn Plummer	30	30

Report of the Supervisory Committee For year ended 2016 December 31

The members of the committee are:

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

The Supervisory Committee is pleased to report on the operations of the Palisadoes Cooperative Credit Union Ltd (PCCUL) for the calendar year 2015. During the period, the committee met on ten (10) 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	9	9	-
Nicola Reid, Secretary	9	8	1
Maria Chen	9	9	-
Margareth Antoine	9	9	-
Karen Green	7	1	-

COMMITTEE'S MANDATE:

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

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

MAJOR AREAS OF FOCUS

1. **Internal Controls:** Internal control mechanisms (financial, compliance and risk management) were assessed for effectiveness and adherence by the Credit Union. For the most part, these controls were found to be operating as intended but there were areas for improvement and these were brought to the attention of management.
2. **Bank Reconciliations:** The reconciliations for all bank accounts were done in a timely fashion and found to be in order.
3. **Policy Review:** Four (4) PCCUL policies were reviewed, found to conform largely to best practice and the Credit Union was operating in compliance therewith.

4. **Investments:** Loans were adequately collateralized with sufficient documentation being maintained thereon.
5. **Payroll, GCT Returns & Property Tax:** Payroll annual returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. GCT returns were accurately and timely prepared for the most part. Property Tax was paid within the period legally stipulated.
6. **Fixed Assets:** The accuracy of depreciation calculations was checked and found to be in order. A physical inspection of a sample of additions was also conducted. The adequacy of insurance of fixed assets was also verified.
7. **Loans:** The internal controls surrounding the management of and the provisioning process for delinquent loans as well as the procedures for the underwriting of loans were reviewed for adequacy and adherence thereto and the findings were satisfactory.
8. **Pension Fund:** The actuarial valuation (IAS 19 valuation) of the fund was reviewed showing that there was no deficit in the fund.
9. **Legal and Regulatory Compliance:** The Credit Union's operations were reviewed to ensure that there was compliance with the requirements of the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA). Within this exercise, the Committee also reviewed the monthly reports of the Risk and Compliance Officer.
10. **Education & Outreach Account:** Disbursements were adequately supported, approved and in accordance with the purpose of these accounts.
11. **Information Technology (IT):** The Committee reviewed the Credit Union's Business Continuity process as well as the overall functionality of the IT systems and confirmed that measures were being taken to improve areas of deficiency.
12. **Human Resource Related Areas:** Background procedures, staff training, the performance evaluation system, motor vehicle upkeep and staff loans were reviewed to verify compliance with existing policy and procedures as well as best practice.
13. **Other Areas:** The Phone card reconciliation process, management of the Family Indemnity Plan (FIP), Share Transfer Fund account, capital management programme, Accruals and Prepayments were reviewed and found to be operating in accordance with the credit union's established procedures.

GENERAL COMMENTS

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

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

OTHER ACTIVITIES OF THE COMMITTEE

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

ACKNOWLEDGEMENTS

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



.....
Samuel Manning
CHAIRMAN

**Delegates' Report on the 2016 Convention & 75th
 Annual General Meeting of Jamaica Co-op
 Credit Union League Group**

The 2016 Convention and the 75th Convention of the Jamaica Co-op Credit Union League took place at the Hilton Rose Hall Hotel & Spa during the period May 26-29. The conference was held under the theme "Credit Unions: People Helping People". Approximately one hundred and fifty (150) delegates and observers were in attendance.

The week-end of activities commenced with the holding of the Credit Union Managers Association Annual General Meeting. This was followed by a presentation by the Registrar of Co-op and Friendly Societies Mr. Errol Gallimore; the theme being "The Future of the Credit Union Movement: The Impact of the Changing Legislative Landscape."

The conference was declared open that same afternoon, with the Political Ombudsman, the Honourable Donna Parchment Brown being the keynote speaker.

Friday May 29

Friday's activities commenced with "Rise and Shine" aerobics on the west lawn of the hotel. This was followed by a plenary session, at which Director Winston Fletcher made a presentation to the delegates and observers titled "The Road Ahead: Credit Union Sustainability."

Six (6) workshops were held on Friday, namely:

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

Annual Awards Banquet

The Annual Awards banquet took place in the evening and a number of credit unions received various awards, the main awards being those of “Credit Union of the Year” in the various categories.

