

**PALISADOES CO-OPERATIVE  
CREDIT UNION LIMITED**

# **2020**

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## **ANNUAL REPORT**

*'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, safe and secure environment with a highly motivated and efficient team, ensuring a strong and viable institution with an excellent corporate image.



# Highlights of Annual General Meeting

# AGM 2021

The Annual General Meeting was held at the Jamaica Conference Centre on 2020 August 26.



A section of members in attendance.



President Audley Deidrick presenting the Board of Directors' report



Members of the Board of Directors along with the General Manager posed for a 'pic' following the meeting



Gifts, gifts, and more gifts! President Audley Deidrick presents one of the many giveaways to MsSybil Breakenridge.

## ANNUAL GOLDEN AGERS OUTREACH

Observing all COVID-19 protocols, we made sure the golden agers of Mountain View and Port Royal received their Christmas goodies.



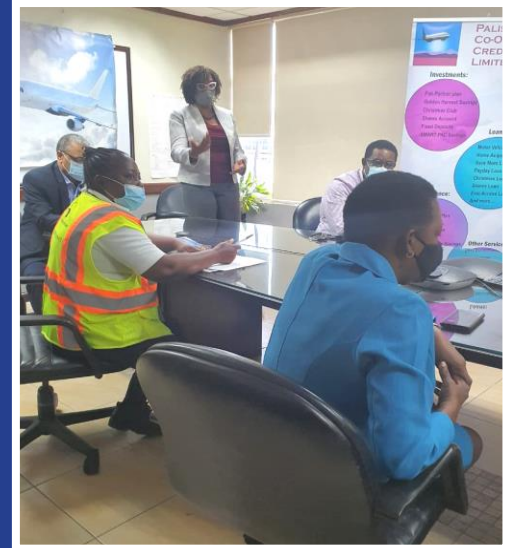


# Back to School Outreach Programme



At left, member of staff Ms Abigail Douglas prepares to distribute personal care packages and school supplies at the credit union's annual back to school outreach held in Mountain View.

# Palisadoes Mobile App



Members can now access credit union services using the new mobile app. General Manager Dr Maxine Wilson addresses the audience at the soft launch of the app

# Members Appreciation day



Political Ombudsman, Hon Donna Parchment Brown and husband Clifford were also in attendance

It was a day of "prizes and surprises". Here Andrew Daley posed with his bag of 'goodies' and a special gift that he won

## Tribute to Mrs. Hazel Johnson (1935-2020)

*Gone but not forgotten*



It was Maya Angelou who said "A great soul serves everyone all the time. A great soul never dies. It brings us together again and again." For 35 years Mrs. Johnson served the credit union with distinction as an employee, but her association with the credit union span many years prior, as she joined the credit union in 1967 (54 years ago). And even before that, as she provided a supporting role to her late husband Henley Johnson who was a founding father of the credit union and served in various roles on the Board and Committees of the credit union. The credit union deems it a privilege to have been able to honour her during her lifetime; the last time being at our AGM in August 2020. "We all die, the goal isn't to live forever, the goal is to create something that will." *Chuck Palahniuk*. Mrs. Johnson created so many things that will; and touched so many lives during her time here on earth.

Rest in peace Mrs J. You will forever be in our hearts.

## OUR CORPORATE PROFILE

### Board of Directors

#### **Audley Deidrick, MBA – President**

Mr. Deidrick is the President of Airports Authority of Jamaica, and CEO of NMIA Airports Ltd. He is the holder of an MBA from the University of the West Indies, and a BBA in Accounting from the University of Technology Jamaica. His work experience comprises thirty-one (31) years in the field of Accounting & Finance. He has been a member of the credit union for over twelve (12) years.

#### **Robert Thelwell, BBA Mgmt. – Vice President**

Mr. Thelwell is the Managing Director of 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 forty (40) years.

#### **Mr. Samuel Manning, MBA CPA - Treasurer**

Mr. Manning is an entrepreneur, having previously been employed to Airports Authority of Jamaica/NMIA Ltd for over twenty-two (22) years; his last position being Senior Director of Finance. He is the holder of an MBA from University of New Orleans, and a BSc in Accounting from the University of the West Indies. Mr. Manning is a Certified Public Accountant (CPA) and a member of the Institute of Chartered Accountants of Jamaica. Mr. Manning has been a member of the credit union for the past twenty (20) years.

#### **Mr. Dervin Aiken, MBA – Director**

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

#### **Mrs. Celay Harwood-Gayle, BSc – Assistant 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 – Assistant Treasurer**

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. He is the holder of a BSc. In Engineering from the University of the West Indies.

#### **Sheryll Hamilton, MBA - Secretary**

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, FCCA - 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 Chief Internal Auditor. Mrs. Chen has combined auditing experience in tax audit, external and internal audit in excess of twenty (20) years. She is a Fellow and a Member of the Association of Certified Chartered Accountants (ACCA), the Institute of Chartered Accounts of Jamaica (ICAJ) and a Member of the Institute of Internal Auditors (IIA).



## **Ms. Nicola Reid, MSc, FCCA - Secretary**

Miss Reid is presently employed to E-Learning Jamaica Company Ltd in the capacity of Audit Manager. She is the holder of an MBA (Finance) from the University of the West Indies. Miss Reid is a certified Internal Auditor, Certified Information Systems Auditor and a Certified Fraud Examiner; and presently serves as a member of the Supervisory Committee of the Jamaica Co-op Credit Union League. Miss Reid has been a member of the credit union for over twenty-one (21) years.

## **Mrs. Margareth Antoine, MBA - Member**

Mrs. Antoine has been employed to IGL for the past twenty-four (24) 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 fifteen (15) years.

## **Ms. Elaine Walters, MBA - Member**

Miss Walters is presently employed to Jamaica Automobile Association and holds the position of Financial Controller. She 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. She previously served on the credit union's Board of Directors.

## **Mr. Donovan Dobson, MBA – Member**

Mr. Dobson has presently employed to Rubis Energy Jamaica Ltd as its Human Resource and Administration Manager. He is the holder of an MBA from Florida International University, a post-graduate diploma in Education and Training from Vocational Training Development Institute (VTDI), and a BSc. in Business Administration from the Northern Caribbean University. He has been a member of the credit union (Palisadoes/PIECCU) since 2012.

## **Credit Committee**

### **Mr. Carlington Miles - Chair**

Mr. Miles has been a member of the credit union for the past seventeen (18) years. He is presently employed to PAC Kingston Airport Limited, as its Processing & Procurement Supervisor.

### **Mrs. Michelle Mais-Cadenhead, MBA - Secretary**

Mrs. Mais-Cadenhead is presently employed to the Airports Authority of Jamaica for over twenty-seven (27) years. She presently occupies the position of HRMA Manager and 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 also holds the Society of Human Resource Management – Certified Professional (SHRM-CP) designation.

### **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 fifteen (15) 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).

### **Ms. Gay Morgan, BSc (pending) - Member**

Miss Morgan has been a member of the credit union since March 2017 and is an active member in good standing. She has been employed to Wheels & Wheels Group of Companies for the past eleven (11) years and presently occupies the position of Accountant. Miss Morgan is in the process of completing a bachelor's degree in Business Administration majoring in Accounts and Human Resource Management.

## Management

### Dr. Maxine Wilson JP, DBA – General Manager

Dr. Maxine Wilson has been employed to the credit union movement for forty-one (41) years; twenty-four (24) of which has been spent at Palisadoes Credit Union. She is the holder of a Doctorate in Business Administration, an MBA, and a Bachelor of Laws (LLB). Miss Wilson is also a Certified Operational Risk Professional (CORP), a certified Family and Financial Counsellor, and an Honorary Member of the International Society of Business Leaders.

### Ms. Letisha Williams, BBA – 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.

### Mrs. Claudine Purboo

Mrs. Claudine Purboo has been employed to the credit union for the past twenty-four (24) 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 a degree in Business Administration.

### Ms. Erica Coleman, Dip. (Education) – Marketing & Member Services Supervisor

Miss Erica Coleman has been employed to the credit union since 2014 and is the holder of a Diploma in Teaching (Primary Education) from the St. Joseph's Teachers' College, and a Diploma in Customer Service.

## *Here's a little about us*

- **On 2021 April 21 we will celebrate our 68<sup>th</sup> Birthday**
- **Our Portfolio balances as at 2020 December 31 are:**
  - ✓ Assets - \$2,168.82M
  - ✓ Net Loans - \$1,258.26M
  - ✓ Voluntary Shares - \$1,368.97M
  - ✓ Total Savings Deposit - \$1,547.86M
- **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>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>	<u>2020</u>
Vol. Shares	574.91	624.88	668.63	890.42	960.62	1,010.42	1,088.75	1,149.44	1,254.01	1,368.97
Saving/Deposits	203.59	199.40	187.93	204.99	215.02	203.29	217.67	249.56	200.66	2178.89
Loans	841.09	849.81	922.68	1,077.54	1,107.56	1,091.67	1,128.75	1,139.32	1,193.68	1,267.19
Assets	1,119.40	1,208.9	1,283.31	1,568.29	1,664.66	1,744.88	1,861.00	1,951.84	2,039.20	2,168.82
Avail. for dist.	26.65	23.40	53.29	72.02	72.81	84.90	83.10	86.53	72.43	52.33
Inst. Capital	209.10	216.01	225.43	274.23	281.00	298.82	314.99	349.39	356.83	378.07
Membership	7,894	8,247	8,447	9,020	9,343	9,616	9,742	9,803	10,058	11,166
Gross Income	142.74	150.61	152.06	188.17	188.47	191.10	205.06	184.10	202.81	155.39
Vol. Div. Paid	37.25	39.80	43.09	58.00	54.70	54.70	53.24	55.69	58.53	31.30
Interest Rebate								3.33	3.33	2.72

## Notice of Meeting

Notice is hereby given that the 67th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2021 March 31 Wednesday at the Jamaica Conference Centre, 14-20 Port Royal Street, Kingston commencing at 2:00 p.m.

Registration begins at 1:00 p.m.

Dated this 2021 February 27



Sheryll Hamilton (Mrs)  
**SECRETARY**

### AGENDA

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



**MINUTES OF THE 67th ANNUAL GENERAL MEETING**  
**Held at the Jamaica Conference Centre**  
**14-20 Port Royal Street, Kingston**  
**On 2020 August 28 commencing at 2:14 P.M.**

**PRE-MEETING CALL/NOTICE****COVID-19 PROTOCOLS**

General Manager Maxine Wilson advised the meeting that all COVID-19 protocols distributed both electronically and in print formed a part of the instructions for attending the 67<sup>th</sup> AGM of Palisadoes Cooperative Credit Union Limited and must be observed.

She read as follow:

1. No one will be allowed to enter the venue, Room 1, Jamaica Conference Centre without wearing a mask.
2. Social distancing of six feet between each person is to be maintained at all times.
3. Chairs labeled 'x' are not to be used – this to ensure maintenance of the physical distancing rules.
4. All persons in attendance will be provided with a pen in the bags given – this pen is to be used to sign the register and is to be kept by the member.
5. Hand sanitizers will be provided.
6. Body temperatures are checked prior to persons been allowed entry to the meeting room. Persons with elevated temperatures will not be allowed entry.
7. Hand shaking is strictly prohibited and no gathering of persons before, during or after the meeting is allowed.
8. Ushers will be on hand to provide information and guidance as necessary.
9. Members will not be allowed to share the microphones and are asked to use the microphones on the desk at which they are seated. Persons wishing to speak are asked to depress the buttons on their desks and await acknowledgement.
10. Refreshments will be packaged to go and information on collection of these as well as souvenirs will be provided at the appropriate time. Persons are asked to depart the premises on collection.

She ended by advising the meeting that members who are 75 years and older were being accommodated virtually.

**CALL TO ORDER**

The meeting was called to order by President Audley Deidrick at 2:14 p.m. Secretary Celay Harwood-Gayle read the Notice of Meeting.

**PRAYER**

General Manager Maxine Wilson offered prayers.

