



**PALISADOES
COOPERATIVE
CREDIT UNION
LIMITED**

**20
ANNUAL
REPORT
19**

'Flying to New Horizons'



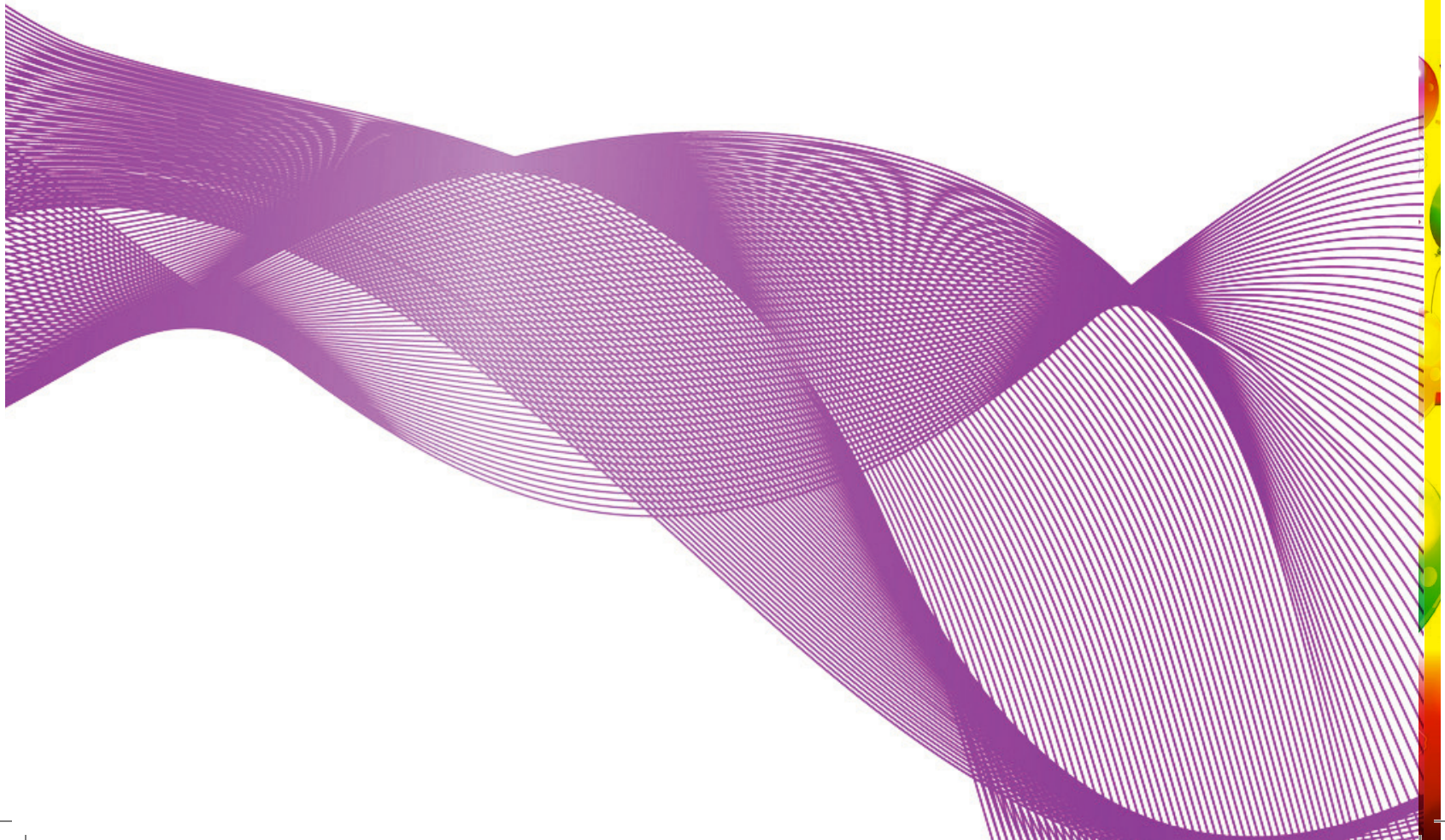
PALISADOES
CO-OPERATIVE
CREDIT UNION
LIMITED

OUR MISSION

To maximize members' wealth and enhance their wellbeing while developing valuable lifelong relationships.

OUR VISION

To be the premier credit union that provides innovative products and services in a friendly environment with a highly motivated and efficient team, ensuring a strong and viable institution with an excellent corporate image.



SCHOLARSHIP AWARDS CEREMONY

The credit union hosted its annual scholarship awards ceremony at the Hotel Four Seasons on 2019 August 15. A total of seven (7) scholarships were awarded. Six members of the New Horizons Achievers Club were also awarded.



President Audley Deidrick (at left) shares a light moment with General Manager Maxine Wilson and Vice President Robert Thelwell



Congratulations! Scholarship awardees and members of the elite New Horizons Achievers Club shared lens with the General Manager and members of the Board of Directors.



We present the proud parents of the scholarship awardees



Rising Star Contestant Jerone Riley entertains the audience



Special recognition was given to Mrs. Hazel Johnson, wife of the late Henley Johnson in whose honour the tertiary scholarship award is named.



With words fitly spoken, Alana-Kaye Morgan moved the vote of thanks on behalf of fellow awardees.

MOUNTAIN VIEW MEN'S INITIATIVE FOOTBALL COMPETITION

As part of the Men's Initiative in the Mountain View community, the credit union hosted a Six-A-Side football competition at the Excelsior High School on 2019 February 23.



General Manager Maxine Wilson rewarding the outstanding teams.



Members of the Palisadoes Team put up a strong defense but were denied the opportunity of taking home the trophy.

ANNUAL HELPING HANDS OUTREACH PROGRAMME



It is indeed more blessed to give than to receive. Team members from the credit union handed out school supplies and other care packages at the Back to School Treat held in August in the Community of Allman Town.



Members of the Port Royal Golden Agers Club were snapped having their scrumptious meal at the annual Christmas Treat



Members of the Mountain View Men's Initiative were treated to a relaxing and fun-fill day at the Turtle River Falls & Garden.



Students of Tiny Angels Basic School, which is a part of the SMART Pac Savings Programme, made a courtesy call at the credit union's head office

Corporate Profile

Board of Directors

Audley Deidrick, MBA – President

Mr. Deidrick is the President and CEO of Airports Authority of Jamaica. He is the holder of an MBA from the University of the West Indies; and a BBA in Accounting from the University of Technology Jamaica. His work experience comprises over thirty (30) years in the field of Accounting & Finance. He has been a member of the credit union for over eleven (11) years.

Robert Thelwell, BBA Mgmt. – Vice President

Mr. Thelwell presently operates a used car dealership Kobe Motors; and was previously employed to Sol Petroleum Jamaica Ltd as Sales Supervisor. He holds a Bachelor of Business Administration (majoring in Accounts) from The University of Technology Jamaica. He has been a member of the credit union for over thirty-nine (39) years.

Mr. Samuel Manning, MBA CPA - Treasurer

Mr. Manning up to quite recently was employed to Airports Authority of Jamaica/NMIA Ltd for over twenty-two (22) years; his last position being Senior Director of Finance. He now manages his own business. 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 nineteen (19) years.

Mr. Dervin Aiken, MBA – Assistant Treasurer

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

Mrs. Celay Harwood-Gayle, BSc – Secretary

Mrs. Harwood-Gayle worked previously with the National Meteorological Service of Jamaica for over forty-one (41) years; and has been a member of the credit union for forty-three (43) years. She has served as Secretary and Assistant Secretary of the Board of Directors on several occasions. She is the holder of a BSc in Public Administration and International Relations from the University of the West Indies.

Mr. Winston Ormsby, JP BSc – Engineering

Mr. Ormsby has over forty (40) years' experience in the Jamaican credit union movement; having served as President for the former Shell, National Water Commission, Petroleum Industry Employees and Palisadoes Credit Unions. He is presently a Consultant in the Petroleum Industry; having previously worked with Rubis Energy Jamaica (formerly Shell) for over 28 years.

Sheryll Hamilton, MBA

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

Supervisory Committee

Mrs. Maria Chen, ACCA - Chair

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 ten (10) years. She is presently the Internal Audit Manager; having previously worked with Air Jamaica for four (4) years. Mrs. Chen has combined auditing experience in excess of twenty (20) years. She is the holder of an ACCA designation from the Institute of Chartered Accountants, and AAT certification from the University of Technology Jamaica.

Ms. Nicola Reid, MSc, FCCA - Secretary

Miss Reid was previously employed to Airports Authority of Jamaica (AAJ) for nine (9) years, after which she was seconded and eventually permanently transferred to NMIA Airports Ltd where she was employed for fifteen (15) years, leaving that organization late last year. She is now re-employed to Airports Authority of Jamaica since 2019 November and holds the position of Manager- Corporate Planning and Finance.

She is the holder of an MSC (Finance) from the University of the West Indies. Miss Reid is a certified Internal Auditor, Certified Information Systems Auditor and a Certified Fraud Examiner; and presently serves as a member of the Supervisory Committee of the Jamaica Co-op Credit Union League. Miss Reid has been a member of the credit union for over twenty (20) years.

Mrs. Margareth Antoine, MBA BSc - Member

Mrs. Antoine has been employed to IGL for the past twenty-three (23) years and presently occupies the position of Financial Controller. She is the holder of an MBA from the University of Manchester, a BSc. in Business Administration from the University of Technology Jamaica; and is also a Certified Accounting Technician. She has been a member of the credit union (PIECCU/Palisadoes) for over fourteen (14) years.

Ms. Elaine Walters – Member

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

Mrs. Marva Gordon - Member

Mrs Gordon joined the credit union in 2004 and remains an active member in good standing. Mrs. Gordon is the holder of an Executive MBA, an LLB and a BSc in Management Studies all from the University of the West Indies (UWI). She previously served on the Supervisory Committee at the then City of Kingston Co-op Credit Union (now COK Sodality) circa 1996-1999.

Credit Committee

Mr. Carlington Miles - Chair

Mr. Miles has been a member of the credit union for the past seventeen (17) years. He was previously employed to the Airports Authority of Jamaica for seventeen (17) years, and is now employed to PACKAL, the new operators of the Norman Manley International Airport as its Processing & Procurement Supervisor.

Mr. Devon Howell - Secretary

Mr. Howell has been a member of the credit union since 2004. He is presently a Payroll Consultant. He was previously employed to Carib Cement where he worked for nineteen (19) years. He is presently completing a BSc in Financial Accounting at the University College of the Caribbean, having completed his Associate Degree at the same institution.

Mrs. Berthlyn Plummer JP

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

Mr. Orrette Staple, BA - Member

Mr. Staple has been a member of the credit union (PIECCU/Palisadoes) for the past fourteen (14) years. A teacher by profession, he is the holder of Bachelor of Arts (majoring in Economics) from the University of the West Indies. He served as President of the former Esso Co-op Credit Union, and a member of Credit Committee of the former Petroleum Industry Employees Co-op Credit Union (PIECCU).

Our Senior Team

Our General Manager

Miss Maxine Wilson has been employed to the credit union movement for forty (40) years; twenty-three (23) of which has been spent at Palisadoes Credit Union. She is the holder of an MBA from the University of New Orleans (UNO), and a Bachelor of Laws (LLB) from the University of Technology Jamaica. Miss Wilson is a Certified Operational Risk Professional (CORP), a certified Family and Financial Counsellor; and an Honorary Member of the International Society of Business Leaders.

A Justice of the Peace (JP), Miss Wilson presently serves as a Director on the Board of the Jamaica Co-op Credit Union League (JCCUL) Group of Companies, Board of Trustee of the Jamaica Credit Union Pension Fund; and also the Boards of Directors of the Peace Management Initiative (PMI), the Centralised Strategic Services (CSS), Women's Resources Outreach Centre (WROC) and the Jamaica Youth for Christ.

Our Credit Manager

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

Our HR/Admin Co-ordinator

Mrs. Claudine Purboo has been employed to the credit union for the past twenty-three (23) years. She has held various positions including that of Loans Officer, Marketing and Member Services Officer. Mrs. Purboo's qualification includes a Diploma in Human Resource Management. She is presently pursuing completed several modules in pursuance of a degree in Business Administration.

Our Marketing & Member Services Co-ordinator

Miss Erica Coleman has been employed to the credit union since 2014. She is the holder of a Diploma in Teaching (Primary Education) from the St. Joseph's Teachers' College, and a Diploma in Customer Service Management. She has successfully completed several courses including Service Excellence, Using Technology to Provide Service and Motivating Service Excellence in Others.

Here is a Little about us

On 2020 April 21 we will celebrate our 67th Birthday

Our Portfolio balances as at 2019 December 31 are:

- ✓ Assets - \$2,039.20M
 - ✓ Net Loans - \$1,182.12M
 - ✓ Voluntary Shares - \$1,254.01M
 - ✓ Total Savings Deposit - \$1,454.67M
- **We operate from 3 locations, namely:**
- ✓ Norman Manley Int'l Airport – our head office
 - ✓ Sangster Int'l Airport (Montego Bay)
 - ✓ Carib Cement Co (Rockfort Plant)
- We also operate from a satellite office located at Wheels & Wheels Auto Brokers Ltd at 18-20 Dunrobin Avenue, Kingston 10. You can find us there on Mondays and Thursdays between the hours of 2-5 p.m.

Our Principal Banker

National Commercial Bank Jamaica Ltd

Our Auditors

HLB Mair Russell

Our Attorneys-at-law

Audrey Allen & Company

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

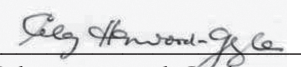
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Vol. Shares	557.20	574.91	624.88	668.63	890.42	960.62	1,010.42	1,088.75	1,149.44	1,254.01
Saving/Deposits	208.41	203.59	199.40	187.93	204.99	215.02	203.29	217.67	249.56	200.66
Loans	813.54	841.09	849.81	922.68	1,077.54	1,107.56	1,091.67	1,128.75	1,139.32	1,193.68
Assets	1,098.41	1,119.401	1,208.90	1,283.31	1,568.29	1,664.66	1,744.88	1,861.00	1,951.84	2,039.20
Avail. for dist.	34.58	26.65	23.40	53.29	72.02	72.81	84.90	83.10	86.53	72.43
Inst. Capital	200.62	209.10	216.01	225.43	274.23	281.00	298.82	314.99	349.39	356.83
Membership	7,930	7,894	8,247	8,447	9,020	9,343	9,616	9,742	9,803	10,058
Gross Income	145.67	142.74	150.61	152.06	188.17	188.47	191.10	205.06	184.10	202.81
Dividends Paid	35.70	37.25	39.80	43.09	58.00	54.70	54.70	53.24	55.69	58.53
Interest Rebate								2.80	3.33	3.09

Notice of Meeting

Notice is hereby given that the 67th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2020 March 25 Wednesday at Stephanie Hall Auditorium, Holy Childhood High School commencing at 4:30 p.m.

Registration begins at 2:30 p.m.

Dated this 2020 March 10


Celay Harwood-Gayle
SECRETARY

AGENDA

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

MINUTES OF THE 66th ANNUAL GENERAL MEETING

Held at the Learning Development Centre
Norman Manley International Airport, Kingston
On 2019 March 28 commencing at 2:00 P.M.