League’s Annual General Meeting

At the end of the banquet, President Derrick Tulloch advised that the Annual General Meeting scheduled for the following day would not be held, as the Financials were not ready. The meeting was therefore rescheduled.

Rescheduled Annual General Meeting – 2016 August 20 (Saturday)

Twenty-two (22) credit unions (with 19 Delegates and 14 Alternate Delegates) registered for the rescheduled meeting. President Derrick Tulloch chaired the meeting, and gave an overview of the financial sector and its challenges, while noting that Movement recorded increases in its Savings, Loans and Asset portfolios. He noted however that in spite of these improvements, the Movement’s share of the persona loans and savings market declined.

Resolutions

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

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

- ❖ Rev. Dr. Paul Gardner President
- ❖ Mr. Winston Fletcher 1st Vice President
- ❖ Mr. Clide Nesbeth 2nd Vice President
- ❖ Mrs. Andrea Wilson-Messam Treasurer
- ❖ Mr. Jerry Hamilton - Asst. Treasurer
- ❖ Mr. Lambert Jonson Secretary
- ❖ Mr. Norris Gilbert Asst. Secretary
- ❖ Mr. Martin Blackwood
- ❖ Mr. O’Neli Grant
- ❖ Mr. Anthony Young (Palisadoes)
- ❖ Mr. Rodcliffe Robertson
- ❖ Mr. Radgh Mason
- ❖ Mr. Patrick Smith
- ❖ Ms. Carol Anglin
- ❖ Mr. Derrick Tulloch

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



Maxine P. Wilson JP MBA LLB (Hons)
Delegate

Management Analyses & Discussion For year ended 2016 December 31

Our overall performance for the year 2016 was a good one; given the many challenges we were able to successfully hurdle. It was a year when we were tested to the utmost; but our character of strength and resilience ensured that we crossed the “finishing” line in an admirable position.

The External Environment

During the financial year, the local economic landscape maintained its positive momentum with real GDP growth amounting to 1.4% (2015: 1.0%) for January to September 2016.

The calendar year inflation rate for 2016 was 1.7%. This was 2 percentage points below the 3.7% recorded for the calendar year 2015; while the Net International Reserve (NIR) as at year end amounted to US\$2.719b.

The country’s credit rating also improved as Moody’s rating agency lifted Jamaica’s rating two notches from Caa2 to B3 which brought them close in line with the other two major rating agencies, Standard and Poor, and Fitch.

Business and consumer confidence continued to recover, as businesses remained optimistic on future prospects and relatively lower oil prices helped to ease the burden on consumers. This improved confidence, coupled with the low interest rate environment drove healthy demand for credit. On the downside, slow improvement in employment levels continued to impact consumers’ purchasing power.

It is our belief that rapidly evolving member expectations, emerging digital technologies and new service models will remain the major factors that will continue to influence the fundamental shift in the financial industry in 2017 and onwards.

Our Environment

Over the years Palisadoes has etched a credible track record, underpinned by solid growth and overall sound performance. Balancing members’ expectations with the ever-changing economic realities required grit, resolve, commitment and determination, which are distinct features of our organization.

Investment in our members remains a priority in our strategy, this to ensure that we maintain the best team to execute our strategic plans.

We note with great concern, the number of our members who have joined the unemployment rank, and the numbers who have migrated over the past year. Crime is listed as one of the major reasons why they migrate, and all efforts must be made by the government, stakeholders and ourselves to play our part in its reduction.

Online access

Our members continue to utilize the online access to their accounts; expressing satisfaction at being able to access their accounts 24/7. As at year end there were over 500 members who have signed up for the service.

Our Financial Performance

The details of our 2016 financial performance are outlined in the Treasurer and Auditors’ Reports presented earlier. Our financial measurements included (but were not limited to) quantitative targets for surplus (in order to provide reasonable returns to the membership), capital management, risk management and operational efficiencies.

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

Loan Portfolio

Despite the challenges faced during the year which resulted in the Loan portfolio remaining flat, we were able to disburse loans amounting to \$501.98m during the year.

Surplus

We are pleased that the amount of \$84,897,392 is available for distribution, some of which, it is proposed, will go towards further strengthening of our credit union, and to increase the Loan Loss Reserves. A significant portion (\$61.97m) of the surplus is recommended to be paid out to the membership as dividends and interest rebate. This must in no way be overlooked, as we pride ourselves in being able to do this, given all the challenges; as a number of “likeminded” institutions are not in a position to make available an amount to be paid out as dividends based on challenges that they are faced with.