**OBITUARIES**

The President guided the members in observing a minute's silence in memory of pioneers of the credit union movement and members who passed during the year 2019.

**WELCOME/INTRODUCTIONS AND APOLOGIES**

General Manager extended welcome and acknowledged the presence of special guests including:

- SMART PAC Savings account holders and their parents
- Miss Karen Lyttle and Messrs. Courtney Shaw and Alvin Williams - Department of Co-operatives & Friendly Societies
- Ms. Lavern Johnson – Credit Union Fund Management Company (CUFMC)
- Mrs. Kleo-Ann Errar - Jamaica Cooperative Credit Union League
- Misses Rosemarie Henry and Donnette Hunter - CUNA Caribbean Insurance Jamaica Ltd.
- Mrs. Joan Thompson and Mr. Dennis Brown – Jamaica Cooperative Insurance Agency
- Mr. Sixto Coy, Auditor - HLB Mair Russell.

Apologies for Absence were tendered on behalf of the following persons:

- Mrs. Margareth Antoine and Miss Nicola Reid - Supervisory Committee
- Mr. Samuel Manning – Treasurer
- Hon. Donna Parchment Brown – Political Ombudsman
- Mr. Noel Smith – Internal Auditor

## **ADOPTION OF MINUTES**

The President having noted that the minutes were circulated both in print and electronically asked that a motion be moved that it be adopted as read. The motion was moved by Mrs. Berthlyn Plummer and seconded by Ms. Arlene Clarke.

## **CORRECTION TO THE MINUTES**

Secretary Harwood-Gayle took the meeting through the Minutes contained on pages 7 through to 15 and asked whether there were any corrections. There was no correction to the Minutes.

## **CONFIRMATION OF THE MINUTES**

Ms. Colinnette Wilson moved for its confirmation; this was seconded by Ms. Shareen Brown.

## **MATTERS ARISING**

There were no matters arising from the Minutes.

## **REPORTS**

### **BOARD OF DIRECTORS**

President Deidrick prefaced his report by acknowledging that the AGM was being held in unusual times given the challenges presented by Covid-19, an upcoming national election, pending hurricanes, and storms. He thanked the members for making the effort to attend physically and virtually. He then referred them to the Report contained on pages 16 and 17 of the Annual Report.

### **Highlights of his presentation included the following areas:**

#### **Corporate Governance**

The President told the meeting that the Board remains committed to ensuring full compliance of all applicable laws and regulations to detect and prevent money laundering and the financing of terrorism; adding that the Board continued to strengthen its oversight of the organization with revised and enhanced policies, procedures and guidelines.

Members of the Board and other elected officers, he continued, have signed the Ethics and Conflict of Interest, Corporate Governance and other relevant policies as required. The Board also undertook the following responsibilities:

- Approval of the risk parameters and policies, as well as the risk appetite for the organization
- Approval of strategic plans to include budgets, business plans and targets
- Assessment of the adequacy of risk management and internal controls

#### **Skills & Experience**

The Board is equipped with the requisite skills and experience required to manage the affairs of the Credit Union. Critical skills include (but are not limited to) financial management, human resource management, business/strategic leadership, corporate governance, administrative and business management, information technology, executive leadership experience and risk management.

#### **Financial Performance**

Mr. Deidrick advised that the Board of Directors undertook 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. Given the challenges outlined earlier, he continued, and the reduction in interest rates to ensure we stay "afloat", we can confidently report that our performance was a creditable one.

The President said that during the year the credit union crossed the \$2b mark in assets, and its shares portfolio increased by over \$100m, adding that though it was most challenging to contain expenses within reasonable limits, the Board is pleased to be able once again to provide members with a reasonable return on their investments.

#### The Future

The Credit Union view challenges as opportunities and failures as lessons adding that it will continue to be resilient and persevere. The Board he said, is extremely optimistic about the future of Palisadoes Credit Union, even in a regulatory and pandemic environment; noting that efforts will continue for it be a resilient and persevering credit union, as it aims to let its light shine brighter and move forward.

#### Acknowledgement

The President acknowledged the members, stating that their support had been nothing short of phenomenal over the years; and he is confident that this support will continue as each member pursue the path to "New Horizons". He also acknowledged with thanks the various stakeholders, the Credit and Supervisory Committees, the Management and Staff and fellow Directors of the Board.

#### Adoption of the Board of Directors' Report

There being no questions, the Report was adopted on a motion by Ms. Gay Clunis and seconded by Mr. Robert Thelwell.

### **TREASURER'S & AUDITORS'**

The Report was presented by Assistant Treasurer Dervin Aiken in the absence of Treasurer Samuel Manning who was overseas. He referred the members to the Treasurer's Report contained on pages 18 to 21 of the Annual Report.

#### **Highlights of his presentation are detailed hereunder.**

##### The Macro-economy

Jamaica's macro-economic stability suffered mixed results during the year. The contributing factors included a high Net International Reserves balance, low interest rates, flexible exchange rates between J\$130-140:US\$1, crime and violence and a relatively low debt/GDP ratio.

##### Net International Reserves (NIR)

At the end of the year, the country's NIR stood at \$3.16b compared to \$3b in 2018. This was able to support 33.80 weeks of goods and services imports.

##### Inflation

The Statistical Institute of Jamaica (STATIN) reported that the 2019 calendar year inflation rate of 6.25% was higher than the 4-6% predicted by the Bank of Jamaica (BOJ).

##### Jamaica's Credit Union Movement

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

##### Financial Performance

The credit union's financial performance during 2019 was creditable. From the challenges associated with the privatization of the Norman Manley International 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, the credit union was still able to post reasonable surplus.

##### Returns to Members

A 'dividend' payment of five percent (5%) on Voluntary Shares was approved by the Board in addition to an interest rebate of 2.5% on loan interest paid in 2019. Mr. Aiken stated that the credit union was pleased to be able to increase the amount of rebate from the 2% paid in 2018 as it continued to reward members who had invested in the Credit Union via loans. A proposal is being made for dividend payment of twenty percent (20%) on Permanent Shares.



## Capital Requirement

When the 30% or \$4.519m of Undistributed Surplus is applied, the Institutional Capital is increased to \$356.8m or 17.50% of Assets.

## Assets

Assets increased by 5.83% compared to 4.80% in 2018, moving from \$1.9b to \$2.03b. Increase in Voluntary Shares and Financial Investments were the main contributors.

## Loans

Net Loans represent 58% (56% in 2018) of Assets.

## Income/Surplus

In response to the market, the Credit Union continues 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 from Loans which ended the year at \$152.44m compared to \$152.49m in 2018. Income from Loans represents 76.90% compared to 73% in 2018; while Investments Income accounted for 17.97%, down from 22.37% in 2018. Non-interest Income increased by 3.48% moving from \$9.83m to \$10.17m.

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. 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.

## Expenses

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

## Shares Portfolio

Voluntary Shares continued its steady growth path during the year and recorded an increase of 9.1% or \$104.57m, comparing favourably with the 2018 figures of \$60.69m or 5.57%. The Permanent Shares portfolio recorded a 19.08% increase ending the year at \$20.19m compared to \$16.95m in 2018.

## Capital Requirements

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

## Savings Deposit

The Savings Deposit Portfolio declined to \$200.66m, compared to \$220.89m in 2018; this as members opted to place funds on shares given the dividend payment that they have been receiving over the past 15 years.

Director Aiken thanked the members for the confidence placed in the Board to direct their affairs. He also expressed appreciation to fellow Directors and other volunteers, the management and staff and other stakeholders and reiterated the Board's commitment to service. He then directed the meeting to the Simplified Statement of Financial Position contained on page 21, before inviting Mr. Sixto Coy from the audit firm of HLB Mair Russell to report on the audited financial statements for the year 2019.

**Independent Auditor's Report**

Mr. Sixto Coy, representing HLB Mair Russell referred the meeting to pages 24 to 29 of the Annual Report and indicated that he would present a synopsis of the Audit Report. The synopsis stated in part - "We have audited the financial statements of Palisadoes Co-operative Credit Union Limited (the Credit Union), which comprised ... 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.. We conducted our audit in accordance with International Standards on Auditing (ISAs)."

On the subject of "Key Audit Matters", Mr. Coy read further "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. Based on the procedures described above, no material exceptions were noted in our assessment of the Credit Union's implementation of IFRS 9 ... credit loss model."

With respect to the Report on "Other Legal and Regulatory Requirements" he continued, "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."

**Restated Appropriation of Surplus**

Director Aiken continued his presentation and referred the members to a letter from the Department of Co-operatives and Friendly Societies at page 30 of the Report and specifically to the second paragraph which reads "Based on the restatement ..... surplus at the Annual General Meeting. He advised the meeting that the adjustment and resulting restatement were contained on page 59, and the restated appropriations was contained at page 86. The members present unanimously approved the restated appropriation of surplus declared in 2019.

Members were directed to the Proposal for the Appropriation & Distribution of Surplus at page 86 to enable voting on the restated position and distribution by members and thus fulfill the obligations outlined by the Registrar of the Department of Co-operatives and Friendly Societies.

**Adoption of Treasurer's and Auditor's Reports**

The Report was adopted on a motion by Mr. Romech McIntosh and seconded by Ms. Geraldine Geddes.

**CREDIT COMMITTEE**

Committee Chair Carlington Miles presented the report, directing the members to pages 76 to 78. He told the meeting that the Committee met on 42 occasions during the year. He noted that there was a reduction in the number of loans approved in 2019 which totalled 4,622 when compared to 5,489 in 2018. The value of the loans however increased by \$127m or 27% to reach \$598m.

**Other highlights of the Report are detailed below:****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 was 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.

Mr. Miles told the meeting that Karoline Smith resigned in August 2019 to assume a position with her employers in Barbados. He expressed thanks for her sterling contribution to the Committee and by extension, the membership. He noted that the Credit Committee continues to be represented on the Asset and Liability, Risk and Compliance, and the BOJ Preparedness Committees.

## **Adoption of the Credit Committee's Report**

The Report was adopted on a motion by Ms. Shareen Brown and seconded by Ms. Jilli-Ann Pommells.

## **SUPERVISORY COMMITTEE**

The Report was presented by the Chair Mrs. Maria Chen who told the meeting that the Committee met on seven occasions before referring them to pages 79 to 80 of the Annual Report. She said the Supervisory Committee provides oversight responsibility of the Credit Union's operations, the Board of Directors, Management and Staff.

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 and safeguarding of the Credit Union's assets. She identified the main areas of focus over the year as:

### Internal Controls

Internal control mechanisms (financial, compliance and risk management) were assessed for effectiveness and adherence by the Credit Union. For the most part, these controls were found to be operating as intended but there were areas for improvement, and these were brought to the attention of management.

### Bank and Paymaster Reconciliations

The reconciliations for all bank accounts were done in a timely fashion and found to be in order.

### 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.

### 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.

### 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.

### 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.



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

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.

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.

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.

Mrs. Chen also told the meeting that the Committee also looked at areas such as the ATM reconciliation process, the management of the Family Indemnity Plan, dividend payment and interest rebate to members, cash float reimbursement as well as bi-monthly internal audit reports. She also told the meeting that a total of 32 policies were reviewed for inclusion of industry/accounting/business best practices and appropriate internal controls and recommendations made for enhancements.

She continued her presentation by advising the meeting that all queries/requests for clarification were satisfactorily addressed by Management; adding that the Committee was pleased to report that the assets of the Credit Union were adequately protected and that there was no indication at this time that the Credit Union is overly exposed to any risks, internal or external. The Committee she said, was represented at meetings of the Asset and Liability Management Committee, Bank of Jamaica, Readiness and Risk and Compliance Committees.

In closing, Ms. Chen expressed appreciation to the Board of Directors, Management and Staff for their co-operation during the year. She thanked members for the confidence placed in the Committee and indicated that their queries and suggestions may be shared in writing to the Chairman.

Adoption of the Supervisory Committee's Report

A motion for the adoption of the Report was moved by Ms. Elaine Walters and seconded by Ms. Shanicia Campbell.