CALL TO ORDER

The meeting was called to order by President Winston Ormsby at 2:00 pm. Secretary Celay Harwood Gayle read the Notice of Meeting.

PRAYER

Staff member Claudine Purboo offered prayers.

OBITUARY

The President guided the members in observing a minute's silence in memory of those who passed during the year of 2018.

WELCOME/INTRODUCTIONS AND APOLOGIES

President Ormsby extended welcome and acknowledged the presence of special guests; including Smart Pac Saving Account for Children account holders, Mr. Andrew Thompson - Mair Russell Grant Thornton, and Mr. Clifton Freeburn from the Department of Co-operatives and Friendly Societies.

Special welcome and thanks were extended to Grace Kennedy for providing refreshments to the attendees. The members of the Board of Directors, Supervisory and Credit Committees were then introduced.

Apologies for absence were tendered on behalf of the following

- Mr. Robin Levy – CEO of the JCCUL Group of companies
- Miss Audrey Allen - Audrey Allen & Co (credit union's attorney)
- Honourable Donna Parchment Brown - Political Ombudsman
- Mrs Karen Nelson-Lewis - Liaison Officer (IGL)

Apology was also extended on behalf of Director Audley Deidrick, who would be late.

ADOPTION OF THE MINUTES

Secretary Celay Harwood-Gayle having noted that the minutes of the Annual General Meeting was previously circulated both electronically and in print, asked that a motion be moved that it be adopted as read. The motion was moved by Mr. Orrette Staple and seconded by Mr. Devon Howell. This was unanimously accepted.

Secretary Harwood-Gayle directed the meeting's attention to the Errata Sheet that was circulated. She then took the meeting through the minutes page by page as contained on pages 7-18 of the Report.

CORRECTIONS TO MINUTES

There was no correction to the Minutes.

CONFIRMATION OF THE MINUTES

Mr. W. A. Roberts moved for its confirmation; this was seconded by Ms. Lorraine Elliston.

MATTERS ARISING FROM THE MINUTES

Mr. W. A. Roberts enquired whether hardcopies of the AGM Report can be issued earlier to members who are not computer-savvy; in order to allow more members to participate in the meetings having read them. The Chairman responded by indicating that there will be improvements in the future.

REPORTS

Board of Directors

President Ormsby presented the Report. He referred the members to pages 19 through to 22 of the Annual Report. A motion moved by Mr. Orrette Staple and seconded by Ms. Sybil Cole that the report be taken as read was carried.

Highlights of President Ormsby's presentation included the following:

Challenges

The reduction in interest rates to respond to market; coupled with early pay back of loans due to redundancies and uncertainty of future employment due to the pending divestment of NMIA Airports Ltd created challenges for the credit union. In response, the Board had to be creative about finding investments and other opportunities while at the same time maintaining prudence and safety. Despite this, growth has been achieved in all areas.

65th Anniversary

The credit union celebrated its 65th anniversary which was started with a thanksgiving service, and ended with an award and recognition banquet.

Corporate Governance

The Board continues to identify areas of priorities, and reserve specific matters for its decisions, and made ourselves available for training to keep abreast of emerging trends and advances in business innovation, thus enabling more informed governance. All members of the Board, and by extension all elected officials signed the Ethics and Conflict of Interest Policy. In addition to the above, the Board also undertook the following responsibilities:

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

Skills & Experience

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

Staff Training & Development

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

Outreach

The credit union remained committed throughout the year to honour its corporate responsibilities. The Mountain View Men's Initiative continues to make an impact on the lives of the young men in the Mountain View community. General Manager Ms. Maxine Wilson was commended for her sacrifices of time, talent and pleasure in ensuring the continued success of the Initiative.

Credit Union of the Year Runner-up Award

The credit union was once again declared "Credit Union of the Year - Runner Up" in the Large Credit Union category at the AGM of the Credit Union League held in May.

Acknowledgements

Appreciation on behalf of the Board and the entire membership was extended to Past President Orville Shaw (who demitted office and did not seek re-election) and Past Treasurer Anthony Young who resigned from the Board. They were thanked for their commitment, dedication and contribution to the credit union, and by extension the entire movement over the years. Thanks, and appreciation were also extended to the Supervisory and Credit Committees, the Management and Staff, and the members for their continued commitment to the credit union.

Adoption of Board of Directors' Report

The Report was adopted on a motion by Mr. Orrette Staple and seconded by Mr. Paul Ford.

TREASURER'S AND AUDITORS'

Treasurer Dervin Aiken presented the Report. He referred the members to pages 22 to 77 of the Annual Report.

Highlights of his presentation are detailed hereunder:

The Macro-economy

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

The positive developments resulted in increased employment, heightened business confidence and a stable macroeconomic environment. During 2018, the Bank of Jamaica continued to ease monetary policy. The unemployment rate for 2018 average of 9.2% relative to 11.7% in the previous year.

IMF Standby Agreement (SBA)

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

Net International Reserves

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

Inflation

The annual inflation was below the Bank of Jamaica's inflation target of 4.0% to 6.0%. This the Bank noted was due to the "impact of stronger-than-anticipated declines in the prices of agricultural produce as well as lower-than-forecasted oil prices. As at December 31, 2018, the calendar year-to-date inflation was 2.4% and the movement in the index for the fiscal year-to-date was 2.7%.

Outlook for the Jamaican Economy

The outlook for growth in the Jamaican economy continues to be positive. Growth in aggregate spending over the short term is expected to be chiefly driven by an increase in net external demand and consumption. Investment growth is anticipated to be subdued given the non-recurrence of significant investment in 2017.

Jamaica's Credit Union Movement

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

Returns to Members

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

Performance Results

Capital Requirement

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

Assets

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

Loans

Net Loans represents 56% (61% in 2017) of Assets.

Income/Surplus

In response to the market, the credit union continued to make several downward adjustments to its interest rates. This impacted its main source of Income (Income from Loans). Interest Income recorded a 9.30% reduction; moving from \$168.11m in 2017 to \$152.49m. Income from Loans represents 73% of Income; while Investments accounted for 22.37% (14.16% in 2017).

The amount available for distribution (after the required 30% statutory reserve is deducted) is \$108,376,046; this compared to \$83,095,328 which was available in 2017. Included in the amount is the net amount of \$17.67m which was transferred from the Loan Loss Reserve account. Also included is the amount of \$4,175,000 "transfer of retirement benefit asset" which represents a decrease in the Retirement Benefit Asset.

Expenses

Total Operating Expense increased by 5.42% (10.32% in 2017) moving from \$106.17m to \$111.93m.

Shares Portfolio

Voluntary Shares increased steadily during the year and recorded an increase of 5.57% or \$60.69m when compared to an increase of 7.75% or \$78.33m in 2017. The Permanent Shares portfolio recorded a 22.86% increase and ended the year at \$16.95m, compared to \$13.80M in 2017.

Capital Requirements

When the 30% or \$9.35m Undistributed Surplus is applied, the Institutional Capital is increased to \$349.39m or 17.90% of assets.

Assets

Assets increased by 4.80% moving from \$1,861m to \$1,951.84m.

Savings Deposit

Marginal increase of 1.5% was recorded in the Savings Deposit portfolio. This compared to 30.78% increase in 2017. The portfolio moved from \$217.67m to \$220.9m

Dividends and Interest Rebate

An amount of \$59,705,000 from the surplus is available for distribution. A 5% dividend payment on Voluntary Shares, in addition to a 2% interest rebate were approved by the Board of Directors. A proposal is being put forward to the meeting for dividend payment of 20% on Permanent Shares.

Treasurer Aiken continued his presentation by noting that challenges are expected in 2019, such as the anticipated privatisation of the MIA Airports Limited which might be accompanied by redundancies, increased employment, migration etc. He said that the team was committed to putting strategies in place to adapt to the environment in a proactive and resilient way. He then directed the attendees to the Simplified Statement of Financial Position on page 26, and then invited the Representative from auditors Mair Russell Grant Thornton to present the audited financial statement for the year 2018.

INDEPENDENT AUDITOR'S REPORT

Mr. Andrew Thompson representing Mair Russell Grant Thornton referred the meeting to pages 29 to 33 of the Annual Report which contained the Report on the Audit of the Financial Statement.

He read the report in detail; which states in part – “the financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and requirements of the Co-operative Societies Act.”

He continued, “we conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under the standards are further described in the Auditors' 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 Boards of Accountants Code of ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.”

With respect to the “Report on Other Legal and Regulatory Requirements” as required by the Co-operative Societies Act, Mr. Thompson said “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.”

Adoption of Treasurer's and Auditors' Reports

The Reports were adopted on a motion by Ms. Lorraine Elliston and seconded by Ms. Colinnette Wilson. The members in unison voted in favour of the motion.

Matters Arising

There were no matters arising from the reports.

CREDIT COMMITTEE

Committee member Carlington Miles presented the report on behalf of Mrs. Berthlyn Plummer who was unavoidably absent. He directed the members to pages 78 to 80 of the Annual Report.

Mr. Miles told the meeting that the Committee met on forty-nine (49) occasions, in order to carry out the mandate as determined by the membership and undertook the following tasks.

- Approval of loans within the limit set by the Board of directors
- Ratification of loans approved
- Provide feedback to the Board of Directors as it relates to changes both within and external to the Credit Union.

Highlights of his presentation are detailed hereunder:

- There was a reduction in both the number of loans processed and the value of these loans.
- Number of loans approved amounted to 5,489 when compared to 6,623 in 2017. The value of the loans amounted to \$471.6M compared to \$525.1M in 2017.
- Analysis of the data revealed that loans within shares and savings increased by \$10.23M or 5.89% and ended the year at \$157.1M.
- Motor vehicle loans amounting to \$103.86M was disbursed. This was an 8.6% or \$10.36M increase over 2017.
- The Unsecured Loans portfolio recorded a slight decrease of \$3.2M in the value when compared to 2017 and represents 20% of loans disbursed for the year.
- The Committee expressed concern at the reduction in the value of real estate loans granted during 2018.

Mr. Miles noted that the committee continued to be represented on the Finance and Planning, Risk and the BOJ Preparedness committees. On behalf of the Committee, he thanked the Board of Directors, Supervisory Committee, Management and Staff of the credit union for their support.

Matters Arising/Comments

Mr. Wilfred Roberts requested that Mr. Miles include any recommendations the Committee may have to increase the loan portfolio in the Committee's report to the next GM, to which Mr. Miles agreed.

Adoption of the Credit Committee's Report

The Report was adopted on a motion by Mr. Wilfred A. Roberts and seconded by Ms. Sybil Cole. The motion was carried.

SUPERVISORY COMMITTEE

Chairman Samuel Manning presented the Report. He referred the members to pages 81 and 82 of the Annual Report. He noted that the Supervisory Committee met on four occasions which were much fewer times than is customary. This he explained, was due to unusual scheduling issues on the part of the members but still pushed to fulfil their responsibilities even if it meant work outside of meeting times. He told the meeting that the Committee provides oversight responsibility of the Credit Union's operations, the Board of Directors, management and staff. The Committee undertook a review of the Credit Union's activities based on an assessment of associated risks. The objective of the reviews performed included but were not limited to, the evaluation of the adequacy of policies, procedures, internal controls and safeguarding of the Credit Union's assets.

He outlined the major areas of focus for the Committee as under:

- Internal controls were found to be operating as intended, areas of possible improvement were brought to the attention of management
- Payroll, statutory deductions, minimum business tax and property tax were reviewed in the different bank accounts of the Credit Union; all returns were in order, filed on time and accurate.
- Dormant accounts were reviewed and found to be satisfactory in the management.
- Legal and regulatory compliance were reviewed, and the Credit Union was seen to be compliant as far as the Proceeds of Crime Act is concerned and the Anti-Money Laundering Act.
- Risk and Compliance Officer's activities and reports along with the Bank of Jamaica Compliance report were reviewed. The Committee also reviewed the Credit Union's compliance with the "Know your customer" drive. On review it showed the Credit Union was compliant and took remedial actions where necessary in a timely manner.

Mr. Manning noted that several policies were reviewed; and added that other areas reviewed included:

- ✓ ATM reconciliation process
- ✓ Management of the Family Indemnity Plan
- ✓ Dividend payments and interest rebate calculations and distribution to members
- ✓ Computer back-up and restoration
- ✓ Journal entries to ensure journals are properly passed.

He told the meeting that the examination and evaluation by the Committee would not unearth all weaknesses and errors but all queries and requests were satisfactorily addressed by management and the committee was pleased to report that the assets of the Credit Union were adequately protected and there was no indication of it being overly exposed to risks both internally and externally. He continued to express gratitude to all who made it possible, thanking the members for the opportunity to serve, and advise the members that the Committee to be contacted if there are queries and suggestions.

Matters Arising

In response to a member who asked whether the Committee actually met quarterly, Mr. Manning stated that it was not necessarily the plan to meet per quarter and expressed that the aim has always been to meet monthly.

Adoption of the Supervisory Committee's Report

A motion for the adoption of the report was moved by Ms. Marva Gordon and seconded by Mr. Leroy Ferguson. This motion was carried.

REPORT OF DELEGATES TO THE JA. CO-OP CREDIT UNION LEAGUE CONVENTION & AGM

Delegate Maxine Wilson presented the Report and advised that Alternate Delegate Celay Harwood-Gayle and herself represented the credit union. She directed members to pages 83 and 84 of the Annual Report and told the meeting that the League's Convention & AGM was held at the Hilton Rose Hall Hotel during the weekend May 17-20. Approximately 137 delegates and alternate delegates attended.

Ms. Wilson stated that it was a weekend full of activities. On the Friday there was an official opening of the conference along with 2 workshops "*Competing in the New IFRS 9 Environment and Facing the Reality of the New Paradigm*" and "*Risk Here, Risk There and Risk Everywhere*". Presenters helped participants to dissect various risks.

The awards banquet was also held in the night and many participants received awards. Palisadoes Co-op Credit Union Limited for the second year in a row was Runner-up Credit Union of the year.

She further told the meeting that the League's AGM was held on the Saturday and 25 credit unions registered. The President gave a summary of the League's performance. Post AGM, Mr. Winston Fletcher was returned as President of the League. There were some resolutions and one was in honour of Palisadoes Credit Union

celebrating sixty-five (65) years of service. The conference ended on Sunday with a divine service. Ms. Wilson then expressed gratitude for the opportunity to represent the credit union.

Adoption of the Delegate's Report

The motion was moved by Ms. Shareen Brown and seconded by Ms. Karoline Smith.

Proposal for the Fixing of Maximum Liability for year ending 2019 December 31

Treasurer Dervin Aiken presented the **Proposal for Fixing of Maximum Liability** and referred members to page 84. He read, "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 payments and security, provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union's capital".

The proposal contained on the referenced page was that the Maximum Liability to 2019 December 31 be set at ten (10) times the Credit Union's capital. The motion was seconded by Ms Colinnette Wilson.