Staff Training & Development

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

Know Your Member (KYM) Requirements

We continue to measures to tighten and enhance our KYM function. This included the modification of our Membership Application form, and the procedures involved in opening of, and monitoring of accounts; in addition to additional checks are conducted for compliance, prior to the actual activation of new accounts.

We also continue to encourage members to provide the necessary KYM documentation for their accounts to be updated. This has however achieved limited success to date, as some members continue to ignore these requests.

Smart Pac Savings Programme

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

Insurance Settlement 2016

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

James Bell	Alvin Green	Chevelle Lewis	Peter Gutzmer	Damion Yap (jnr)
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On behalf of the entire membership, our sincere condolences to their families and friends. May their souls rest in peace.

Claim settlements was paid out for the following members in 2016

Chevelle Lewis	Peter Gutzmer	Damian Yap (jnr)	Douglas Garwood	Errol Cole	Yvonne McIntosh
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CLAIM SETTLEMENT RECORD

	2016	2015
Life Savings	\$421,455.80	\$ 416,294.32
Loan Protection	\$ 349,493.28	\$ 660,288.18
Average Claim	\$ 128,491.51	\$ 269,145.63
Total# of Claims	6	4

Our Credit Union - Reaching Further More

We pride ourselves in being good corporate citizens, especially within the communities that we serve. Over the years, through the generosity of the members, who so willingly set aside a portion of each year's surplus to assist organisations and individuals in need, our credit union has been able to make a positive difference in the lives of many persons, and assisted many organisations with much needed equipment, supplies and funds.

We believe that in doing so, we are playing our part in "enhancing the whole human race", and we are truly demonstrating what the "cooperative" philosophy is all about. It was John Holmes who said "There is no exercise better for the heart than reaching down and lifting people up", and it was Horace Mann who said "Doing nothing for others, is the undoing of ourselves". Our commitment to do all we can to assist the less fortunate in our society remains very firm.

Helping Hands Outreach Events

We were pleased to be able to reach out to a number of organisations and individuals during the year. Organisations that benefitted during the year, include:

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

Over 90s Excusive GSAT Club

The credit union feted and awarded additional scholarships to SMART Pac Members who scored over 90% in the 2016 GSAT exams, at an Awards Breakfast, held at the Knutsford Court Hotel in August.

SMART-Pac holder Miss **Abigail Nelson**, daughter of Natesha Edmond-Nelson who attended Windward Road Primary & Junior High School was the top GSAT performer, scoring 96.8%. Miss Nelson is presently attending Ardenne High School.

Other Awardees are:

Jaeda McDonald	Diego Stewart	Taquazsha Weise	Jomo Jourden
Petrena Johnson	Xavier Lewis	Kathryn Grant	

Acknowledgments

We place on record, our sincere thanks to our members for once again “making it happen”. Without you it would not be possible. We thank you for your commendations, as well as your constructive criticism, which have certainly help us to improve our service delivery.

I am confident that we are exceptionally well positioned for the future, as we continue to be strong, safe and sound, contributing even more to our members’ economic and social well-being, as we continue on the path to **“New Horizons.”**


With Every Good Wish


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

Proposal for the Fixing of Maximum Liability for year ended 2017 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 2017 December 31, be set at ten (10) times the Credit Union’s Capital.

For and on behalf of the Board of Directors


Audley Deidrick
TREASURER

**Proposal for the Appropriation
& Distribution of Surplus
For year ended 2016 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 2016 December 31 amounted to \$395.24m (2015: \$363.46m).