**DELEGATES TO THE JAMAICA CO-OP CREDIT UNION LEAGUE CONVENTION & AGM**

Delegate Maxine Wilson referred the meeting to pages 81 to 82 of the Annual Report. She said that the 2019 Convention & AGM of the Jamaica Credit Union League was held during the period May 30 and June 2 and had approximately 140 delegates, alternate delegates and observers present. The Credit Union was represented by Mrs. Celay Harwood-Gayle and herself.

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". Ms. Wilson told the meeting that there were four workshops on the Friday of the Convention, namely, "Due Process in Dispute Resolution", "Handling Grievance and Separations", "How to Provide and Measure your Value to your Members" and the "Art of Dealing with Non-Performing Loans".

Delegates from twenty-four (24) Credit Unions registered for the Annual General Meeting held on the Saturday. 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.

Ms. Wilson referred to the election of officers detailed at page 82, which highlighted the election of Ms. Nicola Reid from the Credit Union to the Supervisory Committee. She said that for the third successive year, Palisadoes Credit Union was awarded “Credit Union of the Year Runner-Up” in the Large Credit Union Category at the Annual Awards Banquet expressing gratitude and the hope that the Credit Union will get the bigger prize the next time. She said a well-attended Church Service brought the Conference to an end on June 2.

## **Adoption of the Delegates to the League Report**

A motion for the adoption of the Report was moved by Mr. Junior Palmer and seconded by Ms. Gaye Clunis.

### **PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY OF YEAR ENDING 2020 DECEMBER 31**

Director Aiken presented the **Proposal for Fixing of the Maximum Liability** and directed the meeting to page 86. 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 payment and security; provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union's Capital.

In the absence of Treasurer Samuel Manning, Mr. Aiken moved a motion that the proposal be accepted; this was seconded by Ms. Abigail Douglas. The proposal was accepted by all members present.

### **PROPOSAL FOR THE APPROPRIATION AND DISTRIBUTION OF SUPRLUS FOR THE YEAR ENDED 2019 DECEMBER 31**

Mr. Aiken directed the members to the Proposal for the Appropriation on page 86 and read the first two paragraphs. Mr. Shaw from the Department of Co-operatives and Friendly Societies queried whether the proposal was previously adopted during the Treasurer and Auditor’s Report. General Manager Wilson explained that the earlier presentation was to fulfill the Registrar’s communication that the 2018 Restatement be put before and accepted by the members and indicated that what was presently being done was the Proposal for 2019 calendar year.

Mr. Aiken continued to read the proposal in full which totalled \$10.6m broken down as: Additional amount to Statutory Reserve - \$2.0m, 20% Dividend on Permanent Shares - \$3.3m, Education Outreach - \$2.5m, Honoraria - \$2.8m. He advised the meeting that the Board of Directors approved distribution of \$56.8m as dividend on voluntary shares, and \$3.6m representing 2.5% rebate on loan interest paid for the year 2019.

The proposal was moved by Dervin Aiken and seconded by Ms. Rochelle Johnson. The motion was carried.

## **ELECTIONS**

### **NOMINATING COMMITTEE’S REPORT**

The Committee’s Chair Mrs. Celay Harwood-Gayle presented the Report, directing the meeting to pages 87 and 88 of the Annual Report. She told the meeting that in addition to herself, the Committee included Maxine Daley-Cousins (Member) and Claudine Purboo (Staff Liaison). Mrs. Harwood-Gayle said the Committee had engaged in a series of processes and due diligence to identify and then determine the suitability of members it recommends to the AGM for election. She highlighted the Committee’s recommendations as under:

#### **Board of Directors**

The Committee recommended Audley Deidrick, Dervin Aiken, Sheryll Hamilton and Robert Thelwell for 2 years. Serving to 2021 AGM are Celay Harwood-Gayle, Winston Ormsby and Samuel Manning.

#### **Credit Committee**

She told the meeting that Devon Howell resigned and was replaced by Gay Morgan. Retiring were Berthlyn Plummer and Carlington Miles. The Committee recommended Gay Morgan, Berthlyn Plummer and Carlington Miles for two years and Michelle Mais-Cadenhead for a period of one year. Mr. Orrette Staple’s term ends at the 2021 AGM.

#### **Supervisory Committee**

All members of this Committee were retiring as per the rules. Maria Chen, Nicola Reid, Margareth Antoine and Elaine Walters and Donovan Dobson were recommended.

Delegates to the League

All members were retiring. Celay Harwood-Gayle, Maxine Wilson were recommended to serve as Delegates to the League and Audley Deidrick and Winston Ormsby as Alternate Delegates.

Mrs. Harwood-Gayle expressed sincere thanks on behalf of the Committee to Anthony Young who has served the Credit Union for over 24 years in various positions including that of Treasurer, President, Assistant Treasurer and Director. She also expressed thanks to Strehon Sanderson who served on the Supervisory Committee and Devon Howell who served on the Credit Committee.

She referred the meeting to the profiles of new nominees on page 88 of the Annual Report and read the profile for Credit Committee prospect Gaye Morgan which was not included in the Report.

Election of Officers

Ms. Karen Lyttle from the Department of Co-operatives and Friendly Societies was invited to conduct the elections. She guided the members through the electoral process. There being no nominations from the floor. Ms. Lyttle declared the nominees as recommended by the Nominating Committee duly elected.

Delegates to the League

Ms. Lyttle invited members to move and second a motion to accept the Nominating Committee's recommendations. This motion was moved by Mrs. Berthlyn Plummer and seconded by Ms. Colinnette Wilson. The motion was carried.

ANY OTHER BUSINESS

There being no other business matter, the President handed over the meeting to General Manager Wilson for the non-business segment of the meeting.

Presentation of Scholarship Awards

The following Scholarship Awardees and/or their representatives were recognized, and presentations made:

**Henley Johnson Award:** Mrs. Georgette Williams Gabbidon

**Roy Morrison Award:** Ms. Tevianna Cadenhead

**Roy Morrison Award:** Ms. Dayna Dunn

**Roy Morrison Award:** Mr. Dane Davis

**W. A. Roberts Award:** Ms. Addison Morgan

**W. A. Roberts Award:** Ms. Alexia Reid

**W. A. Roberts Award:** Ms. Ajani McLeod

**Over 90% PEP Club Award:** Ms. Alexia Reid

**Over 90% PEP Club Award:** Mr. Ajanaua Walker

**Over 90% PEP Club Award:** Ms. Gersham Grant

**PEP Award:** Ms. Christaleigh Parchment

**PEP Award:** Mr. Nathan McLaughlin

**PEP Award:** Ms. Caveen Blagrove

Lifelong Honoree Award

Ms. Wilson introduced Mrs. Hazel Johnson who joined the meeting via Zoom and was presented with an Award for her lifelong contribution to the Credit Union. President Deidrick make a presentation to Mrs. Johnson's which was collected on her behalf by her children who were present at the meeting. Mrs. Johnson expressed thanks and appreciation and prayers for the continued success of the Credit Union.

Gifts and Presentations

Ms. Wilson acknowledged the persons and companies who provided gifts despite the pandemic and thanked them for their kindness. The drawing of prizes and presentations took place.



## **TERMINATION**

The President in closing thanked the General Manager and her staff for planning and executing a successful Annual General Meeting, the Board of Directors and members for their participation. The meeting was terminated at 4:36 p.m.

## **REPORT OF THE BOARD OF DIRECTORS FOR YEAR ENDED 2020 DECEMBER 31**

On behalf of the Board of Directors, I am pleased to present to you the Board of Directors' Report for the Year ended 2020 December 31. The onset of the COVID-19 pandemic has changed the world and generated significant instability and high volatility in global capital markets. The pandemic has also created opportunities for the credit union and by extension the Jamaican financial sector as we were forced to use innovative channels that were not considered a part of our strategic priority to serve our members.

The Bank of Jamaica has reported that it has provided JA\$76 billion (or about 4% of the country's GDP) liquidity support to the financial system through various initiatives. This included a special bond-buying programme and a reduction in the cash reserve requirements. The Bank's combined liquidity support in Jamaican and US dollars was substantial and unprecedented, equivalent to more than 11% of GDP. The pandemic has also adversely impacted employment in Jamaica. The labour market data released by STATIN in 2020 October indicated that approximately 12.6% of the labour force was unemployed at 2020 July.

Filene's Research Institute's recent report on "Credit Unions and the Coronavirus" identified four key focus areas as credit unions map out their mid and long-term plans. These are:

- Supporting members today
- Making members financial well-being the primary value proposition
- Innovating and evolving digital service delivery
- Improving operational efficiency while developing new revenue streams

The crisis has certainly returned financial well-being to the heart of member demand for financial services. As a credit union, we will continue to ensure that your needs are satisfied, properly packed, bundled and delivered to you in keeping with our mission. We will look beyond your transactional needs and seek to determine just how we can centre personal financial management and become your primary port of call throughout the different phases of each member's life. The pandemic has certainly reminded us of the need to re-focus and invest in business and personal resiliency.

### **Corporate Governance**

Your credit union continues to enhance its comprehensive corporate governance framework, and we firmly believe that strong governance is critical to our achieving sustainable value in a dynamic and ever-changing environment. We honour our responsibility to operate at the highest ethical standards, and ensure that the credit union remains relevant, and resilient; placing it in a strong position to withstand the challenges that lie ahead. We are committed to ensuring the continued strengthening of the organization's oversight with revised and enhanced policies and procedures, and other enhancements to ensure that the mandate entrusted upon us to provide direction and control of the credit union. We continue to provide direction to management with regards to the articulation of the vision of the credit union are met.

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

### **Board Skills and Experience**

Our Board is balanced with the requisite skills required to ensure direction and control in critical areas. Some of the skills and experience include (but is not limited to) financial literacy, human resource management, business/strategy leadership, corporate governance, administrative and business management, information technology, executive level experience and risk management.

### **Board Evaluation**

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

### **Human Resources**

Staff training and development continues to be an area of priority in our organization, as we seek to develop the credit union's human capital. Staff members were exposed to training sessions and seminars including training in the Proceeds of Crime Act (POCA) and Counter Terrorism Financing. Training was somewhat limited throughout the year due to the pandemic.

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

### **Financial Results**

The 2020 financial results are detailed in the Treasurer's and Auditors' Report elsewhere in this book. Given the major disruption caused by the pandemic our financial projections were not met; we are however pleased to be able to provide you with reasonable dividends of 2.5% on voluntary shares, and again, for the fourth year in succession, provide you with a rebate of 2% of the interest on loans paid in 2020. We also propose to the AGM, a 10% dividend payment on permanent shares and that \$12.3m of the undistributed surplus be transferred to statutory reserve, further increasing our Institutional Capital which presently stands at over 17%, the industry standard being  $\geq 8\%$ .

### **Thank You**

The Board of Directors express thanks to all the elected officers who have served us throughout the years. Your untiring efforts and unselfish service have certainly paved the way for us to be who we are today; and for that we are very grateful. To our members and other stakeholders who have been so supportive over the years; we thank you.

We have every confidence that together we will continue to be "the little light that shines in darkness" and to emerge better and stronger from the COVID-19 pandemic. We encourage you to observe the COVID-19 protocols and encourage others to do likewise. We wish for you and your families, our stakeholders and friends all the very best during these challenging times.

## BOARD MEETING ATTENDANCE 2020

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

## ON BEHALF OF THE BOARD OF DIRECTORS



**Audley Deidrick**  
**PRESIDENT**

**TREASURER'S REPORT**  
**FOR YEAR ENDED 2020 DECEMBER 31**

Fellow Members,

It is a great honour to have served you in the capacity of Treasurer during 2020. What a year it was! The COVID-19 pandemic which led to the closure of Jamaica's borders, the resulting unemployment and reduced work hours, and work-from-home orders, the advent of new COVID-19 strains, and the development of vaccines among many other challenges during the year served to remind us that it was not business as usual.

Since the emergence of COVID-19, navigating the shifts in the Jamaican economy has become even more difficult and challenging. The pandemic has disrupted the Jamaican economy, stymying economic growth and the fiscal progress which the country enjoyed in previous years; and has introduced a material amount of downside risks to the economy.