Proposal for the Appropriation and Distribution of Surplus for the year ended 2018 December 31

Mr. Aiken directed the members to page 85. He read the proposal in detail, which included the appropriations as hereunder:

Appropriations

- | | |
|--|--------|
| • Additional amount to Statutory Reserve | \$6m |
| • 20% dividends on permanent shares | \$3m |
| • Education Outreach | \$2.5m |
| • Provision for Loan Loss | \$3m |
| • General Reserve | \$24m |
| • Honoraria | \$2.8m |

Mr. Aiken told the meeting that the Board of Directors approved the following expenses for distribution to the membership as hereunder:

- | | |
|-----------------------------------|----------|
| • Dividend on Voluntary Shares | \$53.60M |
| • 2% rebate on Loan Interest paid | \$3,085M |

The proposal previously moved by the Treasurer was seconded by Ms. Lorraine Elliston. The motion was carried.

NOMINATING COMMITTEE'S REPORT

Committee's Chair Mr. Robert Thelwell presented the Report. He directed the members to pages 86 and 87 of the Annual Report and noted that the Committee also comprised Claudine Purboo (Staff Liaison), Maxine Daley (Member).

He thanked all elected officers and all those who served the credit union during 2018. He stated that the Committee engaged in a series of processes to identify and determine the suitability of members it recommends to the AGM for election. He noted the following:

Board of Directors

- Mrs Celay Harwood- Gayle and Mr. Winston Ormsby will be retiring, and there is another vacant position following the resignation of Mr. Anthony Young. Mrs Celay Harwood-Gayle, Mr. Winston Ormsby and Mr. Samuel Manning were recommended to fill the vacancies.

Credit Committee

- Mr. Orrette Staple and Ms. Karoline Smith will be retiring. The committee recommends Mr. Staple and Ms. Smith to fill the vacancies.

Supervisory Committee

- All members of the committee are retiring as per the rules. Retirees Maria Chen, Nicola Reid and Margareth Antoine were recommended to fill three (3) of the five (5) vacancies.

Miss Elaine Walters and Ms Marva Gordon were nominated to fill the positions previously held by Mr. Strephton Sanderson and Mr. Samuel Manning respectively.

Delegates to the League

- Mrs. Celay Harwood-Gayle and Miss Maxine Wilson were recommended for the Delegates' positions, while Mr. Audley Deidrick and Mr. Winston Ormsby were recommended to serve as Alternate Delegates.

Mr. Thelwell thanked Mr. Anthony Young who has served the Credit Union for the past 24 years for his sterling contribution. He then referred the members to page 87 which has a short profile of the new nominees.

Election of Officers

Mr. Clifton Freeburn from the Department of Co-operatives and Friendly Societies conducted the election of officers' proceedings. He guided the members through the electoral process. There were no nominations from the floor. Mr Freeburn declared the nominees as recommended by the Nominating Committee, duly elected.

Mr. Freeburn told the meeting that with respect to the elections of the delegates and alternate delegates to the League, that power could be given to the Board of Directors to elect the individuals. He wished the credit union continued success in all its endeavours.

RESOLUTION

Chairman Ormsby referred the members to page 87; noting that the resolution contained therein was tabled at the last Annual General Meeting. He read the resolution as hereunder:

*“Whereas the Palisadoes Cooperative Credit Union limited encourages its members to maintain active accounts and be actively involved in the affairs of the credit union; and;
Whereas the Credit Union continues to foster effective corporate governance and has established fit and proper criteria for members who also have the requisite skills/expertise required to serve as elected officers of the credit union.
Be it resolved that members with inactive or dormant accounts for a period in excess of one year are ineligible to serve as elected officers. Where an inactive or dormant account is reactivated, a one-year waiting period is also required.”*

The resolution was seconded by Mr. Orrette Staple. The motion was carried.

ANY OTHER BUSINESS

Mr. Orrette Staple requested that there be changes to the age of insurability on the CUNA insurance policy for loans. He suggested that it be moved from 70 years to 85 years as people are living longer and it posed a problem. He expressed his concern that members are being disenfranchised because of the limitation of 70 years. Miss Wilson gave the assurance that she will present the issue to CUNA mutual to see if there is any way it could be extended.

Ms Lorraine Elliston enquired about the means of communication the credit union uses to inform members, as she was not getting any direct communication from the credit union and was instead seeing information in the Gleaner. Ms. Wilson responded by saying there is a bulk email listing, bulk text messaging, communication through liaison officers in the various companies and where the Annual General Meeting is concerned, a notice is also placed in the newspaper.

Ms. Keisha Brown enquired whether there were any plans in the foreseeable future for mergers for Palisadoes. The Chairman responded by saying that the credit union was always on the look-out for possible mergers.

There being no other matters the Chairman then handed over to Ms. Wilson for the prize giving segment of the meeting. Gifts and prizes were handed out to lucky members.

TERMINATION

The President terminated the meeting at 4:55pm.

**Report of the Board of Directors
For year ended 2019 December 31**

Ours was the pleasure and privilege to have been of service to the credit union throughout 2019. On behalf of the Board of Directors, we thank you our members for entrusting us with this awesome task.

It was Jack Welch former CEO of General Electric who once said, “*An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage*”. This was manifested throughout the year as we sought to wade through the many challenges that confronted us. We continued the path to organizational agility thus improving our ability to rapidly adapt and respond to market and environmental changes in productive and cost-effective ways. As we continue to embrace the future today, not tomorrow, we are reminded that if we do not, then we face the distinct possibility of being irrelevant.

Corporate Governance

Your Board, in executing its role, applies sound corporate governance. Strong governance is critical to our achieving sustainable value in this dynamic environment. We are committed to ensuring the continued strengthening of the oversight of the organization with revised and enhanced policies and procedures, and other enhancements; as we are aware that the direction, management and control of the credit union is our mandate. Specific matters are reserved for our decisions.

We are acutely aware that the credit union’s continued success is not guaranteed based on how well we have done in the past, but the strategies and competitive advantages that we have enjoyed over the years. The Group operates in an environment characterised by increased complexity and uncertainty and includes new sources of risk and opportunity and so we must engage more deeply, and frequently on entirely new and fast-changing drivers of strategy and risk.

Members of the Board and other elected officers are required to, and have signed the Ethics and Conflict of Interest and other relevant policies.

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

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

Financial Performance

The Board has the responsibility to approve the annual budget and targets, annual financial statements and interim results, and monitor financial performance. It also ensures that financial results are reported fairly and in accordance with IFRS and other relevant standards.

Risk Management

Your Board approves risk parameters and policies as well as the organisation’s risk appetite. It also ensures that principal risks are identified, and Management has implemented appropriate systems to manage these risks. The Risk Committee assists the Board in fulfilling its responsibility with respect to oversight of the credit union’s risk management framework including risk appetite, policies and procedures related to the management of risks including (but not limited to) credit, market, liquidity, capital, operational and certain other risks as determined from time to time. This Committee reports to the Board of Directors.

Your Board is committed to operating in full compliance of all applicable laws and regulations; to detect and prevent money laundering and seek to play our part in combatting the financing of terrorism.

Through our BOJ Preparedness Committee, we continue to work on the check list requirements to be ready when the BOJ Credit Union Act comes into being. We are conscious that more is needed, and our commitment is to continue to work towards being licence-ready in the shortest possible time.

Co-operative Collaboration

We continue to work with other credit unions and the Credit Union League to jointly develop and roll out products and services to the benefit of the entire movement; and to address challenges facing the movement.

Board Skills and Experience

Your seven-member Board is equipped with the requisite skills and experience required to manage the affairs of our credit union. Critical skills include (but is not limited to) financial literacy, human resource management, business/strategy leadership, corporate governance, administrative and business management, information technology, executive level experience and risk management.

Board Evaluation

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

Our Financial Performance

Our financial performance is detailed in the Treasurer’s Report contained elsewhere in this book. Given the challenges we faced, the reduction in interest rates to ensure we stay “afloat”, we can confidently report that our performance was a credible one.

During the year we crossed the “\$2b” mark in assets, and our share portfolio increased by over \$100m. We have been able, though it was most challenging, to contain expenses within reasonable limits. That said, we are pleased that we are once again able to provide you with a reasonable return on your investments.

The Future


As a Board, we are extremely optimistic about the future of our credit union, even in a regulatory environment. We view challenges as opportunities; failures as a lesson. We will continue to be resilient; we will continue to persevere. Our aim is to be so positioned, that our light will shine even brighter. The support of our members has been nothing short of phenomenal over the years. This we know will continue as we pursue the path to “New Horizons”.

Thanks to all our members, our various stakeholders, the Credit and Supervisory Committees, the Management and Staff, fellow Directors. We continue to be thankful.

BOARD MEETING ATTENDANCE 2019

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

ON BEHALF OF THE BOARD OF DIRECTORS



Audley Deidrick
PRESIDENT

Treasurer's and Auditors' Report
For year ended 2019 December 31

Members, I am indeed grateful and humbled by the honor bestowed on me to serve you in this capacity; and I am pleased to report to you on the financial affairs of our credit union for the year 2019, and to reflect on matters that affected our economy. It was indeed a very eventful year.

The Macro-economy

Jamaica's macro-economic stability suffered mixed results during the year. High NIR balances, low interest rates, a flexible dollar (ranging between \$130-\$140 to the US\$), crime and violence and a relatively low Debt/GDP ratio were some of the contributing factors.

On November 7, 2019 Jamaica successfully concluded its economic reform programme which was supported by a US\$1.66B Stand-By arrangement from the International Monetary Fund (IMF). The IMF is maintaining prediction for the country to achieve a 2.25% growth to Gross Domestic Product (GDP) within the medium term; a position reiterated following the Statistical Institute of Jamaica (STATIN) latest report which noted a 0.6% growth for the 3rd quarter of 2019.

As economic growth fell to an over 2-year low during the third quarter of the year, the Minister of Finance Dr. Nigel Clarke has expressed confidence that the country, having experienced 19 consecutive quarters of economic growth, is expected to return to its previous trajectory of economic growth seen prior to the JISCO/Alpart closure. Crime related issues continued unabated, as tourist arrivals fell sharply during the fourth quarter.

Net International Reserves (NIR)

At year end the country's NIR stood at US \$3,162.53M (\$3,005.41M in 2018) which is able to support 33.80 weeks of goods and services imports.

Inflation

The Statistical Institute of Jamaica (STATIN) has reported that the 2019 calendar year inflation, rounded out at 6.2%. The Bank of Jamaica (BOJ) said the calendar year inflation outturn represents a "sharp increase", relative to the 3.4 per cent recorded in September 2019. "This inflation outturn was not anticipated and was higher than [the] Bank of Jamaica's target of 4.0 to 6.0%," the BOJ said.

The Central Bank concurred with STATIN in noting that this outcome was primarily influenced by "faster" increases in food and energy-related prices on the consumer price index (CPI).

Jamaica's Credit Union Movement

At year end there were 25 credit unions operating in Jamaica, with Savings of \$96.31b, Loans \$88.67b and Asset of \$123.97b.

Our Credit Union

The financial performance of the credit union during 2019 was creditable. From the challenges associated with the privatization of Norman Manley Int'l Airport, increased competitive pressure, a flexible dollar resulting in increased expenses, redundancies in several of our allied companies, increased number of members migrating and a myriad of other issues, we were able to post reasonable surplus.

Given all the challenges, we are pleased to be able to provide above-market returns on your investment in the credit union, as dividend of five percent (5%) will be paid on Voluntary Shares, and a proposal is being made for dividend payment of twenty percent (20%) on Permanent Shares. We continue to reward our members who have invested in the credit union via loans and are even more pleased that we are increasing the amount of patronage refund from the 2% we paid in 2018, to 2.5% of your annual loan interest paid.

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

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

Performance Results

Detailed below are highlights of our performance as at 2019 December 31.

Capital Requirement

When the 30% or \$4.519m of Undistributed Surplus is applied; the Institution Capital is increased to \$356,828,465.00 or 17.50% of Assets.

Assets

Assets increased by 5.83% (4.80% in 2018), moving from \$1,926.84m to \$2,039.20m. Increase in Voluntary Shares and Financial Investments were the main contributors to the increase.

Loans

The Net Loans portfolio stood at \$1,182.12m and represents 57.97% (56% in 2018) of Assets. While \$598.45m (\$469.91m in 2017) was disbursed during the period, \$543.98m was actually repaid compared to repayment of \$470.37m in 2018. Gross Loans amounted to \$1,193.32m (\$1,139.32m in 2018). The Expected Credit Loss was increased from \$10.76m to \$11.56m.

Income/Surplus

- In response to the market, the credit union continued to make several downward adjustments to its interest rates. The net increase in the value of loans compensated for this somewhat, and we were able to maintain the Income on Loans which ended the year at \$152.44m (\$152.49m in 2018).
- Income from Loans represents 76.90% (73% in 2018) of Income; while Investments accounted for 17.97% (22.37% in 2018).
- Non-interest Income increased by 3.48% moving from \$9.83m to \$10.17m.
- 'Actuarial **gain** on defined benefit pension plan' amounted to \$4.56m as stated in the Statement of Comprehensive Income. Please note that this is not distributable.
- The amount available for distribution (after the required 30% statutory reserve is deducted) is \$72.44m; this compared to \$83.38m which was available in 2018. Of note is the fact that in 2018, a net amount of \$17.67m was transferred from the Loan Loss Reserve account to the Surplus Account, as the credit union was no longer required to have a Loan Loss Reserve Account. When this is deducted from the surplus for 2018 the net surplus would have been \$65.71m, which would then reflect a 10.23% increase in the amount available for distribution in 2019.

Expenses

Total Operating Expense increased by 3.70% (5.42% in 2018) moving from \$111.93m to \$116.07m. "Administrative Expenses accounted for the largest percentage increase; increasing by 11.02% or \$4.31m. "Staff Costs" remained relatively flat moving from \$57.81m to \$58.15m.

Voluntary Shares

The Voluntary Shares portfolio continued its steady growth path during the year; and recorded an increase of 9.1% or \$ 104.57m. This compares favourably with the 2018 figures of 5.57% or \$60.69m.

Permanent Shares

The Permanent Shares portfolio recorded a 19.08% (2018:22.86%) increase and ended the year at \$20.19m (\$16.95m in 2018). Members continue to receive higher dividend payment on these shares.

Savings Deposits

There was a decline in the Savings Deposit portfolio, as members opted to place funds on shares given the dividend payments that they have been receiving over the past 15 years. Members are advised that dividend on shares is not guaranteed but is determined by the surplus. At year end the portfolio stood at \$200.66m, this compared to the \$220.89m in 2018;

Returns on Our Investments

We continue to seek ways in which the credit union can reward members for their commitment to ensuring the safety, soundness and viability of the credit union. From the Surplus, an amount of \$60,420,000 is made available for payout to the membership this year. A dividend payment of five percent (5%) on Voluntary Shares is approved by the Board of Directors, in addition to an interest rebate (patronage refund) of 2.5% of loan interest paid in 2019. We are extremely pleased that we were able to increase the percentage rebate our borrowing members will receive from 2% to 2.5%. A proposal for dividend payment of twenty percent (20%) on Permanent Shares is being presented to the meeting.