Our Assets grossed \$1,744.88m (2015:\$1,664.66m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2016 December 31 was 22.65 % (2015: 21.83%). This includes the amount of \$10,967,311 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 \$10,967,311) decreases to \$321,222.374 or **18.41%** of Assets. Under the heading *WE THE MEMBERS OWN*, the undistributed surplus amounted to \$84,897,392

In view of the above, your Board proposes the following surplus distribution to 2016 December 31, noting that the proposed additional transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

APPROPRIATIONS	2016	2015
Additional Amount to Statutory Reserve	\$ 8,253,883	\$6,205,380
Education & Outreach	\$ 2,500,000	\$1,500,000
Provision for Loan Loss	\$ 2,000,000	\$2,000,000
Loan Loss Reserves	\$ 2,000,000	\$2,000,000
Sub Total	\$14,753,883	\$11,705,380
EXPENSES		
Dividends	\$58,724,212	\$54,697,680
Honoraria	\$ 2,500,000	\$ 2,000,000
2% rebate on Loan int. paid	\$ 3,244,444	\$ -
Share Transfer Fund	\$ 1,000,000	\$ -
GRAND TOTAL	\$80,222,539	\$68,403,060

For and on behalf of the Board of Directors



Audley Deidrick
TREASURER

Report of the Nominating Committee

The Nominating Committee comprises the following:

Robert Thelwell	Chair
Hazel Johnson	Member
Claudine Purboo	Staff Liaison

The committee wishes to use this medium to thank all the members of the Board of Directors, Supervisory and Credit Committees, members of the other sub-committees, Delegates and all others who served the credit union throughout 2016. You continue to demonstrate the true meaning of volunteerism, and self-less service as we continue on the path to enhancing our members' economic well-being, and ensuring that our credit union remain a safe and sound one.

The Committee engaged in a series of processes/due diligence to identify and then determine the suitability of members it recommends to the AGM for election. Having determined this, the committee makes the following recommendations for the year 2017-2018:

BOARD OF DIRECTORS

Retiring at this AGM Recommended Term in office Serving to 2018 AGM

Retiring at this AGM	Recommended	Term in office	Serving to 2018 AGM
Celay Harwood-Gayle	Celay Harwood-Gayle	2 years	Robert Thelwell
Winston Ormsby	Winston Ormsby	2 years	Orville Shaw
Anthony Young	Anthony Young	2 years	Audley Deidrick
Dervin Aiken*	Dervin Aiken	1 year	

- Mr. Aiken was co-opted to the Board following the resignation of Jeffery Spooner who has migrated. Mr. Spooner's tenure was for 2 years.

CREDIT COMMITTEE

Retiring at this AGM Recommended Term in office Serving to 2018 AGM

Retiring at this AGM	Recommended	Term in office	Serving to 2018 AGM
Orrette Staple	Orrette Staple	2 years	Berthlyn Plummer
*	Karoline Smith	2 years	Sheryll Hamilton
			Devon Howell

- Vacancy existed due to Dervin Aiken being co-opted to the Board of Directors

SUPERVISORY COMMITTEE

Retiring at this AGM Recommended Term in office

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

DELEGATES TO THE LEAGUE

Retiring at this AGM Recommended Position

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

The committee wishes to place on record its sincere thanks to Miss Karen Green, who accepted the duty to serve us in 2016.

The committee is also pleased to provide you with a short profile of the new persons being nominated. They are as follow:

Karoline Smith

Miss Smith has been a member of the credit union (PIECCU) since 2007. She is presently employed to Sol Petroleum Jamaica Ltd in the position of Marketing Implementor for the Western Caribbean. She is the holder of a degree in Business Administration from the Council of Community Colleges (Browns Town Community College)

Strephon Sanderson

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.

For and on behalf of the Committee



Robert Thelwell
CHAIR

PALISADOES CO-OP CREDIT UNION LTD. LOANS POLICY

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

SECURITY

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

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

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

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

Approval Limits:

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

*As approved by the Board of Directors
2017 February*

PALISADOES CO-OP CREDIT UNION LTD LIST OF ACCEPTABLE SECURITIES

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

*As approved by the Board of Directors
2017 February*

*Prayer of
St. Francis of Assisi*

Lord, make me an instrument of your peace.

Where there is hatred, let me sow love;

where there is injury, pardon;

where there is doubt, faith;

where there is despair, hope;

where there is darkness, light;

where there is sadness, joy.

O Divine Master, grant that I may not so much seek

to be consoled as to console;

to be understood as to understand;

to be loved as to love.

For it is in giving that we receive;

it is in pardoning that we are pardoned;

and it is in dying that we are born to eternal life.



**Palisadoes Co-operative Credit Union Limited
Norman Manley International Airport
Palisadoes P.A., Kingston**

**Tel. 932-7107/10, 924-8206, Fax 924-8689
Email member.services@palisadoescreditunion.com
Website www.palisadoescreditunion.com**