**The Macro-economy**

The Planning Institute of Jamaica has reported that the Jamaican economy declined by 10.7% during the period January to September 2020 when compared to the corresponding period in 2019. It reported further that the "service industry" declined by 11.4%, and the "goods producing" category by 6.0%.

For the first three quarters of 2020, both consumer and business confidence declined; they however inched up in the December quarter, with the consumer confidence index moving to 131.7 points up from 127.8 at the end of the third quarter; while business confidence grew to 128.3 points, moving from 109.2 points during the same period. While the onset of the COVID-19 pandemic led to the largest fall of the consumer confidence index in years, it pales in comparison to the CPI's record lows of 80 points in 2003 and just under 90 points in 2013. While COVID-related issues were considered a major factor, firms highlighted crime and violence as the number one problem that the country faces.

The Jamaican Dollar

During the year, there was a continuation of the 2-way movement in the exchange rate. As at 2020 October, the annual average rate of depreciation was 6.7%, which was above the average depreciation rate of 2.6% recorded in 2019. The year ended with the selling rate of US\$1.00 to \$142.97. Shortfalls in the market were met by BOJ B-FXITT sales of US\$242.3m since the onset of the pandemic in 2020 March. Financial analysts have forecasted that the Jamaican Dollar is likely to depreciate relative to the United States Dollar in 2021 as structural impediments which existed pre COVID-19 are likely to remain unresolved within the year.

Net International Reserves (NIR)

The Bank of Jamaica has reported that as at 2020 December 31, the country's NIR stood at US\$3.126b; which was able to support 53.95 weeks of goods import, and 38.81 weeks of goods and service imports.

Inflation

The Statistical Institute of Jamaica (STATIN) has reported that for the calendar year 2020, the inflation rate was 6.4%. The inflation rate for the fiscal period 2020 April-December was 5.1% and the point-to-point rate was 5.2%.

Outlook for the Jamaican Economy

The Bank of Jamaica has forecasted that inflation will continue to trend within the Bank's inflation target of 4.0% -6% over the next 2 years; and anticipates that consumer price increase will be in the region of 6.0%-7.0% in the first quarter of 2021, and 4.0% - 5.0% in the second quarter, noting also that there are some risks that inflation could breach the upper end of the target range during the first quarter.

The Bank further reported that despite the fallout in economic activity, the financial system has remained resilient throughout the pandemic; and that assessment of deposit-taking institutions' balance sheets indicate that they are more than adequately capitalised and were in compliance with prudent liquidity standards. It further states that loan quality for the system, while naturally showing a small deterioration, remains well below the threshold.

The Bank also projects that a partial rebound of about 3.0% growth will commence in the Financial Year 2021/22, and could be as high as 8.0% if there is a strong recovery in tourism; the Jamaican economy however is not expected to return to pre COVID-19 levels before at least Financial Year 2022/23.

The Planning Institute of Jamaica (PIOJ) has however published data and estimates showing that it will take until Financial Year 2023/24 for the economy to recover to pre-pandemic levels. It again revised downwards its GDP growth projection to a contraction between 10% and 12%, up from 8.0% to 10.0% for Financial Year 2020/21; the projections were based on Jamaica's fiscal year running from April 1 to March 31.

Two legislative initiatives were designed by the government to manage the crisis; these being a bill aimed at granting the central bank greater independence to maintain price stability through inflation targeting, and an initiative that would establish an independent fiscal commission, reporting to parliament, with the responsibility of monitoring compliance with fiscal rules under the government's fiscal responsibility framework.

**Jamaica's Credit Union Movement**

As at 2020 November 30, there were 25 credit unions operating in Jamaica, with Savings of \$104.92b, Loans \$90.91b and Asset of \$136.50b. The 2020 January-November growth in Savings, Loans and Assets were 9%, 2.8% and 9.16% respectively.

**Our Credit Union**

The financial performance of the credit union was severely affected by the onset of the COVI-19 pandemic which resulted in the closure of the 2 main international airports where the credit union is located. Lay-offs, furloughs, redundancies, reduced income, reduced workhours, curfews, and other attendant spin-offs all impacted negatively on the credit union's ability to operate as it used to.

Our financial performance is detailed later in this report, but given all the challenges we experienced in 2020, we are more than pleased to be able to provide reasonable returns on your investment in the credit union, as dividend of 2.5% will be paid on Voluntary Shares, and a proposal is being made for dividend payment of ten percent (10%) on Permanent Shares.



We are also pleased to be able to continue to reward our members who have invested in the credit union by taking loans as we will pay a patronage refund (interest rebate) of two percent (2%) of your annual loan interest paid.

Our commitment to you is to ensure that our credit union continues to be managed in the most frugal manner possible to ensure the best returns on investments, even during these difficult times. As a credit union we continue 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 2020 December 31.

### Capital

When the proposed 30% of undistributed surplus (\$15.7m) is applied; the Institution Capital is increased to \$374.67m or 17.2% of Assets.

### Assets

Assets increased by 6.3% (5.83% in 2019), moving from \$2,039.20m to \$2,168.82m. Increase in Voluntary Shares was the main contributor to the increase.

### Loans

Net Loans represents 58.01% (57.97% in 2019) of Assets. While \$455.93m was disbursed during the period, \$382.42m was actually repaid compared to repayment of \$543.98m in 2019. Gross Loans amounted to \$1,267.19m (\$1,193.32m in 2019). The Expected Credit Loss declined by \$1.83m moving from \$10.76m to \$8.93m.

### Income/Surplus

- The COVID-19 pandemic created and continues to create challenges globally, and as expected it negatively impacted our financial performance. Our main source of Income (Income from Loans) recorded a \$20.26m or 13.29% decline and ended the year at \$132.19m. Income from Loans represents 85% of Income, while Investments accounted for 15.29%.
- Non-interest Income decreased by 20.0% moving from \$10.17m to \$8.14m.
- Shares in the Credit Union League were valued, and the revaluation reserves increased by \$60.06m, and the amount

### Amount Available for Distribution

- The amount available for distribution is \$52,332,597; this compared to \$72,438,257 which was available in 2019. As the financial position as at 2020 December 31 reflected a negative surplus, there were no allocation to statutory reserve. Your Board is however proposing that 30% or \$15.3m of the amount available for distribution be transferred to Statutory Reserves.

**The Board has approved a dividend payment on Voluntary Shares of 2.5% or \$31.3m. In addition, it proposes a 2% rebate on loan interest paid in 2020 which amounts to \$2,720,000. A proposal is being put forward for a dividend payment of 10% on Voluntary Shares.**

### Expenses

- Total Operating Expense decreased by 12.90% (increase of 3.70% in 2019) moving from \$116.07m to \$102.10m
- Administrative Costs which accounted for the major decrease in expenses reflected a 20.23% or \$8.79m reduction moving from \$43.44m to \$34.65m.
- Staff Costs remained relatively flat, moving from \$58.15m to \$58.49m.

### Shares

- The Voluntary Shares portfolio continued its steady growth path during the year; and recorded an increase of 9.96% or \$114.96m; when compared to an increase of 9.1% or \$104.57m in 2019.

- The Permanent Shares portfolio recorded a 17.26% (2019:19.08%) increase and ended the year at \$23.67m (\$20.19m in 2019). Members continue to receive higher dividend payment on these shares.

#### Savings Deposits

The Savings Deposit portfolio decreased by 10.89% moving from \$200.74m to \$178.89m.

#### Our Focus

We expect 2021 to be no less challenging; the surge in COVID-19 cases locally and the advent of new variants are serious causes for concern. Questions such as whether the new vaccine will be effective against these new strains remain unanswered. We already know of the debilitating effects the pandemic has caused, and the expectations that Jamaica will face severe fiscal challenges. Of note is the fact that despite the fallout in economic activity the financial system has remained resilient.

To you our members, we are cognisant of the fact many of you have been negatively impacted by the advent of this pandemic. Together we stand with all those affected, and we assure you that we remain true to our Mission to maximise your wealth and enhance your wellbeing while developing lifelong relationships. Our credit union is adequately capitalised and remains resilient and focussed.

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 2021.



**Samuel Manning**  
**TREASURER**

## Palisadoes Co-op Credit Union Ltd

### Simplified Statement of Financial Position

#### Year ended 2020 December 31

<u>WE THE MEMBERS OWN</u>	2020	2019	% GROWTH/ REDUCTION
Statutory Reserves	338,696,405	336,641,505	0.06%
Retirement Benefit Reserve	18,151,000	18,205,000	0.00%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	23,671,788	20,186,960	17.20%
Permanent Share Transfer Fund	1,040,043	1,040,043	0.00%
General Reserves	105,286,838	45,225,462	132.80%
Undistributed Surplus	52,332,597	72,438,258	-27.75%
<b>Making the grand total owned by us as members</b>	<b>562,544,743</b>	<b>517,103,300</b>	<b>8.78%</b>
<u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,258,262,962	1,182,116,725	6.44%
To invest in others	759,855,799	711,480,920	6.79%
Cash in hand and at bank	54,850,048	51,918,249	5.65%
Advances to Others	30,273,928	27,087,473	11.76%
Retirement Benefit Asset	18,151,000	18,205,000	0.00%
To purchase Assets	47,424,709	48,395,591	-20%
Less amount we owe to others at year end	(1,606,273,703)	(1,522,100,658)	-6.59%
<b>Agreeing our net investment with our grand total owned</b>	<b>562,544,743</b>	<b>517,103,300</b>	<b>8.78%</b>
<u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	132,190,005	152,445,456	-13.29%
Interest on short-term investments and loans	15,055,549	35,622,066	-57.74%
Other Income	8,141,821	10,173,499	-19.97%
<b>Total Income earned</b>	<b>155,387,375</b>	<b>198,241,021</b>	<b>-21.62%</b>
<u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	8,728,326	12,671,660	-31.12%
Administration	93,377,756	103,400,231	-9.69%
Financial	5,130,884	7,753,454	-33.82%
Net movement/expected credit loss for IFRS	(2,214,924)	(577,280)	-483.68%
<b>Leaving Surplus before distribution of</b>	<b>50,365,333</b>	<b>74,992,956</b>	<b>-32.84%</b>
Less Dividend paid (2019 paid in 2020)	63,209,993	58,532,654	-7.99%
Less Honoraria paid (2019 paid in 2020)	2,800,000	2,800,000	0.00%
<b>Balance</b>	<b>(15,644,660)</b>	<b>13,660,302</b>	<b>214.52%</b>
Less: Transfer to Statutory Reserve	-	4,098,091	-100.00%
Less prior year adjustments and appropriation	(4,461,000)	20,500,000	-121.76%
To which we add previous Undistributed Surplus	72,438,257	83,376,046	-13.12%
<b>Resulting in a total undistributed surplus at this yearend of</b>	<b>52,332,597</b>	<b>72,438,257</b>	<b>-27.76%</b>



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

**CHARITIES AUTHORITY, JAMAICA**

**Ministry of Industry, Investment, and Commerce**

2 Musgrave Avenue, Kingston 10

Jamaica, W.I.

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

E-mail: [dcfs@cwjamaica.com](mailto:dcfs@cwjamaica.com)

Website: [www.dcfs.gov.jm](http://www.dcfs.gov.jm)

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

S1

R99-307/03/20

March 15, 2021

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, 2020.

The Annual General Meeting (AGM) must be convened under **Regulation 19, 21 and 25 a-f** of the Co-operative Societies (Amendment) Regulations, 2021. 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 (b)** of the Co-operative Societies Regulations should be forwarded to this office.

An AGM Protocol Documents developed by the Department should be used as a guide in preparing for the Meeting, along with the **Exceptions to Prohibition on Public Gathering Exceeding Specified Number of Persons** available to Societies under the Disaster Risk Management (Enforcement Measures) (No.3) Order, 2021.