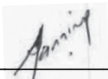
Our Focus

We remain resilient and ready to take on the challenges 2020 will afford us. We know that in this competitive environment only the strong will survive. We are **STRONG** and are even more committed to ensuring that our credit union remain very healthy, safe and sound. With you our members continuing to provide the support, we **WILL** hurdle the challenges of 2020 and grasp the opportunities that will present themselves, putting in place strategies and continuing to be proactive in our quest to “*pursue New Horizons*”.

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

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

Best Wishes for a successful 2020.



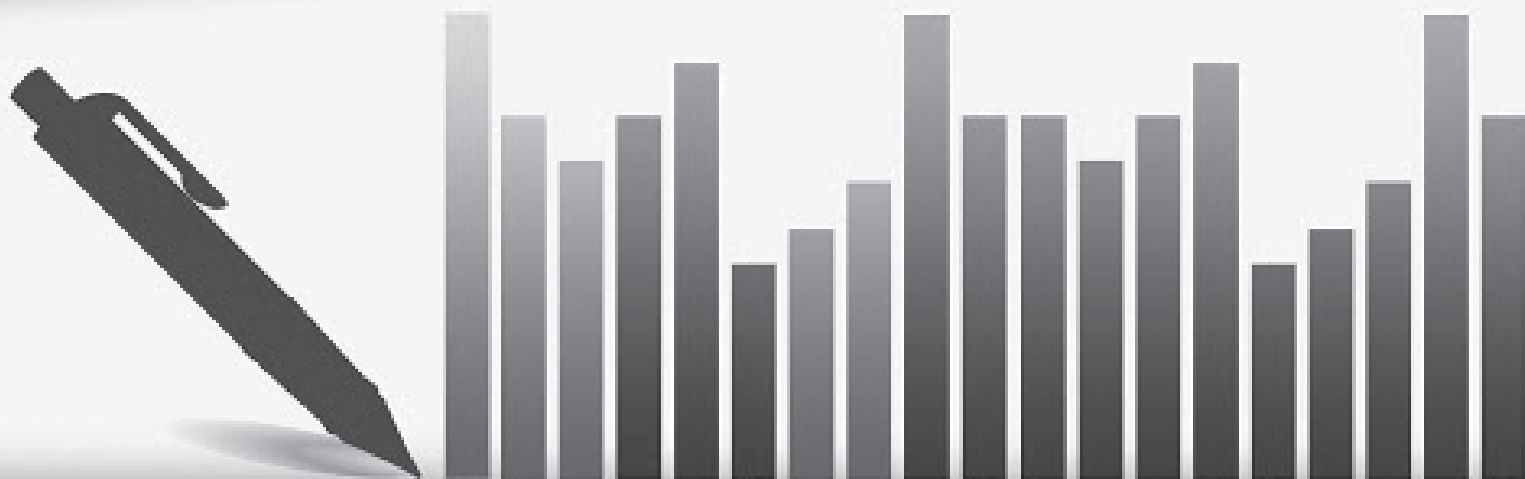
Samuel Manning
TREASURER

Simplified Statement of Financial Position
Year ended 2019 December 31

<u>WE THE MEMBERS OWN</u>	2019	2018	% GROWTH/ REDUCTION
Statutory Reserves	336,641,505	332,441,414	1.26%
Retirement Benefit Reserve	18,205,000	13,686,000	33.02%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	20,186,960	16,953,058	19.08%
Permanent Share Transfer Fund	1,040,043	1,040,043	0.00%
General Reserves	45,225,462	26,674,215	69.55%
Adjustment for Expected Credit Loss from Reserve	-	1,333,409	0%
Undistributed Surplus	72,438,258	83,376,046	-13.12%
Making the grand total owned by us as members	517,103,300	498,870,257	3.65%
 <u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,182,116,725	1,128,558,426	4.75%
To invest in others	711,480,920	679,342,442	4.73%
Cash in hand and at bank	51,918,249	38,510,963	34.81%
Advances to Others	27,087,473	14,736,468	83.81%
Retirement Benefit Asset	18,205,000	13,686,000	33.02%
To purchase Assets	48,395,591	52,007,521	-6.95%
Less amount we owe to others at year end	(1,522,100,658)	(1,427,971,563)	6.59%
Agreeing our net investment with our grand total owned	517,103,300	498,870,257	3.65%
 <u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	152,445,456	152,486,383	-0.03%
Interest on short-term investments and loans	35,622,066	21,781,034	63.55%
Other Income	10,173,499	9,831,363	3.48%
Total Income earned	198,241,021	184,098,830	7.68%
 <u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	12,671,660	10,865,863	16.62%
Administration	103,400,231	101,061,320	2.31%
Financial	7,753,454	9,261,717	-16.28%
Net movement/expected credit loss for IFRS 2018	(577,280)	(362,328)	59.33%
Leaving Surplus before distribution of	74,992,956	63,272,208	18.52%
Dividend paid (2018 paid in 2019)	58,532,654	(55,685,149)	5.11%
Honoraria paid (2018 paid in 2017)	2,800,000	2,500,000	12.00%
Balance	13,660,302	5,087,059	168.53%
Transfer to Statutory Reserve	(4,098,091)	(9,349,519)	-56.17%
Less prior year adjustments and appropriation	(20,500,000)	(11,833,409)	73.24%
To which we add previous Undistributed Surplus	83,376,046	99,471,915	-16.18%
Resulting in a total undistributed surplus at this yearend of	72,438,257	83,376,046	-13.12%

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Palisadoes Co-operative Credit Union Limited
FINANCIAL STATEMENTS
2019





Independent auditor's report

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Co-operative Societies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Credit Union in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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Independent auditor's report (cont'd)

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

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

Loan and allowances for credit losses on loans

As at December 31, 2019 loans after allowances for credit losses of \$11.5 Million amounted to \$1.19 Million or 58% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgments by management, including:

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



Independent auditor's report (cont'd)

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

Report on the Audit of the Financial Statements (cont'd)

Key audit matters (cont'd)

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

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

How our audit addressed the key audit matter

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

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

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

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



Independent auditor's report (cont'd)

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

Report on the Audit of the Financial Statements (cont'd)

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

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

Other information

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

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

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

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

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

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

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

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

CHARTERED ACCOUNTANTS
Member of HLB the global advisory and accounting network.



Independent auditor's report (cont'd)

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

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the financial statements

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

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

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



Independent auditor's report (cont'd)

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

Report on the Audit of the Financial Statements (cont'd)

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Kingston, Jamaica

March 6, 2020


Chartered Accountants



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

CHARITIES AUTHORITY, JAMAICA

Ministry of Industry, Commerce, Agriculture and Fisheries

2 Musgrave Avenue, Kingston 5

Jamaica, W.I.

Tel: (876) 927-4912 | 927-6572 | 978-1946

E-mail: dcfs@cwjamaica.com

Website: www.dcms.gov.jm

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

S1

R99/-553/03/20

March 10, 2020

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, 2019.

Based on the restatement of the 2018 financials impacting the financial investments by Twenty Five Million Dollars (\$25,000,000.00) and the resultant effects on the Undistributed Surplus declared in 2019, it is considered prudent to have the members' approval of the restated Appropriation of Surplus at the next Annual General Meeting.

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

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

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

Yours truly,

Errol Gallimore (Mr.)

REGISTRAR OF CO-OPERATIVE SOCIETIES

AND FRIENDLY SOCIETIES

EG/vpa

HOPE GARDENS

Hope Gardens, Kingston 6

(876) 977-2277 / 927-1948

Fax (876) 977-2698

MANDEVILLE, MANCHESTER

2A Caledonia Road

(RADA Bldg.)

(876) 613-7602

MONTEGO BAY, ST. JAMES

10 Delisser Drive

(The Office of the Prime Minister)

(876) 952-7913

Statement of financial position

December 31, 2019

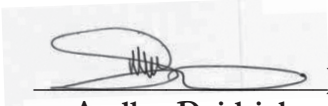
	Note	2019 \$	Restated 2018 \$
Assets			
Non-current assets			
Earning			
Financial investments	(6)	133,664,261	63,715,411
Loans, after provision for expected credit losses	(7)	1,149,167,063	1,084,646,493
Automated Teller Machines	(8)	5,151,995	4,647,579
		<u>1,287,983,319</u>	<u>1,153,009,483</u>
Non-Earning			
Property, plant and equipment	(9)	43,243,596	47,359,942
Retirement benefit asset	(10)	18,205,000	13,686,000
		<u>61,448,596</u>	<u>61,045,942</u>
Total non-current assets		<u>1,349,431,915</u>	<u>1,214,055,425</u>
Current assets			
Earning			
Financial investments	(6)	399,621,755	406,113,972
Resale agreement	(11)	178,194,904	199,300,450
Repossessed asset held-for-sale		-	10,212,609
Loans, after provision for loan impairment	(7)	32,949,662	43,911,933
		<u>610,766,321</u>	<u>659,538,964</u>
Non-earning			
Bank and cash balances	(12)	51,918,249	38,510,963
Receivables	(13)	27,087,473	14,736,468
		<u>79,005,722</u>	<u>53,247,431</u>
Total current assets		<u>689,772,043</u>	<u>712,786,395</u>
Total assets		<u>2,039,203,958</u>	<u>1,926,841,820</u>

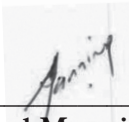
Statement of financial position December 31, 2019

	Note	2019 \$	Restated 2018 \$
Capital and liabilities			
Capital			
Permanent share capital	(14)	20,186,960	16,953,058
Institutional capital	(15)	336,641,505	332,441,414
Non-institutional capital	(16)	87,836,577	66,099,739
Undistributed surplus		72,437,958	83,376,046
Total capital		517,103,299	498,870,257
Liabilities			
Non-current liabilities			
Interest bearing			
Savings deposits	(17)	-	40,840,500
Members' shares	(18)	1,254,012,678	1,149,437,781
External credit	(19)	28,866,786	28,674,251
		<u>1,282,875,464</u>	<u>1,218,952,532</u>
Non-interest bearing			
External credit	(19)	4,880,491	4,880,491
Total non-current liabilities		1,287,759,955	1,223,833,023
Current liabilities			
Interest bearing			
Savings deposits	(17)	200,737,193	180,046,226
Non-interest bearing			
Accounts payable and accruals	(20)	33,603,510	24,092,314
Total current liabilities		234,340,703	204,138,540
Total liabilities		1,522,100,658	1,427,971,563
Total capital and liabilities		2,039,203,958	1,926,841,820

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

Approved for issue by the Board of Directors on _____ and signed on its behalf by:

) President
Audley Deidrick

) Treasurer
Samuel Manning

Statement of comprehensive income

Year ended December 31, 2019

	Note	2019 \$	Restated 2018 \$
Interest income			
Members' loans		152,445,456	152,486,383
Liquid assets		18,628,326	19,230,719
Investments		16,993,740	2,550,315
		<u>188,067,522</u>	<u>174,267,417</u>
Interest expense and dividends			
Interest on members' savings and deposits		6,204,637	7,817,361
Dividends		58,532,654	55,685,149
External credit		270,801	506,245
Bank charges and interest		1,278,016	938,111
		<u>66,286,108</u>	<u>64,946,866</u>
Net interest income			
		121,781,414	109,320,551
Net movement on loan impairment provision		532,280	1,440,326
Net interest income after provision for losses		<u>122,313,694</u>	<u>110,760,877</u>
Non-interest income			
Service fees		2,765,614	2,721,818
Money transfer service commission		18,784	24,209
Rental income		1,200,000	1,100,000
Foreign exchange gain		2,819	4,267
Other income		6,186,282	5,981,069
		<u>10,173,499</u>	<u>9,831,363</u>
Gross margin			
		132,487,193	120,592,240
Less: Operating expenses	(21)	116,071,891	111,927,183
Surplus for the year before honorarium		<u>16,415,302</u>	<u>8,665,057</u>
Honorarium		2,800,000	2,500,000
Net surplus for the year		<u>13,615,302</u>	<u>6,165,057</u>
Other comprehensive income:			
Actuarial gain/(loss) on defined benefit plan		4,564,000	(5,253,000)
Other comprehensive loss for the year		<u>4,564,000</u>	<u>(5,253,000)</u>
Total comprehensive income for the year		<u>18,179,302</u>	<u>912,057</u>

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

Statement of changes in equity Year ended December 31, 2019

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at December 31, 2018	16,953,058	332,441,414	66,099,739	83,576,046	498,870,257
Adjusted balance at January 1, 2019	16,953,058	332,441,414	66,099,739	83,376,046	498,870,257
Surplus for the year	-	-	-	13,615,302	13,615,302
Other comprehensive income					
Actuarial loss on defined benefit asset	-	-	-	4,564,000	4,564,000
Total comprehensive income	-	-	-	18,179,302	18,179,302
30% transfer of statutory reserve	-	4,098,091	-	(4,098,091)	-
Transfer of retirement benefit asset	-	-	4,519,000	(4,519,000)	-
Increase in general reserve	-	-	18,000,000	(18,000,000)	-
Entrance fee	-	102,000	-	-	102,000
Loan provision	-	-	(1,333,409)	-	(1,333,409)
Decrease in market value of equities	-	-	551,247	-	551,247
Appropriation – education and outreach	-	-	-	(2,500,000)	(2,500,000)
Permanent shares	3,233,902	-	-	-	3,233,902
Balance at December 31, 2019	20,186,960	336,641,505	87,836,577	72,438,257	517,103,299

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

Statement of changes in equity
Year ended December 31, 2019 (cont'd)

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at January 1, 2018	13,799,125	314,990,197	88,927,335	83,095,327	500,811,984
Adjustment from adoption of IFRS 9	-	-	(19,000,000)	(2,623,412)	(2,623,412)
Transfer of loan loss reserve	-	-	-	19,000,000	-
Adjusted balance at January 1, 2018	13,799,125	314,990,197	69,927,335	99,471,915	498,188,572
Surplus for the year (restated)	-	-	-	6,165,057	6,165,057
Other comprehensive income					
Actuarial loss on defined benefit asset	-	-	-	(5,253,000)	(5,253,000)
Total comprehensive income	-	-	-	912,057	912,057
30% transfer of statutory reserve	-	9,349,517	-	(9,349,517)	-
Transfer of retirement benefit asset	-	-	(4,175,000)	4,175,000	-
Share transfer fund	-	-	-	-	-
Entrance fee	-	101,700	-	-	101,700
Loan provision	-	-	1,333,409	(1,333,409)	-
Decrease in market value of equities	-	-	(986,005)	-	(986,005)
Appropriation – education and outreach	-	-	-	(2,500,000)	(2,500,000)
Permanent shares	3,153,933	-	-	-	3,153,933
Additional transfer to statutory reserve	-	8,000,000	-	(8,000,000)	-
Balance at December 31, 2018 - restated	16,953,058	332,441,414	66,099,739	83,376,046	498,870,257

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

Statement of cash flows

Year ended December 31, 2019

	2019	Restated 2018
	\$	\$
Cash flows from operating activities:		
Surplus for the year	13,615,302	6,165,057
Adjustments for:		
Gain on retirement asset	45,000	(1,078,000)
Depreciation	6,544,101	6,375,753
Adoption of IFRS 9	-	(2,623,412)
Net cash provided by operating activities	<u>20,204,203</u>	<u>88,829,398</u>
Cash flows from investing activities:		
Loans after provision for loan impairment	(53,558,299)	194,619
Financial investments	(63,456,633)	33,529,986
Resale agreement	21,105,546	(111,744,080)
Accounts receivables	(2,138,396)	2,361,864
Purchase of intangible asset	(1,077,702)	(2,442,054)
Purchase of property, plant and equipment	(1,854,470)	(6,268,882)
Net cash provided by investing activities	<u>80,775,551</u>	<u>84,368,574</u>
Cash flows from financing activities:		
Issue of permanent shares	3,233,902	3,153,933
Members' shares	104,574,897	60,691,523
Savings deposits	(20,690,967)	3,213,892
External credit	192,534	379,686
Payables and accruals	9,511,199	3,498,523
Entrance fees	102,000	101,700
Appropriations	(2,500,000)	(2,500,000)
Investment revaluation reserve	551,247	(986,005)
Loan provision	(1,333,409)	-
Net cash provided by financing activities	<u>94,182,837</u>	<u>67,553,252</u>
Net increase/(decrease) in bank and cash balances	<u>13,407,286</u>	<u>(7,975,897)</u>
Bank and cash balances at beginning of year	<u>38,510,963</u>	<u>46,486,860</u>
Bank and cash balances at end of year	<u>51,918,249</u>	<u>38,510,963</u>

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

Notes to the financial statements

December 31, 2019

1. General information and nature of operation

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

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

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

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

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

2. Regulation

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

3. Statement of compliance with IFRS and going concern assumptions

Statement of compliance

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

4. New and revised standards that are effective for annual periods beginning on or after January 1, 2019

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

IFRS 16 ‘Leases’

IFRS 16, Leases replaces IAS 17, Leases, and the related interpretations, (IFRIC 4, ‘Determining whether an arrangement contains a lease’, SIC 15, ‘Operating leases – incentives’, and SIC 27, ‘Evaluating the substance of transactions involving the legal form of a lease’).