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,

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

**HOPE GARDENS**

Hope Gardens, Kingston 6  
(876) 977-2277 / 927-1948  
Fax (876) 977-2698

**MANDEVILLE, MANCHESTER**

23 Caledonia Road  
(RADA Bldg.)  
(876) 615-9083

**MONTEGO BAY, ST. JAMES**

10 Delisser Drive  
(The Office of the Prime Minister)  
(876) 952-7913





**Palisadoes Co-operative Credit  
Union Limited**

**Palisadoes Co-operative Credit Union Limited**

# **FINANCIAL STATEMENTS 2020**



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## Independent auditor's report

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Palisadoes Co-operative Credit Union Limited (“the Credit Union”), which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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.

#### hlbjm.com

Partners: Sixto P. Coy, Karen A. Lewis

3 Haughton Avenue, Kingston 10, Jamaica W.I.      56 Market Street, Montego Bay, Jamaica W.I.  
 TEL: (876) 926-2020/2      TEL: (876) 926-9400      TEL: (876) 952-2891      EMAIL: info@hlbjm.com

HLB Mair Russell is an independent 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)

Key audit matters (cont'd)

#### Loan and allowances for credit losses on loans

As at December 31, 2020 loans after allowances for credit losses of \$8.9 Million amounted to \$1.2 billion or 60% 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 judgement 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.



## 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 9, 2021

  
Chartered Accountants

**Palisadoes Co-operative Credit Union Ltd**  
**Statement of financial position**  
December 31, 2020

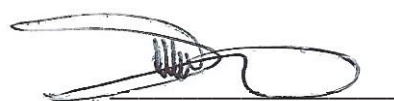
	Note	2020 \$	2019 \$
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Earning</b>			
Financial investments	(4)	292,072,644	133,664,261
Loans, after provision for expected credit losses	(5)	1,235,068,885	1,149,167,063
Automated Teller Machines	(6)	4,562,740	5,151,995
		<u>1,531,704,269</u>	<u>1,287,983,319</u>
<b>Non-Earning</b>			
Property, plant and equipment	(7)	42,861,969	43,243,596
Retirement benefit asset	(8)	18,151,000	18,205,000
		<u>61,012,969</u>	<u>61,448,596</u>
<b>Total non-current assets</b>		<u>1,592,717,238</u>	<u>1,349,431,915</u>
<b>Current assets</b>			
<b>Earning</b>			
Financial investments	(4)	417,783,155	399,621,755
Resale agreement	(9)	50,000,000	178,194,904
Loans, after provision for loan impairment	(5)	23,194,077	32,949,662
		<u>490,977,232</u>	<u>610,766,321</u>
<b>Non-earning</b>			
Bank and cash balances	(10)	54,850,048	51,918,249
Receivables	(11)	30,273,928	27,087,473
		<u>85,123,976</u>	<u>79,005,722</u>
<b>Total current assets</b>		<u>576,101,208</u>	<u>689,772,043</u>
<b>Total assets</b>		<u>2,168,818,446</u>	<u>2,039,203,958</u>

**Palisadoes Co-operative Credit Union Ltd**  
**Statement of financial position**  
**December 31, 2020**

	Note	2020 \$	2019 \$
<b>Capital and liabilities</b>			
<b>Capital</b>			
Permanent share capital	(12)	23,671,788	20,186,960
Institutional capital	(13)	338,696,405	336,641,505
Non-institutional capital	(14)	147,843,953	87,836,577
Undistributed surplus		52,332,597	72,438,257
<b>Total capital</b>		<b>562,544,743</b>	<b>517,103,299</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
<b>Interest bearing</b>			
Members' shares	(15)	1,368,971,080	1,254,012,678
External credit	(16)	29,095,283	28,866,786
		<b>1,398,066,363</b>	<b>1,282,879,464</b>
<b>Non-interest bearing</b>			
External credit	(16)	4,880,491	4,880,491
<b>Total non-current liabilities</b>		<b>1,402,946,854</b>	<b>1,287,759,955</b>
<b>Current liabilities</b>			
<b>Interest bearing</b>			
Savings deposits	(17)	178,891,328	200,737,193
<b>Non-interest bearing</b>			
Accounts payable and accruals	(18)	24,435,521	33,603,511
<b>Total current liabilities</b>		<b>203,326,849</b>	<b>234,340,704</b>
<b>Total liabilities</b>		<b>1,606,273,703</b>	<b>1,522,100,659</b>
<b>Total capital and liabilities</b>		<b>2,168,818,446</b>	<b>2,039,203,958</b>

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

Approved for issue by the Board of Directors on March 9, 2021 and signed on its behalf by:

  
 \_\_\_\_\_ ) President  
**Audley Deidrick**

  
 \_\_\_\_\_ ) Treasurer  
**Samuel Manning**

**Palisadoes Co-operative Credit Union Ltd**  
**Statement of income and expenditure and**  
**Other comprehensive income**  
Year ended December 31, 2020

	Note	2020 \$	2019 \$
<b>Interest income</b>			
Members' loans		132,190,005	152,445,456
Investments		23,749,057	31,941,778
Fair value (loss)/gain on investment		(8,693,508)	3,680,288
		<u>147,245,554</u>	<u>188,067,522</u>
<b>Interest expense and dividends</b>			
Interest on members' savings and deposits		3,757,289	6,204,637
Dividends		63,209,993	58,532,654
External credit		299,958	270,801
Bank charges and interest		1,073,637	1,278,016
		<u>68,340,877</u>	<u>66,286,108</u>
<b>Net interest income</b>		78,904,677	121,781,414
Net movement on loan impairment provision		2,214,924	532,280
<b>Net interest income after provision for losses</b>		<u>81,119,601</u>	<u>122,313,694</u>
<b>Non-interest income</b>			
Service fees		2,532,725	2,765,614
Money transfer service commission		13,607	18,784
Rental income		1,290,000	1,200,000
Foreign exchange gain		13,246	2,819
Other income		4,292,144	6,186,282
		<u>8,141,821</u>	<u>10,173,499</u>
<b>Gross margin</b>		89,261,422	132,487,193
Less: Operating expenses	(19)	(102,106,082)	(116,071,891)
<b>(Deficit)/surplus for the year before honorarium</b>		<u>(12,844,660)</u>	<u>16,415,302</u>
Honorarium		(2,800,000)	(2,800,000)
<b>Net (deficit)/surplus for the year</b>		<u>(15,644,660)</u>	<u>13,615,302</u>
<b>Other comprehensive income:</b>			
Actuarial (loss)/gain on defined benefit plan		(15,000)	4,564,000
Fair value gain on investments		60,061,376	-
<b>Other comprehensive income for the year</b>		<u>60,046,376</u>	<u>4,564,000</u>
<b>Total comprehensive income for the year</b>		<u>44,401,716</u>	<u>18,179,302</u>

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

**Palisadoes Co-operative Credit Union Ltd**  
**Statement of changes in equity**  
Year ended December 31, 2020

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
<b>Balance at December 31, 2019</b>	20,186,960	336,641,505	87,836,577	72,438,257	517,103,299
Deficit for the year	-	-	-	(15,644,660)	(15,644,660)
<b>Other comprehensive income</b>					
Fair value gain on investments	-	-	60,061,376	-	60,061,376
Actuarial loss on defined benefit asset	-	-	(15,000)	-	(15,000)
<b>Other comprehensive income</b>			60,046,376	-	60,046,376
<b>Total comprehensive income</b>			<b>60,046,376</b>	<b>(15,644,660)</b>	<b>44,401,716</b>
Additional statutory reserve	-	2,000,000	-	(2,000,000)	-
30% transfer of statutory reserve	-	-	-	-	-
Transfer of retirement benefit asset	-	-	(39,000)	39,000	-
Increase in general reserve	-	-	-	-	-
Entrance fee	-	54,900	-	-	54,900
Loan provision	-	-	-	-	-
Appropriation – education and outreach	-	-	-	(2,500,000)	(2,500,000)
Permanent shares	3,484,828	-	-	-	3,484,828
<b>Balance at December 31, 2020</b>	<b>23,671,788</b>	<b>338,696,405</b>	<b>147,843,953</b>	<b>52,332,597</b>	<b>562,544,743</b>

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



**Palisadoes Co-operative Credit Union Ltd**  
**Statement of changes in equity**  
Year ended December 31, 2020

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
<b>Balance at December 31, 2019</b>	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
<b>Other comprehensive income</b>	-	-	-	4,564,000	4,564,000
Actuarial loss on defined benefit asset	-	-	-	18,179,302	18,179,302
<b>Total comprehensive income</b>	-	-	-	4,564,000	4,564,000
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
<b>Balance at December 31, 2020</b>	<b>20,186,960</b>	<b>336,641,505</b>	<b>87,836,577</b>	<b>72,438,257</b>	<b>517,103,299</b>

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

**Palisadoes Co-operative Credit Union Ltd**  
**Statement of cash flows**  
**Year ended December 31, 2020**

	2020	2019
	\$	\$
<b>Cash flows from operating activities:</b>		
(Deficit)/surplus for the year	(15,644,660)	13,615,302
Adjustments for:		
Gain on retirement asset	39,000	45,000
Depreciation	4,801,064	6,544,101
<b>Net cash (used in)/provided by operating activities</b>	<b>(10,804,596)</b>	<b>20,204,403</b>
<b>Cash flows from investing activities:</b>		
Loans after provision for loan impairment	(76,146,237)	(53,558,299)
Financial investments	(176,569,783)	(63,456,633)
Resale agreement	128,194,904	21,105,546
Accounts receivables	(3,186,455)	(2,138,396)
Purchase of intangible asset	-	(1,077,702)
Purchase of property, plant and equipment	(3,830,181)	(1,854,470)
<b>Net cash used in investing activities</b>	<b>(131,537,752)</b>	<b>(100,979,954)</b>
<b>Cash flows from financing activities:</b>		
Issue of permanent shares	3,484,828	3,233,902
Members' shares	114,958,402	104,574,897
Savings deposits	(21,845,865)	(20,690,967)
External credit	228,497	192,534
Payables and accruals	(9,167,991)	9,511,199
Entrance fees	54,900	102,000
Appropriations	(2,500,000)	(2,500,000)
Investment revaluation reserve	60,061,376	551,247
Loan provision	-	(1,333,409)
<b>Net cash provided by financing activities</b>	<b>145,277,147</b>	<b>94,182,837</b>
<b>Net increase in bank and cash balances</b>	<b>2,931,799</b>	<b>13,407,286</b>
<b>Bank and cash balances at beginning of year</b>	<b>51,918,249</b>	<b>38,510,963</b>
<b>Bank and cash balances at end of year</b>	<b>54,850,048</b>	<b>51,918,249</b>

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

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

December 31, 2020

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#### 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. Summary of significant accounting policies

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\$).

##### a Basis of preparation

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

##### Changes in accounting policies

##### Standards, interpretations and amendments to published standards effective in the current year

Certain new standards, interpretations and amendments 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.

- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)**

**a Basis of preparation (cont'd)**

**Standards, interpretations and amendments to published standards effective in the current year (cont'd)**

These amendments do not have a significant impact on the Credit Union's financial statements and therefore the disclosures have not been made.

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

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

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

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018 – 2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The Credit Union is currently assessing the impact of future adoption of the new standards on its financial statements.

The adoption of the interpretation is not expected to have an impact on the Credit Union's financial statements.

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)****b Property, plant and equipment****i Carrying value**

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

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

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

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

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

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

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

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

**iii Repairs and renewals**

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



## **Palisadoes Co-operative Credit Union Ltd**

### **Notes to the financial statements**

Year ended December 31, 2020

#### **3. Summary of significant accounting policies (cont'd)**

##### **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.

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 3. Summary of significant accounting policies (cont'd)

##### g Financial instruments

###### Recognition and derecognition

Financial assets and financial liabilities are recognised when the company 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)
- fair value through other comprehensive income (FVOCI)

In the periods presented the company does not have any financial assets categorised as FVOCI.

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 company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)**

**g Financial instruments (cont'd)**

**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.

The category also contains equity investments. The company 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 at fair value through other comprehensive income (FVOCI)**

The Company accounts for financial assets at FVOCI if the assets meet both of the following conditions:

- they are held under a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets and
- 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.

Any gains or losses are recognised in other comprehensive income (OCI).

**Impairment of financial assets**

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

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead, the company 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

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 3. Summary of significant accounting policies (cont'd)

##### g Financial instruments (cont'd)

- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

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

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

Trade and other receivables and contract assets

The company makes use of a simplified approach in accounting for impairment of trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

##### Classification and measurement of financial liabilities

The company's financial liabilities include borrowings, trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### 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.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)**

**j League fees and stabilisation dues**

The Credit Union is required to pay league fees of 0.1% of total assets less retirement benefits and revaluation reserve and stabilisation dues of 0.1% 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



**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)****1 Pension obligations and short-term employee benefits (cont'd)**

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.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)**

**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.

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**3. Summary of significant accounting policies (cont'd)****r Critical accounting estimates and judgments in accounting policies (cont'd)**

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 the dates of the statement of financial position.

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.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**4. Financial investments**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
<b>Amortised cost</b>		
Proven Wealth	20,000,000	-
VM Wealth	260,000,000	50,000,000
JCCUL - CUETS Settlement Deposit	2,072,644	2,050,946
Money Masters Fund	10,000,000	-
Sterling Asset Management	-	81,613,315
<b>Total non-current</b>	<b>292,072,644</b>	<b>133,664,261</b>
<b>Current</b>		
<b>Amortised cost</b>		
Sterling Asset Management	84,298,951	-
CUMAX Fund	121,285,699	74,374,358
JMMB - Savings	2,633,608	186,696
JMMB - Fixed deposit	-	150,604,110
	<b>208,218,258</b>	<b>225,165,164</b>
<b>Fair value through other comprehensive income</b>		
Shares NUCS Co-operative Insurance Services	500,000	500,000
JCCUL shares unquoted	68,611,952	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
	<b>81,285,199</b>	<b>21,223,823</b>
<b>Fair value through profit or loss</b>		
Grace Kennedy	584,491	638,763
JMMB	9,622,416	12,912,179
Wisynco	2,226,972	3,101,098
Seprod	6,144,602	4,544,544
Elite Diagnostics	149,221	263,739
Stationery and Office Supplies	716,539	1,736,108
Sagicor	11,659,896	15,708,255
Jamaica Broilers	1,973,820	2,740,300
Proven Wealth	78,580,683	109,017,782
Sygnus	1,625,000	2,570,000
VM Wealth	14,895,478	-
Eppley	100,580	-
	<b>128,279,698</b>	<b>153,232,768</b>
<b>Total current</b>	<b>417,783,155</b>	<b>399,621,755</b>
<b>Total</b>	<b>709,855,799</b>	<b>533,286,016</b>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**5. Loans, after provision for expected credit losses****(a) Movement in loans during the year**

	2020	2019
	\$	\$
Balance at the beginning of the year	1,193,681,103	1,139,321,676
Add: Disbursement during the year	455,925,174	598,335,745
	<u>1,649,606,277</u>	<u>1,737,657,421</u>
Less: Repayment	(382,416,268)	(543,976,318)
	<u>1,267,190,009</u>	<u>1,193,681,103</u>
Less: Expected credit losses	(8,927,047)	(11,564,378)
	<u>1,258,262,962</u>	<u>1,182,116,725</u>
Less: Current portion	(23,194,077)	(32,949,662)
<b>Total non-current</b>	<u><u>1,235,068,885</u></u>	<u><u>1,149,167,063</u></u>

**(b) Expected credit losses**

	2020	2019
	\$	\$
Provision for impairment at beginning of year	11,564,378	10,763,250
(Reduction)/increase amounts provided for during the year	(2,214,924)	801,128
Loans written-off that were previously provided for	(422,407)	-
	<u>8,927,047</u>	<u>11,564,378</u>

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

	2020	2019
	\$	\$
Increase/(reduction) in loan loss provision during the year	(2,214,924)	801,128
Loan recovered that were previously provided for	-	(1,333,408)
<b>Credited to income and expenditure account during the year</b>	<u><u>(2,214,924)</u></u>	<u><u>(532,280)</u></u>

**(d) Delinquent loans**

During the year, loans totalling \$422,407, which have been delinquent for periods exceeding one (1) year were written off. In 2019, no loans to members 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.



**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**5. Loans, after provision for expected credit losses (cont'd)**

(d) Delinquent loans (cont'd)

At December 31, 2020, there were 47 (2019 – 46) delinquent loans totalling \$12,681,760 (2019 – \$6,299,207) aged two months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
	3	191,398	0	-
2 - 3	4	542,432	10	54,243
3 - 6	12	1,166,882	30	350,065
6 - 12	9	3,811,402	60	2,286,841
Over 12	19	6,969,645	100	6,969,645
	<b>47</b>	<b>12,691,759</b>		<b>9,660,794</b>

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.

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

	2020 \$	2019 \$
Within 3 months	3,933,281	11,171,174
From 3 months to 1 year	19,260,796	29,144,103
Over 1 year	1,235,068,885	1,151,801,448
<b>Total</b>	<b>1,258,262,962</b>	<b>1,182,116,725</b>

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

	2020 \$	2019 \$
Home equity	575,730,537	324,732,026
Motor vehicle	215,989,355	244,796,583
Loans within shares and savings	411,919,087	427,174,218
Unsecured loans	63,455,151	81,943,312
Others	95,879	103,470,586
<b>Total</b>	<b>1,267,190,009</b>	<b>1,193,681,103</b>

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**5. Loans, after provision for expected credit losses (cont'd)**

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

	2020	2019
	\$	\$
Neither past due nor impaired	1,255,241,995	1,185,944,600
Past due but not impaired	191,998	1,437,296
Impaired loans:		
2 to 3 months	542,432	164,889
3 to 6 months	1,166,882	645,845
6 to 12 months	3,811,403	432,686
Over 12 months	6,235,899	5,055,787
Less provision for loan losses	(8,927,047)	(11,564,378)
<b>Total</b>	<b>1,258,262,962</b>	<b>1,182,116,725</b>

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

	2020	2019
	\$	\$
Balance at January 1	11,564,378	10,763,250
Loans written-off previously provided for	(422,407)	-
Increase/reduction amounts provided for during the year	(2,214,924)	801,128
<b>Provision for impairment at end of year-IFRS9</b>	<b>8,927,047</b>	<b>11,564,378</b>

**Palisadoes Co-operative Credit Union Ltd**  
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Year ended December 31, 2020

**6. Automated teller machines**

The carrying amounts are reconciled as follows:

	Automated Teller Machines \$	Total \$
<b>Gross carrying amount</b>		
Balance at December 31, 2019	12,337,677	12,337,677
Addition	-	-
<b>Balance at December 31, 2020</b>	<b>12,337,677</b>	<b>12,337,677</b>
<b>Depreciation</b>		
Balance at December 31, 2019	(7,185,682)	(7,185,682)
Depreciation	(589,255)	(589,255)
<b>Balance at December 31, 2020</b>	<b>(7,774,937)</b>	<b>(7,774,937)</b>
<b>Carrying amount at December 31, 2020</b>	<b>4,562,740</b>	<b>4,562,740</b>
<hr/>		
	Automated Teller Machines \$	Total \$
<b>Gross carrying amount</b>		
Balance at December 31, 2018	11,259,976	11,259,976
Addition	1,077,701	1,077,701
<b>Balance at December 31, 2019</b>	<b>12,337,677</b>	<b>12,337,677</b>
<b>Depreciation</b>		
Balance at December 31, 2018	(6,612,397)	(6,612,397)
Depreciation	(573,285)	(573,285)
<b>Balance at December 31, 2019</b>	<b>(7,185,682)</b>	<b>(7,185,682)</b>
<b>Carrying amount at December 31, 2019</b>	<b>5,151,995</b>	<b>5,151,995</b>

**Palisadoes Co-operative Credit Union Ltd**  
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**7. Property, plant and equipment**

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2020 can be analysed as follows:

	Land \$	Leasehold Improvement \$	Office			Total \$
			Furniture & Equipment \$	Computer \$	Software \$	
<b>Gross carrying amount</b>						
Balance at December 31, 2019	33,605,925	10,658,278	14,360,981	18,630,020	21,259,520	98,514,724
Additions	-	179,853	611,066	293,336	2,745,926	3,830,181
<b>Balance at December 31, 2020</b>	<b>33,605,925</b>	<b>10,838,131</b>	<b>14,972,047</b>	<b>18,923,356</b>	<b>24,005,446</b>	<b>102,344,905</b>
<b>Depreciation</b>						
Balance at December 31, 2019	-	(10,025,574)	(11,566,782)	(18,370,261)	(15,308,511)	(55,271,128)
Depreciation	-	(222,946)	(745,081)	(110,019)	(3,133,762)	(4,211,808)
<b>Balance at December 31, 2020</b>	<b>-</b>	<b>(10,248,520)</b>	<b>(12,311,863)</b>	<b>(18,480,280)</b>	<b>(18,442,273)</b>	<b>(59,482,936)</b>
<b>Carrying amount at December 31, 2020</b>	<b>33,605,925</b>	<b>589,611</b>	<b>2,660,184</b>	<b>443,076</b>	<b>5,563,173</b>	<b>42,861,969</b>

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**7. Property, plant and equipment (cont'd)**

	Land	Leasehold Improvement	Office Furniture & Equipment	Computer	Software	Total
	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>						
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
<b>Balance at December 31, 2019</b>	<b>33,605,925</b>	<b>10,658,278</b>	<b>14,360,981</b>	<b>18,630,020</b>	<b>21,259,520</b>	<b>98,514,724</b>
<b>Depreciation</b>						
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)
<b>Balance at December 31, 2019</b>	<b>-</b>	<b>(10,025,574)</b>	<b>(11,566,782)</b>	<b>(18,370,261)</b>	<b>(15,308,511)</b>	<b>(55,271,128)</b>
<b>Carrying amount at December 31, 2019</b>	<b>33,605,925</b>	<b>632,704</b>	<b>2,794,199</b>	<b>259,759</b>	<b>5,951,009</b>	<b>43,243,596</b>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**8. 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,**

	2020	2019
	\$	\$
Present value of funded obligation	77,218,000	69,089,000
Fair value of plan assets	(95,369,000)	(87,294,000)
<b>Asset recognised in the statement of financial position</b>	<b>(18,151,000)</b>	<b>(18,205,000)</b>

**Expense recognised in the revenue and expenditure statement**

	2020	2019
	\$	\$
Current service cost	2,507,000	2,408,000
Interest cost	5,235,000	4,459,000
Return on plan assets	(6,039,000)	(4,955,000)
<b>Net pension credit included in staff costs</b>	<b>(1,703,000)</b>	<b>1,912</b>

**Changes in the present value of the pension obligation**

	2020	2019
	\$	\$
Present value of obligation at beginning of year	69,089,000	62,920,000
Current service cost and contributions	4,555,000	4,332,000
Interest cost	5,235,000	4,459,000
Benefits paid	(616,000)	(359,000)
Actuarial (gain)/loss	(1,045,000)	(2,264,000)
<b>Changes in the present value of obligation at end of year</b>	<b>77,218,000</b>	<b>69,089,000</b>

**Changes in the fair value of plan assets**

	2020	2019
	\$	\$
Fair value of plan assets	87,294,000	76,608,000
Contributions	3,712,000	3,792,000
Return on plan assets	6,039,000	4,955,000
Benefits paid	(616,000)	(359,000)
Actuarial loss on plan assets	(1,060,000)	2,300,000
<b>Changes in the fair value of plan assets at end of year</b>	<b>95,369,000</b>	<b>87,294,000</b>



**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**8. Retirement benefit asset (cont'd)**

**Movements in net liability/(asset)**

	2020	2019
	\$	\$
Opening net asset	(18,205,000)	(13,686,000)
Pension income	1,703,000	1,913,000
Total re-measurements included in other comprehensive income	15,000	(4,564,000)
Employer's contributions	(1,664,000)	(1,868,000)
<b>Closing net asset</b>	<b>(18,151,000)</b>	<b>(18,205,000)</b>