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

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

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

- the lease for the Montego Bay location has less than a year remaining;
- the lease for the Norman Manley location expired and the new operator is yet to issue a new agreement.

IFRIC 23 ‘Uncertainty over Income Tax Treatment’

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

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

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

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

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

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

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

5. Summary of significant accounting policies

a Basis of preparation

The Credit Union's financial statements have been prepared in accordance with IFRS, and have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties and certain financial assets and financial liabilities.

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

b Property, plant and equipment

i Carrying value

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

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

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

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

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

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

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

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

iii Repairs and renewals

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

c Intangible asset – computer software

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

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

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

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

d Foreign currency translation

Functional and presentation currency

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

Foreign currency translations and balances

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

e Revenue

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

f Operating expenses

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

g Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The Credit Union considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Previous financial asset impairment under IAS 39

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

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Credit Union's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Credit Union's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

h Statutory reserve

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

i Institutional capital

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

j League fees and Stabilisation dues

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

k Originated loans and provision for loan impairment

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

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

A provision for loan loss is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected.

When a loan is identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for loan losses to write down the loan to its estimated recoverable amount which is the present value of expected future cash flows, including amount recoverable from guarantees and collateral, discounted at the original effective interest rate of the loans.

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

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

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

1 Pension obligations and short-term employee benefits

Pension to employees is provided through a Defined Benefit Plan.

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

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

paid and that have terms to maturity approximating to the terms of the related pension liability.

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

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

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

m Members' deposits and other borrowed funds

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

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

n Receivables

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

o Other liabilities

Other liabilities are stated at their nominal value.

p Borrowing costs

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

q Impairment

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

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

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

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

r Critical accounting estimates and judgments in accounting policies

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

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

Impairment losses on loans and receivables

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

Pension and post-retirement benefits

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

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

Fair values of financial instruments

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

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

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

6. Financial investments

	2019	2018
	\$'000	Restated \$'000
Non-current		
Amortised cost		
VM Wealth	50,000,000	6,558,086
JCCUL - CUETS Settlement Deposit	2,050,946	2,029,533
Government of Jamaica Bond	-	15,000,000
JCCUL – Cu Premium	-	127,792
Sterling Asset Management	81,613,315	40,000,000
Total non-current	133,664,261	63,715,411
Current		
Amortised cost		
NCB Capital Market	-	60,000,000
Money Masters Fund	-	6,900,215
CUMAX Fund	74,374,358	66,453,365
CUFMC - Fixed deposit	-	169,451,752
JMMB - Savings	186,696	2,796,701
JMMB - Fixed deposit	150,604,110	76,363,428
	225,165,164	381,965,461
Fair value through other comprehensive income		
Shares NUCS Co-operative Insurance Services	500,000	500,000
JCCUL shares unquoted	8,550,576	8,550,576
Shares – Quality Networks Co-operative Limited	2,093,247	2,093,247
Credit Union Fund Management Company	10,050,000	10,050,000
Centralised Strategic Service Limited	30,000	30,000
	21,223,823	21,223,823
Fair value through profit or loss		
Grace Kennedy	638,763	606,125
JMMB	12,912,179	494,912
Wisynco	3,101,098	338,552
Seprod	4,544,544	1,340,340
Elite Diagnostics	263,739	144,759
Stationery and Office Supplies	1,736,108	-
Sagicor	15,708,255	-
Jamaica Broilers	2,740,300	-
Proven Wealth	109,017,782	-
Sygnus	2,570,000	-
	153,232,768	2,924,688
Total current	399,621,755	406,113,972
Total	533,286,016	469,829,383

7. Loans, after provision for expected credit losses

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

	2019 \$	2018 \$
Balance at the beginning of the year	1,139,321,676	1,139,780,516
Add: Disbursement during the year	598,335,745	469,911,614
	<u>1,737,657,421</u>	<u>1,609,692,130</u>
Less: Repayment	(543,976,318)	(470,370,454)
	1,193,681,103	1,139,321,676
Less: Expected credit losses	(11,564,378)	(10,763,250)
	1,182,116,725	1,128,558,426
Less: Current portion	(32,949,662)	(43,911,933)
Total	<u><u>1,149,167,063</u></u>	<u><u>1,084,646,493</u></u>

(b) **Expected credit losses**

	2019 \$	2018 \$
Provision for impairment at beginning of year	10,763,250	11,027,471
Adjustment from adopting IFRS 9	-	2,623,413
Adjusted expected credit loss at January 1, 2019	<u>10,763,250</u>	13,650,884
Increase/(reduction) amounts provided for during the year	801,128	(1,661,619)
Bad debt written-off	-	(1,226,015)
Provision for impairment at end of year	<u><u>11,564,378</u></u>	<u><u>10,763,250</u></u>

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

	2019 \$	2018 \$
Increase/(reduction) in loan loss provision during the year	801,128	(264,221)
Loan recovered that were previously provided for	(1,333,408)	(1,176,105)
Credited to income and expenditure and appropriations account during the year	<u><u>(532,280)</u></u>	<u><u>(1,440,326)</u></u>

(d) **Delinquent loans**

During the year, no loans to members were written off. In 2018 loans totalling \$1,226,015, 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, 2019, there were 46 (2018 – 34) delinquent loans totalling \$6,299,207 (2018 – \$17,345,453) aged two (2) months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
2 - 3	5	164,889	10	16,489
3 - 6	10	645,845	30	193,753
6 – 12	11	432,686	60	259,612
Over 12	20	5,055,787	100	5,055,787
	<u>46</u>	<u>6,299,207</u>		<u>5,525,641</u>

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.

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

	2019	2018
	\$	\$
Within 3 months	11,171,174	51,018,247
From 3 months to 1 year	29,144,103	160,492,904
Over 1 year	1,151,801,448	917,047,275
Total	1,182,116,725	1,128,558,426

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

	2019	2018
	\$	\$
Home equity	324,732,026	200,792,701
Motor vehicle	244,796,583	236,121,991
Loans within shares and savings	427,174,218	418,623,181
Unsecured loans	81,943,312	72,939,874
Others	103,470,586	210,843,970
Total	1,193,681,103	1,139,321,717

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

	2019	2018
	\$	\$
Neither past due nor impaired	1,185,944,600	1,120,955,328
Past due but not impaired	1,437,296	1,020,895
Impaired loans:		
2 to 3 months	164,889	42,335
3 to 6 months	645,845	588,008
6 to 12 months	432,686	11,997,716
Over 12 months	5,055,787	4,717,394
Less provision for loan losses	(11,564,378)	(10,763,250)
Total	1,182,116,725	1,128,558,426

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

	2019	2018
	\$	\$
Balance at January 1	10,763,250	11,027,471
Loans written-off during the year as uncollectible	-	(1,226,015)
	10,763,250	9,801,456
Specific provision for the year (IFRS)	801,128	961,794
Loan loss provision (IFRS)	11,564,378	10,763,250
Additional provision through loan loss reserve	-	1,333,409
Provision for impairment at end of year – IFRS9	11,564,378	12,096,659

8. Automated teller machines

The carrying amounts are reconciled as follows:

	Automated Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2018	11,259,976	11,259,976
Addition	1,077,701	1,077,701
Balance at December 31, 2019	12,337,677	12,337,677
Depreciation		
Balance at December 31, 2018	(6,612,397)	(6,612,397)
Depreciation	(573,285)	(573,285)
Balance at December 31, 2019	(7,185,682)	(7,185,682)
Carrying amount at December 31, 2019	5,151,995	5,151,995

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

9. Property, plant and equipment

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

	Office					Total
	Land	Leasehold Improvement	Furniture & Equipment	Computer	Software	
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at December 31, 2018	33,605,925	10,051,832	14,220,211	18,590,414	20,191,872	96,660,254
Additions	-	606,446	140,770	39,606	1,067,648	1,854,470
Balance at December 31, 2019	33,605,925	10,658,278	14,360,981	18,630,020	21,259,520	98,514,724
Depreciation						
Balance at December 31, 2018	-	(9,873,532)	(10,726,599)	(17,064,638)	(11,635,543)	(49,300,312)
Transfers	-	-	119,380	(119,380)	-	-
Depreciation	-	(152,042)	(959,563)	(1,186,243)	(3,672,968)	(5,970,816)
Balance at December 31, 2019	-	(10,025,574)	(11,566,782)	(18,370,261)	(15,308,511)	(55,271,128)
Carrying amount at December 31, 2019	33,605,925	632,704	2,794,199	259,759	5,951,009	43,243,596
	Office					Total
	Land	Leasehold Improvement	Furniture & Equipment	Computer	Software	
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at December 31, 2017	33,605,925	10,051,832	13,901,091	18,244,937	14,587,587	90,391,372
Additions	-	-	319,120	345,477	5,604,285	6,268,882
Balance at December 31, 2018	33,605,925	10,051,832	14,220,211	18,590,414	20,191,872	96,660,254
Depreciation						
Balance at December 31, 2017	-	(9,714,338)	(9,725,370)	(15,711,538)	(8,302,271)	(43,453,517)
Depreciation	-	(159,194)	(1,001,229)	(1,353,100)	(3,333,272)	(5,846,795)
Balance at December 31, 2018	-	(9,873,532)	(10,726,599)	(17,064,638)	(11,635,543)	(49,300,312)
Carrying amount at December 31, 2018	33,605,925	178,300	3,493,612	1,525,776	8,556,329	47,359,942

10. Retirement benefit asset

The Credit Union participates in a multi-employer pension scheme. The pension scheme is a defined benefit plan and defined contribution 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,

	2019	2018
	\$	\$
Present value of funded obligation	69,089,000	62,921,000
Fair value of plan assets	(87,294,000)	(76,607,000)
Asset recognised in the statement of financial position	(18,205,000)	(13,686,000)

Expense recognised in the revenue and expenditure Statement

	2019	2018
	\$	\$
Current service cost	2,408,000	1,967,000
Interest cost	4,459,000	4,164,000
	(4,955,000)	
Return on plan assets		(5,211,000)
Net pension credit included in staff costs	1,912	920,000

Changes in the present value of the pension obligation

	2019	2018
	\$	\$
Present value of obligation at beginning of year	62,920,000	51,636,000
Current service cost and contributions	4,332,000	3,935,000
Interest cost	4,459,000	4,164,000
Past service cost	-	-
Benefits paid	(359,000)	(1,147,000)
Actuarial (gain)/loss	(2,264,000)	4,333,000
Changes in the present value of obligation at end of year	69,089,000	62,921,000

Changes in the fair value of plan assets

	2019	2018
	\$	\$
Fair value of plan assets	76,608,000	69,496,000
Contributions	3,792,000	3,966,000
Return on plan assets	4,955,000	5,211,000
Benefits paid	(359,000)	(1,147,000)
Actuarial loss on plan assets	2,300,000	(919,000)
Changes in the fair value of plan assets at end of year	87,294,000	76,607,000

Movements in net liability/(asset)

	2019	2018
	\$	\$
Opening net asset	(13,686,000)	(17,861,000)
Pension income	1,913,000	920,000
Total re-measurements included in other comprehensive income	(4,564,000)	5,253,000
Employer's contributions	(1,868,000)	(1,998,000)
Closing net asset	(18,205,000)	(13,686,000)

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

	2019		2018	
	\$	%	\$	%
J\$ debentures	29,130,000	33.37	28,058,000	36.63
US\$ Certificates of deposit	2,497,000	2.86	2,261,000	2.95
Repurchase Agreements	3,794,000	4.35	2,048,000	2.67
US\$ debentures	4,104,000	4.70	3,716,000	4.85
Quoted equities	21,198,000	24.20	12,924,000	16.87
Investment properties	19,442,000	22.27	18,178,000	23.73
Real estate fund	913,000	1.05	769,000	1.00
Local registered stocks	7,691,000	8.81	7,278,000	9.50
Unit trust	2,700,000	3.09	2,265,000	2.96
Net current assets	(4,175,000)	(4.78)	(889,000)	(1.16)
	87,294,000	100	76,608,000	100

Principal actuarial assumptions

	2019	2018
	%	%
Discount rate	7.5	7.0
Future salaries increase	5.0	5.0
Pension increases	3.0	2.5

11. Resale agreement

	Fair Value	Fair Value
	2019	2018
	\$	\$
NCB Capital Markets Limited	178,194,904	199,300,450

12. Bank and cash balances

	2019	2018
	\$	\$
Cash in hand	30,961,741	35,242,529
Current accounts	20,956,508	3,268,434
Total	51,918,249	38,510,963

13. Receivables

	2019	2018
	\$	\$
Loan interest receivable	7,173,851	-
Interest receivable	12,309,382	7,588,443
Prepaid expense	230,000	300,000
Payroll receivable	1,334,909	1,815,330
Withholding tax	1,559,611	2,192,996
Other receivables	3,576,736	1,936,715
Inventory	902,984	902,984
Total	27,087,473	14,736,468

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

14. Permanent share capital

	2019	2018
	\$	\$
Balance at beginning of the year	16,953,058	13,799,125
Allocation of shares	3,233,902	3,153,933
Balance at end of year	20,186,960	16,953,058

15. Institutional capital

	2019	2018
	\$	\$
Statutory reserve as at January 1	297,965,680	280,514,463
Add 30% of net income	4,098,091	9,349,517
Additional amount transferred to statutory reserve	-	8,000,000
Add: Entrance Fees	102,000	101,700
	302,165,771	297,965,680
Business combination reserve	34,475,734	34,475,734
Total	336,641,505	332,441,414

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

16. Non-Institutional capital

	2019	2018
	\$	\$
Retirement benefit asset reserve (Note i)	18,205,000	13,686,000
General reserve (Note ii)	35,937,398	17,937,398
Revaluation reserve (Note iii)	23,366,072	23,366,072
Share transfer fund (Note iv)	1,040,043	1,040,043
Development reserve (v)	8,385,861	8,385,861
Investment revaluation reserve (vi)	902,203	350,956
Loan loss reserve	-	1,333,409
Total	87,836,577	66,099,739

- (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 was set aside to aid the renovation of the property at 10 Garelli Avenue.
- (vi) This reserve represents the unrealised surplus of market value versus cost of quoted equity investment.