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

	2020		2019	
	\$	%	\$	%
J\$ debentures	29,840,000	31.29	29,130,000	33.37
US\$ Certificates of deposit	2,749,000	2.88	2,497,000	2.86
Repurchase Agreements	1,973,000	2.07	3,794,000	4.35
US\$ debentures	15,076,000	15.81	4,104,000	4.70
Quoted equities	19,410,000	20.35	21,198,000	24.20
Investment properties	23,132,000	24.26	19,442,000	22.27
Real estate fund	1,040,000	1.09	913,000	1.05
Local registered stocks	-	-	7,691,000	8.81
Unit trust	4,025,000	4.22	2,700,000	3.09
Net current assets	(1,876,000)	(1.97)	(4,175,000)	(4.78)
	<b>95,369,000</b>	<b>100</b>	<b>87,294,000</b>	<b>100</b>

**Principal actuarial assumptions**

	2020	2019
	%	%
Discount rate	9.5	7.5
Future salaries increase	6.5	5.0
Pension increases	4.5	3.0

**9. Resale agreement**

	Fair Value 2020	Fair Value 2019
	\$	\$
NCB Capital Markets Limited	50,000,000	178,194,904

**10. Bank and cash balances**

	2020	2019
	\$	\$
Cash in hand	15,134,774	30,961,741
Current accounts	39,715,274	20,956,508
<b>Total</b>	<b>54,850,048</b>	<b>51,918,249</b>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**11. Receivables**

	2020	2019
	\$	\$
Loan interest receivable	2,408,446	7,173,851
Interest receivable	17,708,956	12,309,382
Prepaid expense	1,936,148	230,000
Payroll receivable	965,510	1,334,909
Withholding tax	1,559,611	1,559,611
Other receivables	4,896,169	3,576,736
Inventory	799,088	902,984
<b>Total</b>	<b>30,273,928</b>	<b>27,087,473</b>

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

**12. Permanent share capital**

	2020	2019
	\$	\$
Balance at beginning of the year	20,186,960	16,953,058
Allocation of shares	3,484,828	3,233,902
<b>Balance at end of year</b>	<b>23,671,788</b>	<b>20,186,960</b>

**13. Institutional capital**

	2020	2019
	\$	\$
Statutory reserve as at January 1	302,165,771	297,965,680
Add 30% of net income	-	4,098,091
Additional amount transferred to statutory reserve	2,000,000	-
Add: Entrance Fees	54,900	102,000
	<b>304,220,671</b>	<b>302,165,771</b>
Business combination reserve	34,475,734	34,475,734
<b>Total</b>	<b>338,696,405</b>	<b>336,641,505</b>

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.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**14. Non-Institutional capital**

	2020	2019
	\$	\$
Retirement benefit asset reserve (Note i)	18,151,000	18,205,000
General reserve (Note ii)	35,937,398	35,937,398
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)	60,963,579	902,203
<b>Total</b>	<b>147,843,953</b>	<b>87,836,577</b>

- (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 equity investment.

**15. Members' shares**

	2020	2019
	\$	\$
Balance at beginning of year	1,254,012,678	1,149,437,781
Add: Amount subscribed and dividends	489,033,387	524,797,703
	<b>1,743,046,065</b>	<b>1,674,235,484</b>
Less: Withdrawals and transfer	(374,074,985)	(420,222,806)
<b>Balance at end of year</b>	<b>1,368,971,080</b>	<b>1,254,012,678</b>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**16. External credit**

	2020	2019
	\$	\$
<b>Interest bearing:</b>		
(i) Carib Cement	13,369,815	13,267,245
(ii) Rubis Energy	5,361,865	5,320,730
(iii) IGL	3,536,044	3,503,631
(iv) Airport Authority of Jamaica	6,827,559	6,775,180
<b>Total</b>	<b>29,095,283</b>	<b>28,866,786</b>
<b>Non-interest bearing:</b>		
(i) Airport Authority of Jamaica	2,413,058	2,413,058
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
<b>Total</b>	<b>4,880,491</b>	<b>4,880,491</b>

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

**17. Savings deposits**

	2020	2019
	\$	\$
Other deposits	35,061,664	40,682,797
Regular deposits	54,268,931	54,551,634
Members fixed deposits	89,560,733	105,502,762
<b>Total</b>	<b>178,891,328</b>	<b>200,737,193</b>

**18. Accounts payables**

	2020	2019
	\$	\$
Employee benefit payable	378,145	4,731,556
Audit and accounting fee	1,289,244	1,462,986
Education and outreach	2,801,842	1,675,491
Trade payable	542,646	3,492,781
Accrued expenses	-	530,933
Accrued interest	150,736	659,064
Withholding tax	124,923	127,064
LS & LP payable	240,000	296,595
Compliance fund	-	326,407
Other payable	18,907,785	20,300,634
<b>Total</b>	<b>24,435,321</b>	<b>33,603,511</b>

**Palisadoes Co-operative Credit Union Ltd**  
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Year ended December 31, 2020

**19. Operating expenses**

	2020	2019
	\$	\$
<b>Staff costs</b>		
Employees salaries and allowances	52,373,427	53,506,237
Employee benefits	5,223,095	3,513,381
Employee welfare and training	245,268	289,850
Employee travel and related expenses	649,884	842,529
	<u>58,491,674</u>	<u>58,151,996</u>
<b>Administrative</b>		
Office rental	7,529,566	7,970,066
Audit fees	2,500,000	2,500,000
Depreciation	4,801,064	6,544,100
Legal fees and professional fees	820,825	1,854,250
Administrative expenses and subscription	7,316,268	10,713,571
Utilities	2,089,858	2,061,041
Telecommunication	2,456,038	3,066,601
Insurance premiums	3,680,107	4,182,930
Printing, stationery and supplies	2,918,146	3,397,819
Repairs and maintenance	537,513	1,147,459
<b>Total administrative expenses</b>	<u>34,649,385</u>	<u>43,437,837</u>
<b>Representation and affiliation</b>		
League fees and other fees	3,995,266	3,829,576
Stabilization dues	1,454,750	2,055,487
Seminars and meetings	-	1,042,933
Board and committee meetings	1,805,378	3,908,676
League AGM	1,472,932	1,834,989
<b>Total representation and affiliation expenses</b>	<u>8,728,326</u>	<u>12,671,661</u>
<b>Marketing and promotion</b>		
Promotion and advertising	236,697	1,810,397
<b>Total marketing and promotion expenses</b>	<u>236,697</u>	<u>1,810,397</u>
<b>Total operating expenses</b>	<u>102,106,082</u>	<u>116,071,891</u>

**20. Leases**

Lease payment not recognised as a liability.

The Credit Union leases its offices. One lease agreement expired prior to December 31, 2020 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:

	2020
	\$
Lease of 2 offices	7,529,566
<b>Total</b>	<u>7,529,566</u>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**21. Volunteers' balances**

At December 31, 2020, 7 (2019 - 7) members of the Society's Board of Directors and 10 (2019 - 10) Committee Members had savings and deposits of \$47,198,707 (2019 - \$ 39,368,019) and loans including interest totalling \$68,446,078 (2019 - \$ 69,594,807).

Loans including interest due from members of staff totalled \$31,690,775 (2019 - \$46,372,564). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2020, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

**22. Comparison of ledger balances**

	Shares \$	Deposits \$	Loan \$
General ledgers	1,368,971,080	178,891,328	1,267,190,009
Personal ledgers	1,368,971,080	178,891,328	1,267,190,009
<b>Ledger difference</b>	<b>-</b>	<b>-</b>	<b>-</b>

**23. Employee benefits**

	2020 \$	2019 \$
Salaries and allowances	52,373,427	53,461,237
Other personnel cost	5,872,979	4,355,909
Staff training and welfare	245,268	289,849
<b>Total</b>	<b>58,491,674</b>	<b>58,106,996</b>



**Palisadoes Co-operative Credit Union Ltd**  
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**24. 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:

	2020	2019
	\$	\$
<b>Financial assets at amortised cost</b>		
Resale Agreements	50,000,000	178,194,904
Financial investments	500,290,902	358,829,425
	<u>550,290,902</u>	<u>537,024,329</u>
<b>Fair value through profit or loss</b>		
Quoted shares	<u>128,279,698</u>	<u>153,232,767</u>
<b>Fair value through other comprehensive income</b>		
Unquoted shares	<u>81,285,199</u>	<u>21,223,823</u>
<b>Financial assets at amortised cost</b>		
Members' loans	1,258,262,962	1,182,116,725
Accounts receivables	30,273,928	27,087,473
Cash and cash equivalents	54,850,048	51,918,249
	<u>1,343,386,938</u>	<u>1,261,122,447</u>
<b>Total financial assets</b>	<u>2,103,242,737</u>	<u>1,972,603,366</u>
<b>Liabilities</b>		
Financial liabilities measured at amortised cost		
Members shares	1,368,971,080	1,254,012,678
Savings deposits	178,891,328	200,737,193
Trade and other payables	24,435,521	33,603,511
External credit	33,975,774	33,747,276
<b>Total financial liabilities</b>	<u>1,606,273,703</u>	<u>1,522,100,658</u>

**25. 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:

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**25. Risk management policies (cont'd)**

## (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.

**Palisadoes Co-operative Credit Union Ltd**  
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**25. Risk management policies (cont'd)**

**a Market risk**

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

**i Currency risk and Sensitivity**

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

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

**ii Interest rate risk**

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

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

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

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
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**25. Risk management policies (cont'd)**

**a Market risk (cont'd)**

(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.

**2020**

	Average Interest rate %	Within three months \$	Three to Twelve months \$	One to five years \$	Non-Rate sensitive \$	Total \$
Resale agreement investment	6	50,000,000	-	-	-	50,000,000
Financial investments	2.5	417,783,155	-	292,072,644	-	709,855,799
Loan	10.0	3,933,281	19,260,796	1,235,068,885	-	1,258,262,962
Account receivables		-	-	-	30,273,928	30,273,928
Bank balances		-	-	-	54,850,048	54,850,048
<b>Total assets</b>		<b>471,716,436</b>	<b>19,260,796</b>	<b>1,527,141,529</b>	<b>85,123,976</b>	<b>2,103,242,737</b>
Savings deposits	1.5	89,330,595	89,560,733	-	-	178,891,328
Non-interest bearing liabilities		-	-	-	4,880,491	4,880,491
Interest bearing liabilities	1.0	-	-	29,095,283	-	29,095,283
Accounts payable		-	-	-	24,435,521	24,435,521
Members shares		-	-	-	1,368,971,080	1,368,971,080
<b>Total liabilities</b>		<b>89,330,595</b>	<b>89,560,733</b>	<b>29,095,283</b>	<b>1,398,287,092</b>	<b>1,606,273,703</b>

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**25. Risk management policies (cont'd)**

a Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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
<b>Total assets</b>		<b>578,987,833</b>	<b>29,144,103</b>	<b>1,285,465,709</b>	<b>79,005,722</b>	<b>1,972,603,367</b>
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
<b>Total liabilities</b>		<b>95,234,431</b>	<b>105,502,762</b>	<b>28,866,786</b>	<b>1,292,712,738</b>	<b>1,522,336,717</b>

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**25. Risk management policies (cont'd)****(ii) Interest rate risk (cont'd)**

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 2020	Effect on Net Surplus 2020 \$'000	Change in basis points 2019	Effect on Net Surplus 2019 \$'000
<b>J\$ instruments</b>		<b>J\$ instruments</b>	
+100	(4,969)	+100	(4,502)
-100	(4,969)	-100	4,502

**(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%
<b>December 31, 2020</b>	74,545	(74,545)	74,545	(74,545)
<b>December 31, 2019</b>	211,311	(211,311)	211,311	(211,311)



**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**25. Risk management policies (cont'd)**

**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.

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 25. Risk management policies (cont'd)

##### b Credit risk (cont'd)

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, 2020 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.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**25. Risk management policies (cont'd)**

**b Credit risk (cont'd)**

On the above basis the expected credit loss for loan members receivables as at December 31, 2020 and January 1, 2020 was determined as follows:

Expected credit loss summarise by stage

<b>December 31, 2020</b>			
Loan stage	Total loan balance \$	Expected credit loss \$	Expected credit loss rate %
Stage 1	1,220,372,927	3,251,141	0.27
Stage 2	10,532,973	682,140	6.48
Stage 3	36,284,109	4,993,766	13.76
<b>Total</b>	<b>1,267,190,009</b>	<b>8,927,047</b>	

Expected credit loss summarise by stage

<b>December 31, 2019</b>			
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
<b>Total</b>	<b>1,193,681,103</b>	<b>11,564,378</b>	

**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.

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**25. Risk management policies (cont'd)****b Credit risk (cont'd)**

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

	2020	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,267,190,009	8,927,047
	2019	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,193,681,103	11,564,378

**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**

	2020 \$'000	2019 \$'000
Provision for impairment at beginning of year	11,564,378	10,763,249
(Reduction)/increase in amounts provided for during the year	(2,214,924)	801,128
Loans written-off previously provided for	(422,409)	-
Provision for impairment at end of year	<u>8,927,047</u>	<u>11,564,378</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 2020, there were no renegotiated loans.