17. Savings deposits

	Remaining to Maturity					
	One to Twelve Months \$	Over One Year \$	Carrying Values 2019		Carrying Values 2018	
			Current \$	Non-Current \$	Current \$	Non-Current \$
Other deposits	40,682,797	-	40,682,797	-	16,777,316	-
Regular deposits	54,551,634	-	54,551,634	-	64,458,890	4,590,500
Members Fixed Deposits	105,502,762	-	105,502,762	-	98,810,020	36,250,000
Total	200,737,193	-	200,737,193	-	180,046,226	40,840,500

18. Members' shares

	2019	2018
	\$	\$
Balance at beginning of year	1,149,437,781	1,088,746,258
Add: Amount subscribed and dividends	524,797,703	456,311,000
	1,674,235,484	1,545,057,258
Less: Withdrawals and transfer	(420,222,806)	(395,619,477)
Balance at end of year	1,254,012,678	1,149,437,781

19. External credit

	2019	2018
	\$	\$
Interest bearing:		
(i) Carib Cement	13,267,245	13,204,638
(ii) Rubis Energy	5,320,730	5,275,609
(iii) IGL	3,503,631	3,474,724
(iv) Airport Authority of Jamaica	6,775,180	6,719,280
Total	28,866,786	28,674,251
Non-interest bearing:		
(i) Airport Authority of Jamaica	2,413,058	2,413,058
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
Total	4,880,491	4,880,491

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

20. Accounts payables

	2019	2018
	\$	\$
Employee benefit payable	4,731,556	1,790,527
Audit and accounting fee	1,462,986	1,271,261
Education and outreach	1,675,491	1,635,197
Trade payable	3,492,781	1,558,156
Accrued expenses	530,933	-
Accrued interest	659,064	659,064
Withholding tax	127,064	138,345
Utilities payable	-	30,655
LS & LP payable	296,595	592,251
Compliance fund	326,407	4,023,178
Other payable	20,300,634	12,393,680
Total	33,603,511	24,092,314

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

21. Operating expenses

	2019	2018
	\$	\$
Staff costs		
Employees salaries and allowances	53,506,237	51,972,031
Employee benefits	3,513,381	3,817,800
Employee welfare and training	289,850	655,234
Employee travel and related expenses	842,529	1,363,782
	<u>58,151,996</u>	<u>57,808,847</u>
Administrative		
Office rental	7,970,066	7,696,378
Audit fees	2,500,000	4,573,443
Depreciation	6,544,100	6,375,753
Legal fees and professional fees	1,854,250	203,875
Administrative expenses and subscription	10,713,571	7,401,039
Utilities	2,061,041	2,729,871
Telecommunication	3,066,601	3,365,062
Insurance premiums	4,182,930	3,799,436
Printing, stationery and supplies	3,397,819	2,574,268
Repairs and maintenance	1,147,459	408,247
Total administrative expenses	<u>43,437,837</u>	<u>39,127,369</u>
Representation and affiliation		
League fees and other fees	3,829,576	4,571,302
Stabilization dues	2,055,487	1,959,628
Seminars and meetings	1,042,933	551,800
Board and committee meetings	3,908,676	2,142,138
League AGM	1,834,989	1,640,995
Total representation and affiliation expenses	<u>12,671,660</u>	<u>10,865,863</u>
Marketing and promotion		
Promotion and advertising	1,810,397	4,125,104
Total marketing and promotion expenses	<u>1,810,397</u>	<u>4,125,104</u>
Total operating expenses	<u>116,071,891</u>	<u>111,927,183</u>

22. Leases

Lease payment are not recognised as a liability.

The Credit Union leases its offices. One lease agreement expired prior to December 31, 2019 and the new operator of the Norman Manley Airport has not issued a new lease. The Credit Union continues to operate under the old lease. The Credit Union is therefore unable to recognise the lease liabilities. The lease for the Montego Bay location expires in less than one year.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2019
	\$
Lease of 2 offices	7,970,066
Total	<u>7,970,066</u>

23. Volunteers' balances

At December 31, 2019, 4 (2018 - 6) members of the Society's Board of Directors and 6 (2018: 9) Committee Members had savings and deposits of \$39,368,019 (2018 - \$ 41,055,936) and loans including interest totalling \$69,594,807 (2018 - \$ 77,595,649).

Loans including interest due from members of staff totalled \$46,372,564 (2018 - \$47,847,421). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2019, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

24. Comparison of ledger balances

	Shares \$	Deposits \$	Loan \$
General ledgers	1,254,012,735	200,737,193	193,681,103
Personal ledgers	1,254,012,735	200,737,193	193,681,103
Ledger difference	-	-	-

25. Employee benefits

	2019 \$	2018 \$
Salaries and allowances	53,461,237	51,972,031
Other personnel cost	4,355,909	5,181,582
Staff training and welfare	289,849	655,234
Total	58,106,996	57,808,847

26. Summary of financial assets and liabilities by category

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

	2019 \$	2018 \$
Financial assets at amortised cost		
Resale Agreements	178,194,904	199,300,450
Financial investments	358,829,425	63,715,411
Total	537,024,329	263,015,861
Fair value through profit or loss		
Quoted shares	153,232,767	2,924,688
Fair value through other comprehensive income		
Unquoted shares	21,223,823	21,223,823
Financial assets at amortised cost		
Members' loans	1,182,116,725	1,128,558,426
Accounts receivables	27,087,473	14,736,468
Cash and cash equivalents	51,918,249	38,510,963
Total	1,261,122,447	1,137,893,924
Liabilities		
Financial liabilities measured at amortised cost		
Members shares	1,254,012,678	1,149,437,781
Savings deposits	200,737,193	220,886,726
Trade and other payables	33,603,511	20,069,136
External credit	33,747,276	33,554,742
Total	1,522,100,658	1,423,948,385

27. Prior year adjustments

Prior year adjustment represents overstatement of interest income and financial investments.

Reconciliation of the statement of financial position as at December 31, 2018

	Note	As previously stated \$	Effect of Restatement \$	Restated \$
Assets				
Non-current assets				
Earning				
Financial investments	(6)	63,715,411	-	63,715,411
Loans, after provision for expected credit losses	(7)	1,084,646,493	-	1,084,646,493
Automated Teller Machines	(8)	4,647,579	-	4,647,579
		1,153,009,483	-	1,153,009,483
Non-Earning				
Property, plant and equipment	(9)	47,359,942	-	47,359,942
Retirement benefit asset	(10)	13,686,000	-	13,686,000
		61,045,942	-	61,045,942
Total non-current assets		1,214,055,425	-	1,214,055,425
Current assets				
Earning				
Financial investments	(6)	431,113,972	(25,000,000)	406,113,972
Resale agreement	(11)	199,300,450	-	199,300,450
Repossessed asset held-for-sale		10,212,609	-	10,212,609
Loans, after provision for loan impairment	(7)	43,911,933	-	43,911,933
		684,538,964	(25,000,000)	659,538,964
Non-earning				
Bank and cash balances	(12)	38,510,963	-	38,510,963
Accounts receivables	(13)	14,736,468	-	14,736,468
		53,247,431	-	53,247,431
Total current assets		737,786,395	-	712,786,395
Total assets		1,951,841,820	(25,000,000)	1,926,841,820

Reconciliation of the statement of financial position as at December 31, 2018

	Note	As previously stated \$	Effect of Restatement \$	Restated \$
Capital and liabilities				
Capital				
Permanent share capital	(14)	16,953,058	-	16,953,058
Institutional capital	(15)	332,441,414	-	332,441,414
Non-institutional capital	(16)	66,099,739	-	66,099,739
Undistributed surplus		108,376,046	(25,000,000)	83,376,046
Total capital		523,870,257	(25,000,000)	498,870,257
Liabilities				
Non-current liabilities				
Interest bearing				
Savings deposits	(17)	40,840,500	-	40,840,500
Members' shares	(18)	1,149,437,781	-	1,149,437,781
External credit	(19)	28,674,251	-	28,674,251
		1,218,952,532	-	1,218,952,532
Non-interest bearing				
External credit	(19)	4,880,491	-	4,880,491
Total non-current liabilities		1,223,833,023	-	1,223,833,023
Current liabilities				
Interest bearing				
Savings deposits	(17)	180,046,226	-	180,046,226
Non-interest bearing				
Accounts payable and accruals	(20)	24,092,314	-	24,092,314
Total current liabilities		204,138,540	-	204,138,540
Total liabilities		1,427,971,563	-	1,427,971,563
Total capital and liabilities		1,951,841,820	(25,000,000)	1,926,841,820

Reconciliation of total comprehensive deficit for the year ended December 31, 2018

	As previously stated	Effect of Restatement	Restated
	\$	\$	\$
Interest income			
Members' loans	152,486,383	-	152,486,383
Liquid assets	44,230,719	(25,000,000)	19,230,719
Investments	2,550,315	-	2,550,315
	<u>199,267,417</u>	<u>(25,000,000)</u>	<u>174,267,417</u>
Interest expense and dividends			
Interest on members' savings and deposits	7,817,361	-	7,817,361
Dividends	55,685,149	-	55,685,149
External credit	506,245	-	506,245
Bank charges and interest	938,111	-	938,111
	<u>64,946,866</u>	<u>-</u>	<u>64,946,866</u>
Net interest income	134,320,551	(25,000,000)	109,320,551
Net movement on loan impairment provision	1,440,326	-	1,440,326
Net interest income after provision for losses	<u>135,760,877</u>	<u>(25,000,000)</u>	<u>110,760,877</u>
Non-interest income			
Service fees	2,490,818	-	2,490,818
Quick cash commission	24,209	-	24,209
Phone card net	114,192	-	114,192
Rental income	1,100,000	-	1,100,000
ATM fees	231,000	-	231,000
Foreign exchange gain	4,267	-	4,267
Other income	5,866,877	-	5,866,877
	<u>9,831,363</u>	<u>-</u>	<u>9,831,363</u>
Gross margin	145,592,240	-	145,592,240
Less: Operating expenses	111,927,183	-	111,927,183
Surplus for the year before honorarium	<u>33,665,057</u>	<u>(25,000,000)</u>	<u>8,665,057</u>
Honorarium	2,500,000	-	2,500,000
Net surplus for the year	<u>31,165,057</u>	<u>(25,000,000)</u>	<u>6,165,057</u>
Other comprehensive income:			
Actuarial loss on defined benefit plan	(5,253,000)	-	(5,253,000)
Other comprehensive loss for the year	<u>(5,253,000)</u>	<u>-</u>	<u>(5,253,000)</u>
Total comprehensive income for the year	<u>25,912,057</u>	<u>(25,000,000)</u>	<u>912,057</u>

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 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.

(ii) The Asset and Liability 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) 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.

(iv) Supervisory Committee

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

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

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

a Market risk

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

i Currency risk and Sensitivity

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

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

ii Interest rate risk

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

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

The Credit Union's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments.

The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored by the Asset and Liability Committee.

(ii) Interest rate risk (cont'd)

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

2019

	Average Interest Rate %	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$	Total \$
Resale agreement investment	3.8	178,194,904	-	-	-	178,194,904
Financial investments	2.5	399,621,755	-	133,664,261	-	533,286,016
Loan	10.0	1,171,174	29,144,103	1,151,801,448	-	1,182,116,725
Account receivables	-	-	-	-	27,087,473	27,087,473
Bank balances	-	-	-	-	51,918,249	51,918,249
Total assets		578,987,833	29,144,103	1,285,465,709	79,005,722	1,972,603,367
Savings deposits	1.5	95,234,431	105,502,762	-	-	200,737,193
Non-interest bearing liabilities	-	-	-	-	4,880,491	4,880,491
Interest bearing liabilities	1.0	-	-	28,866,786	-	28,866,786
Accounts payable	-	-	-	-	33,603,511	33,603,511
Members shares	-	-	-	-	1,254,228,736	1,254,228,736
Total liabilities		95,234,431	105,502,762	28,866,786	1,292,712,738	1,522,336,717

Interest rate risk (cont'd)

2018

	Range of Interest Rate %	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	Non-Rate Sensitive \$
Resale agreement investment		199,300,450	-	-	-
Liquid assets	1 - 2	340,065,246	-	-	-
Financial investments	2 - 5	-	66,900,215	87,863,922	-
Bank balances		-	-	-	38,510,963
Total assets		539,365,696	66,900,215	87,863,922	38,510,963
Savings deposits	1 - 2	180,046,226	-	40,840,500	-
Non-interest bearing liabilities		-	-	-	4,880,491
Interest bearing liabilities		-	-	28,674,251	-
Members shares	1 - 2	-	-	-	1,149,437,781
Total liabilities		180,046,226	-	69,514,751	1,154,318,272

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 2019	Effect on Net Surplus 2019 \$'000	Change in basis points 2018	Effect on Net Surplus 2018 \$'000
J\$ instruments +100	(4,502)	J\$ instruments +100	(7,603)
-100	<u>4,502</u>	-100	<u>7,603</u>

iii Other price risk

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

Sensitivity to changes in price of equity securities

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

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

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

	Effect on Net Surplus for the Year \$'000		Equity \$'000	
	+15%	-15%	+15%	-15%
December 31, 2019				
December 31, 2018	<u>211,311</u>	<u>(211,311)</u>	<u>211,311</u>	<u>(211,311)</u>

b Credit risk

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Credit risk is the most important risk for the Credit Union's business. Management therefore carefully manages its exposure to credit risk.

Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, related counterparties and industry segments.

Credit review process

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

(i) Loans

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

(ii) Investments

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

Collateral and other credit enhancements

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

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

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

Loans to members and expected credit loss

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

- Probability of Default – This represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- Exposure at Default – This represents the expected balance at default, taking into account the repayment of principal and interest from the statement of financial position date to the default event together with any expected drawdowns of committed facilities.

- Loss Given Default – The LGD represents the expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised and also the time value of money.

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

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

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

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

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

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

Expected credit loss summarise by stage

December 31, 2019			
Loan stage	Total loan balance \$	Expected credit loss \$	Expected credit loss rate %
Stage 1	1,145,139,345	7,191,770	1
Stage 2	38,430,199	227,654	1
Stage 3	10,111,560	4,144,954	41
Total	1,193,681,103	11,564,378	

Expected credit loss summarise by stage

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

Impairment

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

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

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

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

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

	2019	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,193,681,103	11,564,378
	2018	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,139,322	10,763

Maximum exposure to credit risk

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

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

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

(i) Expected credit losses on loans

	2019 \$'000	2018 \$'000
Provision for impairment at beginning of year	10,763,249	11,027
Adjustment from adopting IFRS 9	-	2,623
Adjusted expected credit loss at January 1, 2019	10,763,249	13,650
Increase/(reduction) in amounts provided for during the year	801,128	(1,661)
Loans recovered that were previously provided for	-	-
Bad debt written-off	-	(1,226)
Provision for impairment at end of year	<u>11,564,378</u>	<u>10,763</u>

(ii) Renegotiated loans

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

(iii) Loans

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

	2019 \$	2018 \$
Real estate residential	292,150,874	156,677,910
Home improvement	32,581,152	59,596,412
Education	19,463,151	13,138,188
Business investment	82,106,367	66,973,109
Transport purchase	255,500,960	244,425,663
Line of credit	34,807,090	45,064,058
Bills	254,825,297	300,831,155
Personal and others	222,246,212	252,615,181
	<u>1,193,681,103</u>	<u>1,139,321,676</u>
Less: Allowances for loan losses	(11,564,378)	(10,763,250)
Total	<u><u>1,182,116,725</u></u>	<u><u>1,128,558,426</u></u>

(iv) Repossessed collateral

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

	2019	2018
	\$	\$
Real estate	-	12,800,000
Motor vehicle	1,900,000	-
Total	1,900,000	12,800,000

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

	2019	2018
	\$	\$
Real estate	-	10,212,609
Motor vehicle	3,182,748	-
Total	3,182,748	10,212,609

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

c Liquidity risk

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

Liquidity risk management process

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

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

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

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

c Liquidity risk (cont'd)

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

	2019				
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$
Interest bearing liabilities					
Member shares	-	-	-	1,254,228,736	1,254,228,736
Savings deposits	95,244,797	105,414,192	-	-	200,737,193
External credit	-	-	28,866,786	4,880,491	33,747,277
Non-interest bearing liabilities	-	-	-	33,603,511	33,603,511
Total liabilities	95,244,797	105,414,192	28,866,786	1,292,730,942	1,488,635,002

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

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, 2019				
Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Quoted shares (Note a)				
Unquoted shares (Note b)	153,232,767	-	-	153,232,767
Fixed deposits and other deposits (Note c)	-	558,248,153	-	-
Total	153,232,767	558,248,153	-	711,480,920
Net fair value	15,323,767	558,241,153	-	711,480,920

December 31, 2018				
Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Quoted shares (Note a)	2,924,688	-	-	2,924,688
Unquoted shares (Note b)	-	-	11,173,823	11,173,823
Fixed deposits and other deposits (Note c)	-	680,031,322	-	680,031,322
Total	2,924,688	680,031,322	11,173,823	694,129,833
Net fair value	2,924,688	680,031,322	11,173,823	694,129,833

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

Measurement of fair value

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

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

Level 3 fair value measurements

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

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	16,424,227
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, 2019 and 2018. The Credit Union complied with all externally imposed capital requirements to which they were subjected.

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

Effective June 1, 2018, 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 2019 December 31**

The committee comprised the following:

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

The committee met on forty-two (42) occasions in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

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

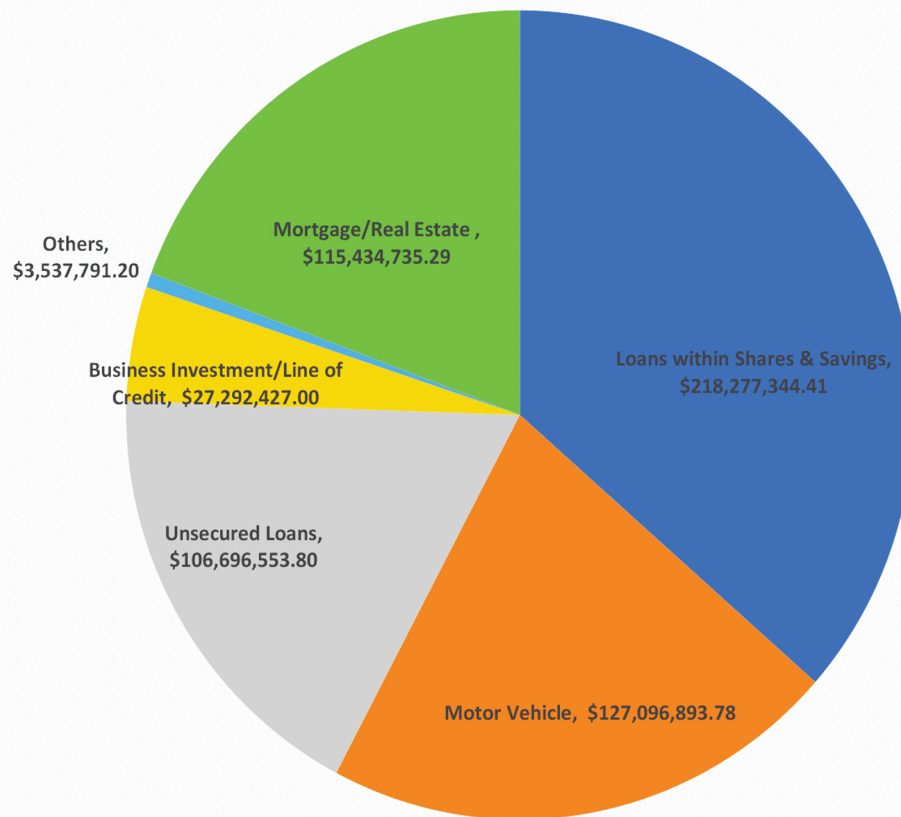
For the year being reported on, there was a reduction in the number of loans processed but the value of these loans reflected an increase. The number of loans approved for the period amounted to 4,622 when compared to 5,489 in 2018. The value of these loans amounted to \$598.34m (\$471.61m in 2018), which resulted in a positive variance of \$126.73m or an increase of 26.87%.

The table below reflects the movement in the union’s loan portfolio over the past 10 years



COMPARITIVE ANALYSIS OF LOANS DISBURSED BY CATEGORY 2019 VS 2018						
Loan type	Amount	Amount	Variance	%change	% Allocation	% Allocation
	2019	2018			2019	2018
Loans within shares and savings	\$ 218,277,344.41	\$ 187,108,462.24	\$ 31,168,882.17	16.66	36.48	39.67
Motor vehicle	\$ 127,096,893.78	\$ 130,863,118.60	-\$ 3,766,224.82	-2.88	21.24	27.75
Mortgage/real estate	\$ 115,434,735.29	\$ 37,384,793.13	\$ 78,049,942.16	208.77	19.29	7.93
Unsecured loans	\$ 106,696,553.80	\$ 96,165,155.40	\$ 10,531,398.40	10.95	17.83	20.39
Business/Line of credit	\$ 27,292,427.00	\$ 14,138,230.92	\$ 13,154,196.08	93.04	4.56	3.00
Others	\$ 3,537,791.20	\$ 5,948,897.52	-\$ 2,411,106.32	-40.53	0.59	1.26
Total Loans disbursed	\$ 598,335,745.48	\$ 471,608,657.81	\$ 126,727,087.67	26.87	100.00	100.00
Number of Loans	4,622	5,489	-867	-15.80		

Loans Disbursed by Category



Analysis of the data above revealed the following:

Loans within Shares and Savings

Loans disbursed in this category during the year increased by \$31.17m or 16.66% when compared to 2018. The value of disbursements amounted to \$218.28m.

Motor Vehicle Loans

Loans to the value of \$127.10m were disbursed during the year. This reflected a \$3.77m or 2.88% decrease over the previous year's figures.

Unsecured Loans

There was an increase of \$10.53m in the value of unsecured loans disbursed when compared to 2018. Unsecured Loans represents 17.80% of loans disbursed for the year.

Mortgage/Real Estate

The committee is pleased with the performance in this category, given the fact that there was a significant decline in 2018. The value of these loans increased to \$115.43m up from \$37.38m in 2018; an increase of \$78.05 or 209%.

Business/Line of Credit

This category recorded reasonable increase in its portfolio. The value of loans disbursed increased by \$13.15m or 93% to reach \$27.29m.

Attendance Record of Credit Committee Meetings 2019

Name	Scheduled Meetings	Attended	Excused
Carlington Miles	30	25	5
Devon Howell	28	25	3
Orrette Staple	34	33	1
Berthlyn Plummer	30	25	5
Karoline Smith	15	7	8

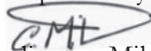
Miss Karoline Smith resigned in August to assume a position with her employers in Barbados. We thank her for her sterling contribution to the committee, and by extension the membership.

The committee, at the request of a member at the last Annual General Meeting (AGM) has discussed and recommended that more focus be placed on the 25-35 age category, and that loans be packaged for this particular group. Our own analyses have revealed that borrowing members are mostly in the 40 years and over category, accounting for 65% of the total loan portfolio. The committee commends the management of the credit union for the very innovative and timely manner in which new loan products are being rolled out.

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

Our sincere appreciation and thanks to you the members for the confidence placed in us, the Board of Directors, Supervisory Committee and the Management and Staff for their support during 2019. We wish the Credit Union continued success.

Co-operatively Yours


 Carlington Miles
 Chairman

Report of the Supervisory Committee
For year ended 2019 December

The members of the committee are:

Maria Chen	-	Chairman
Nicola Reid	-	Secretary
Elaine Walters	-	Member
Margareth Antoine	-	Member
Marva Gordon	-	Member

The Supervisory Committee is pleased to report on the operations of the Palisadoes Cooperative Credit Union Ltd (PCCUL) for the calendar year 2019. During the period, the Committee met on seven (7) 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
Maria Chen, Chairman	7	7	-
Nicola Reid, Secretary	7	7	-
Elaine Walters	6	4	2
Margareth Antoine	7	7	-
Marva Gordon	6	5	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 undertook a structured programme of review of the credit union's activities based on an assessment of associated risks. The objectives of the reviews performed included but were not limited to:

- Evaluation of the adequacy of policies, procedures and internal controls;
- Evaluation of performance against these said policies, 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 and Paymaster Reconciliations:** The reconciliations for all bank accounts were done in a timely fashion and found to be in order.
3. **Payroll Statutory, Minimum Business Tax, General Consumption Tax (GCT) & Property Tax:** Payroll monthly and annual returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. Both the Minimum Business and Property Taxes were paid within the period legally stipulated.

4. **Delinquent Accounts:** The internal controls surrounding the management of delinquent accounts were reviewed for adequacy and adherence thereto and the findings were satisfactory, although greater consistency in application would further enhance performance in this area.
5. **Legal and Regulatory Compliance:** Within this exercise, the Committee reviewed the Proceeds of Crime Act (POCA), the Terrorism Prevention Act, and Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements, noting areas for its continued review and focus as well as ensuring that the remedial measures recommended are implemented on a timely basis by management.
6. **Capital Adequacy (PEARLS) & Management review:** The Credit Union's capital base remains adequate to support its current level of operations, due to adequate procedures in place to monitor capital levels.
7. **Investments:** Management controls related to Credit Union's Investment Policy was functioning as intended. Compliance and monitoring were observed as per the requirements set forth in same policy
8. **Staff Training:** This important area of the credit union's operations was reviewed to ensure that staff received training appropriately aligned with their functions and responsibilities as required under the existing regulations.
9. **Other Areas:** The automated teller machine (ATM) reconciliation process, management of the Family Indemnity Plan (FIP), dividend payment and interest rebate to members, Cash Float reimbursement, bi-monthly Internal Audit reports, cancelled cheques, Insurance, Corporate credit card as well as the adjusting journal entries from the annual audit exercise were reviewed and found to be operating in accordance with the credit union's established procedures.
10. **Policy review:** Thirty-two (32) policies were reviewed for inclusion of industry/accounting/business best practices and appropriate internal controls. The Committee made several recommendations for enhancements in this regard.

GENERAL COMMENTS

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

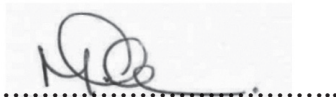
Our queries/request for clarification were all satisfactorily addressed by Management; and we are pleased to report that the assets of the Credit Union are adequately protected and there is no indication at this time that the Credit Union is overly exposed to risks (both internal and external).

OTHER ACTIVITIES OF THE COMMITTEE

As part of its programme, representatives of the Committee attended meetings of the Asset & Liability Management (ALM) Committee, 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.



Maria Chen
CHAIR

Report of the Delegates to the 2019 Convention
& 78th Annual General Meeting of the Jamaica
Co-op Credit Union League Ltd

The 2019 Convention and the 78th Annual General Meeting of the Jamaica Co-op Credit Union League took place at the Hilton Rose Hall Hotel & Spa during the period May 30-June 2. Approximately one hundred and forty (140) delegates, alternate delegates and observers were in attendance; and our credit union was represented by Delegates Ms. Maxine Wilson & Mrs. Celay Harwood-Gayle.

The activities commenced with the holding of the inaugural Carib DE's of Jamaica forum and the Credit Union Managers Association Annual General Meeting. This was followed by a workshop presented by Dr. Sylvia Mitchell, titled "The Healing Power of Jamaican Herbs". The session was very informative as attendees were informed of the uses of various herbs to heal simple and complex illnesses; this based on research done by the presenter. The official opening ceremony rounded off the first day's (Thursday) activities.

Friday May 31

Friday's activities commenced with a breakfast meeting of WOCCU Global Women's Network – Jamaica Chapter. The plenary session followed and matters of critical importance to the credit union movement's future were discussed.

Four (4) workshops were held on Friday afternoon, namely:

- **Due Process in Dispute Resolution**
- **Handling Grievances and Separations**
- **How to Provide and Measure your Values to your members**
- **The art of dealing with Non-performing loans**

Saturday June 1; League's 78th Annual General Meeting

Delegates from twenty-four (24) Credit Unions registered for the meeting. President Winston Fletcher gave a summary of the Board of Directors' Report for the year 2018; after which the Treasurer presented the Financial Reports. This was followed by the presentation of the Supervisory and Nominating Committees' Reports. Delegates voted for the distribution of surplus amounting to \$126m, and to set the maximum liability of the League at \$5b.

Election of Officers

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

- Mr. Martin Blackwood - Portland
- Mrs. Andrea Wilson - Messam – Broadcast & Allied
- Mr. Michael Anglin – JDF
- Mr. Patrick Smith - JTA
- Ms. Maxine Wilson – Palisadoes
- Mr. Winston Fletcher - Educom
- Mr. Ryan Muir – Lascelles Employees & Partners
- Mr. Carlton Barclay – C&WJ
- Mr. Lambert Johnson – Gateway
- Mr. Ryan Muir - Lascelles

The following persons were elected to the Supervisory Committee:

- Ms. Nicola Reid - Palisadoes
- Ms. Paulette Green – Jamaica Police
- Mr. Michael Sutherland – C&WJ
- Mrs. Ivy Lawrence – Lascelles Employees & Partners
- Mr. Delroy James – First Heritage

Resolutions

Three (3) congratulatory resolutions were passed on behalf of credit unions celebrating milestones:

- BJ Staff – 55th Anniversary
- Postal – 60th
- JTA – 60th

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

- Winston Fletcher President
- Lambert Johnson 1st Vice President
- Andrea Wilson-Messam 2nd Vice President
- Norris Gilbert Treasurer
- Patrick Smith Assistant Treasurer
- Jerry Hamilton Secretary
- Brenda Cuthbert Assistant Secretary

Annual Awards Banquet

The Annual Awards banquet took place in the evening. Guest speaker at the event was motivational speaker Mrs. Nadine Burrowes-Seaga. Several credit unions received various awards, the main awards being those of “Credit Union of the Year” in the various categories. **For the third (3rd) successive year, Palisadoes Co-op Credit Union Ltd was awarded the Credit Union of the Year-Runner-up; in the Large Credit Union category.**

The conference officially ended on Sunday May 20 with an ecumenical service. For the opportunity to represent our credit union at these meetings, we thank you our members.



Maxine P. Wilson JP MBA LLB (Hons)
Delegate

Management Discussion & Analyses to the 67th Annual General Meeting

It remains a privilege to be of service to you; and we thank you wholeheartedly for your continued support and commitment to our beloved credit union. The Board of Directors and the Treasurer's Reports were presented earlier, and these highlighted our financial performance for the year 2019. Were there challenges along the way? Yes! We however are very thankful that we were able to weather the storms. We could not do it alone, and so we thank YOU our members, the Board of Directors, the various committees, staff and other stakeholders. Thanks for your support throughout the years.

One of our main thrust for the year was to improve the member experience and optimize efficiency. This we did with some measure of success. It is said that complacency is the enemy of progress; as such we will continue the path and not relent. We are conscious that the future is **NOW**, and as we look ahead, our resolve is to continue to do well, and in doing so enable our members, employees and other stakeholders to do well. The dedication and resilience of the staff is unparalleled, and we thank them wholeheartedly.

Non-financial measurements

We continue to assess the quality of member service given and the level of member satisfaction. This was done mainly through surveys and direct member contact during the year. Our efforts were also geared at ensuring employee engagement satisfaction and improving efficiencies.

Human Resources

Staff training and development continues to be an area of priority in our organization, as we seek to develop the credit union's human capital. Staff members were exposed to various training and seminars during the year. We will continue to provide the requisite training which will ultimately enhance their own development and how we do business, whilst ensuring that each staff member does his/her part in combat against Anti-Money Laundering and Counter Terrorism Financing.

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

Know Your Member (KYM) Requirements

We continue to implement measures to tighten and enhance our KYM function. This included various additional steps to ensure full compliance. We engaged the services of an additional personnel to update our records, and to ensure KYC compliance both on the part of active and inactive/dormant members. This remains a work in progress.

Compliance

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

Smart Pac Savings Programme

At year end, there were 20 schools (including 5 from Montego Bay) enrolled in the programme. Membership under the programme stood at 2,773; with savings of \$21.60m.

Insurance Settlement 2019

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

Janice Thompson	Juliet Daley	Davina Dawkins	Albert Robinson
Heather Samuels	Cumi Daley	Madge Beckford	Opal Malcolm

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

Four (4) insurance claims were settled during the year.

CLAIM SETTLEMENT RECORD

	2019	2018
Life Savings	\$ 1,040,966.12	\$ 335,350.73
Loan Protection	\$ 741,167.94	-
Average Claim	\$ 445,533.51	\$ 83,837.69
Total# of Claims	4	4

Our Corporate Responsibility - Reaching Further, Doing More

We pride ourselves in being good corporate citizens, especially within the communities that we serve. We continue to provide support to several charities, initiatives and individuals.

Mountain View Men’s Initiative

We continue to support this Initiative which is our “brainchild”. We are extremely happy to report that seven (7) of the young men in this Initiative were successful in the CSEC examinations which they sat in May/June 2019. All seven (7) were successful in English Language, with one (1) passing both Math and English.

Nineteen (19) young men are now gainfully employed through the work of the Initiative. We are also very proud of our very own Jevon Vassell who received the “Employee of the Quarter” award from his employers Grace Kennedy.

During the year, we hosted the group at Turtle River Park, and they had a fantastic time. We use this medium to thank the Airports Authority of Jamaica for sponsoring transportation. We also attended one (1) church service during the period.

We remain committed to supporting this group, as we seek to enhance the well-being of youths within the Mountain View Community.

Unfortunately, our meetings are temporarily suspended due to the uneasiness in the community, and the Zone of Special Operation which is now in place in the community. As soon as we receive the ‘all clear’, we will resume our meetings.

Port Royal Golden Agers

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

Back-to-school Treat

This was held at the St. Matthews Anglican Church in Allman Town, Kingston. The credit union provided school supplies, personal care items, food and other forms of entertainment. We catered to over 300 children and 100 adults.

Other Beneficiaries

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

- ✓ Mount Olivet Boys' Home
- ✓ Petroleum Corporation of Jamaica Schools Energy Programme
- ✓ Open Arms Drop-In Centre

Scholarship Awards

The credit union awarded eight (8) scholarships to SMART Pac Members during the year. They along with their parents were feted at a breakfast luncheon at the Hotel Four Seasons in July.

With a GPA of 3.14, Mr. Romech McIntosh (NMIA Airports Ltd) was awarded the Henley Johnson Scholarship. Other Awardees and the schools they now attend are:

W.A. Roberts Awardees:

Name	School	Average
Amelia Manning	Kensington Primary	94.2%
Caseann Walcott	Harbour View Primary	92.2%
Annaliese Fray	St. Andrew Prep	95.0%

Roy Morrison Awardees:

Name	School attending	Average
Alana-Kay Morgan	Immaculate	90.1%
Dane Sutherland	Ardenne	85.8%
Seanna Bucknor	Immaculate	82.6%

The six (6) members of the prestigious **“New Horizons Achiever’s Club”** are:

- ✓ Alana-Kay Morgan (daughter of Member Telroy Morgan – Petrojam)
- ✓ Dayne Davis (son on Member Mrs. Dubern Davis – Caribbean Airlines)
- ✓ Dane Sutherland (son of Member Ms. Ravena Golaub)
- ✓ Jaeda McDonald (daughter of Member Ms. Colinnette Wilson)
- ✓ Shania Parchment (daughter of Member Trecia Williams)
- ✓ Seanna Bucknor (daughter of Member Carol Moreland – Caribbean Airlines)

Entrance to the Club is restricted to SMART-Pac Account holders who continue to achieve a minimum average of 80%.

Acknowledgments

We place on record, our sincere thanks to our members for once again allowing us to defy the odds. It is through your continued commitment to the credit union, during the good and the tough times that allow us to continue to soar to “New Horizons”. We are confident that your support will continue into 2018 and beyond. I am confident that we are exceptionally well positioned for the future, as we continue to be strong, safe and sound. May God continue to pour out His blessings upon our credit union, upon you our members and by extension on Jamaica, land we truly love.

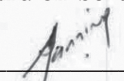
With Every Good Wish


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

**Proposal for the Fixing of Maximum Liability
 For year ended 2020 December**

In keeping with Rule 71 (amended) which now states that **“The Board of Directors may incur a liability in voluntary shares, deposits and/or loans from any source on such terms of payment and security; provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union’s Capital”**, it is proposed that the Maximum Liability to 2020 December 31, be set at ten (10) times the Credit Union’s Capital.

For and on behalf of the Board of Directors



Samuel Manning
TREASURER

**Proposal for the Appropriation
 & Distribution of Surplus
 For year ended 2019 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 2019 December 31 amounted to \$429.27m (2018: \$432.77m).

Our Assets grossed \$2,039.20m (2018: \$1,926.84m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2019 December 31 was 21.05 % (2018: 22.46%). This includes the amount of \$4,098,091 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 \$2,000,000 to Statutory Reserves) decreases to \$340.86m or **16.72%** of Assets. Under the heading **WE THE MEMBERS OWN**, the undistributed surplus amounted to \$72.44m.

In view of the above, your Board proposes the following surplus distribution to 2019 December 31, noting that the proposed additional transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.


APPROPRIATIONS	2019	2018
Additional Amount to Statutory Reserve	\$ 2,000,000	\$ -
20% dividend on Permanent Shares	\$ 3,300,000	\$ 3,000,000
Education & Outreach	\$ 2,500,000	\$ 2,500,000
General Reserves	\$ -	\$ 18,000,000
Honoraria	\$ 2,800,000	\$ 2,800,000
Sub Total	\$10,600,000	\$ 26,300,000

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

EXPENSES

Dividends	\$56,820,000	\$53,620,000
2.5% rebate on Loan int. paid (patronage refund)	\$ 3,600,000	\$ 3,085,000
GRAND TOTAL	\$71,020,000	\$83,005,000

For and on behalf of the Board of Directors



Samuel Manning
TREASURER

Report of the Nominating Committee

The Nominating Committee comprises the following:

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

The committee wishes to use this medium to thank all the elected officers and all others who served the credit union throughout 2019. You continue to give unselfishly to the cause, and for that we are grateful.

The Committee engaged in a series of processes/due diligence to identify and then determine the suitability of members it recommends to the AGM for election. In our opinion and to the extent that we were able to do the necessary due diligence, the members proposed to serve are considered fit and proper. Having determined this, the committee makes the following recommendations for the year 2020-2021:

BOARD OF DIRECTORS

Retiring at this AGM	Recommended	Term in office	Serving to 2021 AGM
Audley Deidrick	Audley Deidrick	2 years	Celay Harwood-Gayle
Dervin Aiken	Dervin Aiken	2 years	Winston Ormsby
Sheryll Hamilton	Sheryll Hamilton	2 years	Samuel Manning
Robert Thelwell	Robert Thelwell	2 years	

CREDIT COMMITTEE

Retiring at this AGM	Recommended	Term in office	Serving to 2021 AGM
Devon Howell	Devon Howell	2 years	Orrette Staple
Berthlyn Plummer	Berthlyn Plummer	2 years	
Carlington Miles	Carlington Miles	2 years	
	Michelle Mais-Cadenhead	1 year	

- Mrs. Cadenhead is being nominated to fill the unexpired portion of term of Ms. Karoline Smith who resigned during the year

SUPERVISORY COMMITTEE

Retiring at this AGM	Recommended	Term in office
Maria Chen	Maria Chen	1 year
Ms. Marva Gordon	Mr. Donovan Dobson	1 year
Nicola Reid	Nicola Reid	1 year
Margareth Antoine	Margareth Antoine	1 year
Elaine Walters	Elaine Walters	1 year

DELEGATES TO THE LEAGUE

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

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

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

For and on behalf of the Committee



Celay Harwood-Gayle
CHAIR

SHORT PROFILE OF NEW NOMINEES

Mrs. Michelle Mais-Cadenhead

Mrs. Mais-Cadenhead joined the credit union in 2006 and remains an active member in good standing. She has been a very active Liaison Officer of the credit union for over ten (10) years; and is presently the Human Resource & Administration Manager at Airports Authority of Jamaica, a company she has worked with for over 26 years.

Mrs. Mais-Cadenhead is the holder of an MBA from the Mona School of Business, and a BSc in Public Administration and International Relations from the University of the West Indies. She has also attained the Society of Human Resource Management – Certified Professional (SHRM-CP) designation.

Mr. Donovan Dobson

Mr. Dobson has been a member of the credit union (Palisadoes/PIECCU) since 2012 and remains an active member in good standing. He is presently the Human Resource and Administration Manager at Rubi Energy; a position he has held since 2011.

Mr. Dobson is the holder of an MBA from the Florida International University, A Post Graduate Diploma in Education and Training from the Vocational Training Development Institute (VTDI), and a BSc in Business Administration from the Northern Caribbean University.

PALISADOES CO-OP CREDIT UNION LTD.

LOANS POLICY

1. It shall be the policy of Palisadoes Co-operative Credit Union Limited (PCCU), to grant loans for provident and productive purposes to eligible members of the PCCU and to other registered co-operative societies.
2. Credit Worthiness, Character, Ability to Repay, and Securities offered (where applicable) will be the major considerations in granting loans.
3. Loans are normally granted on a maximum share ratio determined from time to time by the Board of Directors
 - 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
4. Loans shall not be granted for down payment on Hire Purchase transactions
5. Loans shall not be granted to delinquent members.
6. Loans above savings under the SMART PAC Savings Programme shall be for educational purposes only
7. For Premium financing, Credit Union will finance 100% of premium, repayable over nine (9) months at a special loan rate for vehicles used as security.
8. Verification of income e.g. last three (3) pay slips are required for all loans above shares. The Credit Union reserves the right to request additional information (including verification of employment).
9. The maximum repayment period of a loan shall not exceed ten (10) years, except in cases a-d 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. Where a first (1st) mortgage is being offered for purchase of primary residence, home improvement or other types of loan the maximum repayment period may be extended to 20 years.
 - d. Where security involves a pari passu arrangement with NHT or other approved financial institution the Credit Union may extend loan for a period not exceeding fifteen (15) years.
10. The credit union reserves the right to charge a “closure” fee on loans cleared prior to loan maturity.
11. An annual fee, to be determined by the Board of Directors, is applicable on specials loans e.g. Lines of Credit.

12. 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) or pari passu mortgage on property. The credit union reserves the right to determine whether to accept a second (2nd) mortgage on property.

Approval Limits:

Credit Officer:	Loans up to \$1,000,000 above shares, deposits and savings
General Manager	Loans up to \$2,000,000 above shares, deposits and savings
In-house Loans Committee	Loans up to \$5,000,000 above shares, deposits and savings
Credit Committee	All member-related loans

As approved by the Board of Directors 2019 May 9

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 eight (8) years. Motor vehicle **MUST** 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 Credit Union.
6. First legal mortgage on unencumbered title. A second mortgage may be taken where first mortgagee agrees to protect the interest of the Credit Union and where the Credit Union will not be at risk.
7. Assignment of fifty percent (50%) Cash Surrender Value (CSV) of life insurance policies owned by member.
8. Guarantee deposits.
9. Life insurance over CUNA Mutual limit or other arrangements deemed acceptable by the Credit Union.
10. Assignment of up to seventy (70%) of Receivable payable to the Credit Union upon satisfactory evaluation and acceptance of legally binding charge by the payee.
11. 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.
12. Assignment of fixed assets and/or stocks upon satisfactory professional assessment and deemed acceptable by the Credit Union.

As approved by the Board of Directors 2019 May 9

Notes...



Prayer of St. Francis of Assisi

Lord, make me an instrument of your peace.

Where there is hatred, let me sow love;

where there is injury, pardon;

where there is doubt, faith;

where there is despair, hope;

where there is darkness, light;

where there is sadness, joy.

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

to be consoled as to console;

to be understood as to understand;

to be loved as to love.

For it is in giving that we receive;

it is in pardoning that we are pardoned;

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