**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**25. Risk management policies (cont'd)**

**b Credit risk (cont'd)**

(iii) Loans

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

	2020	2019
	\$	\$
Real estate residential	423,339,693	292,150,874
Home improvement	46,305,537	32,581,152
Education	24,357,845	19,463,151
Business investment	88,899,364	82,106,367
Transport purchase	215,989,355	255,500,960
Line of credit	40,727,531	34,807,090
Bills	234,810,909	254,825,297
Personal and others	192,759,775	222,246,212
	<b>1,267,190,009</b>	<b>1,193,681,103</b>
Less: Allowances for loan losses	(8,927,047)	(11,564,378)
<b>Total</b>	<b>1,258,262,962</b>	<b>1,182,116,725</b>

(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:

	2020	2019
	\$	\$
Real estate	-	-
Motor vehicle	-	1,900,000
<b>Total</b>	<b>-</b>	<b>1,900,000</b>

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

	2020	2019
	\$	\$
Real estate	-	-
Motor vehicle	-	3,182,748
<b>Total</b>	<b>-</b>	<b>3,182,748</b>

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.

**Palisadoes Co-operative Credit Union Ltd****Notes to the financial statements**

Year ended December 31, 2020

**25. Risk management policies (cont'd)****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.



**Palisadoes Co-operative Credit Union Ltd**  
**Notes to the financial statements**  
Year ended December 31, 2020

**25. Risk management policies (cont'd)**  
**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.

	2020					Total
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$	
<b>Interest bearing liabilities</b>						
Member shares	-	-	-	1,368,971,080	1,368,971,080	
Savings deposits	90,670,554	90,904,144	-	-	181,574,698	
External credit	-	-	29,386,235	4,880,491	33,266,727	
Non-interest bearing liabilities	-	-	-	24,435,521	24,435,521	
<b>Total liabilities</b>	<b>90,670,554</b>	<b>90,904,144</b>	<b>29,386,235</b>	<b>1,398,287,092</b>	<b>1,609,248,026</b>	
	2019					Total
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$	
<b>Interest bearing liabilities</b>						
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	
<b>Total liabilities</b>	<b>95,244,797</b>	<b>105,414,192</b>	<b>28,866,786</b>	<b>1,292,730,942</b>	<b>1,488,635,002</b>	

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.

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 25. Risk management policies (cont'd)

##### 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.

#### 26. 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.

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 26. Financial instruments measured at fair value (cont'd)

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, 2020				
Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Quoted shares (Note a)	128,279,698	-	-	128,279,698
Fixed deposits and other deposits (Note c)	-	631,576,101	-	631,576,101
<b>Total</b>	<b>128,279,698</b>	<b>631,576,101</b>	<b>-</b>	<b>759,855,799</b>
Net fair value				
December 31, 2019				
Assets	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Unquoted shares (Note b)	153,232,767	-	-	153,232,767
Fixed deposits and other deposits (Note c)	-	558,248,153	-	558,248,153
<b>Total</b>	<b>153,232,767</b>	<b>558,248,153</b>	<b>-</b>	<b>711,480,920</b>
Net fair value	<b>15,323,767</b>	<b>558,241,153</b>	<b>-</b>	<b>711,480,920</b>

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.

## Palisadoes Co-operative Credit Union Ltd

### Notes to the financial statements

Year ended December 31, 2020

#### 27. 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
<b>Total</b>	<b>25,753,537</b>

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, 2020 and 2019.

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

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

Effective June 1, 2019, 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.

**Palisadoes Co-operative Credit Union Ltd**

**Notes to the financial statements**

Year ended December 31, 2020

**29. COVID-19 Effect**

On March 11, 2020 the World Health Organization (WHO) declared a new Coronavirus disease (COVID-19) pandemic. As a result, global economies began to experience significant volatility. Government have taken extensive measures to contain the spread of the virus including imposing travel restrictions, quarantines, social distancing, and closures of non-essential services. These measures have caused significant operational disruption for many businesses and global economies and stock markets have also experienced great volatility.

Management has instituted procedures and policies to minimise losses and safeguard the health of its staff. However, the COVID-19 pandemic remains uncertain and as such management continues to assess and adjust its policies accordingly. An internal committee was established, and frequent meeting held to ensure that protocols developed are adhered to. The credit union continues to provide timely information/updates to its members, staff and other stakeholders.

## Palisadoes Co-operative Credit Union Ltd

### Report of the Credit Committee For year ended 2020 December 31

The committee comprised the following:

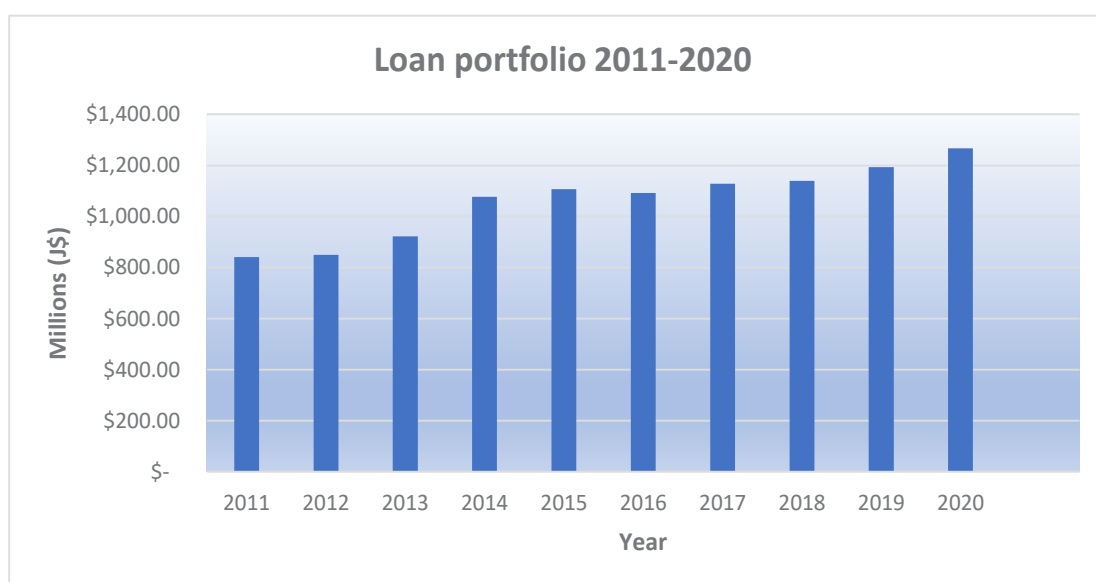
- ❖ Carlington Miles - Chair
- ❖ Michelle Mais-Cadenhead - Secretary
- ❖ Orrette Staple
- ❖ Berthlyn Plummer
- ❖ Gay Morgan

The committee met on thirty-five (35) occasions; in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

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

For the year being reported on, there was a reduction in both the number of loans processed and the value of these loans. Loans approved for the period amounted to 3,210 when compared to 4,622 in 2019. The value of these loans amounted to \$455.93m (\$598.34m in 2019), which resulted in a negative variance of \$142.41m or 31.24%. It should be noted that while there was a significant decrease in the value of loans disbursed in 2020, the loan portfolio grew by \$73.51m or 5.8% when compared to 2019, moving from \$1.193b to \$1.267b.

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

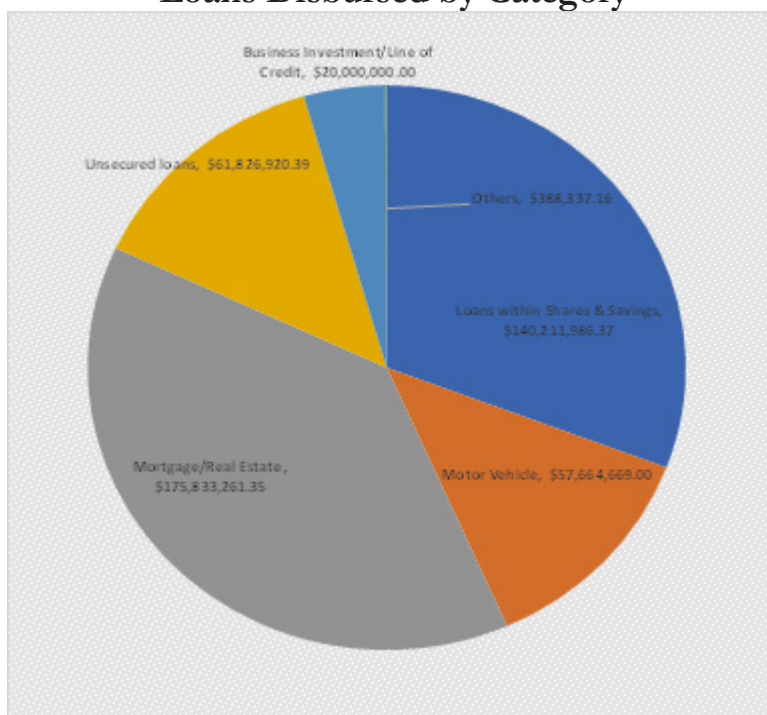




**Palisadoes Co-operative Credit Union Ltd**  
**Report of the Credit Committee**  
**For year ended 2020 December 31 Cont'd**

COMPARITIVE ANALYSIS OF LOANS DISBURSED BY CATEGORY 2020 VS 2019						
Loan type	Amount	Amount	Variance	%change	% Allocation	% Allocation
	2020	2019			2020	2019
Loans within shares and savings	\$ 140,211,986.37	\$ 218,277,344.41	-\$ 78,065,358.04	-55.68%	30.75%	36.48%
Motor vehicle	\$ 57,664,669.00	\$ 127,096,893.78	-\$ 69,432,224.78	-120.41%	12.65%	21.24%
Mortgage/real estate	\$ 175,833,261.35	\$ 115,434,735.29	\$ 60,398,526.06	34.35%	38.57%	19.29%
Unsecured loans	\$ 61,826,920.39	\$ 106,696,553.80	-\$ 44,869,633.41	-72.57%	13.56%	17.83%
Business/Line of credit	\$ 20,000,000.00	\$ 27,292,427.00	-\$ 7,292,427.00	-36.46%	4.39%	4.56%
Others	\$ 388,337.16	\$ 3,537,791.20	-\$ 3,149,454.04	-811.01%	0.09%	0.59%
<b>Total Loans disbursed</b>	<b>\$ 455,925,174.27</b>	<b>\$ 598,335,745.48</b>	<b>-\$ 142,410,571.21</b>	<b>-31.24%</b>	<b>100%</b>	<b>100%</b>
<b>Number of Loans</b>	<b>3210</b>	<b>4622</b>	<b>-1412</b>	<b>-43.99%</b>		

**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 decreased by \$78.07m or 55.68% when compared to 2019. The value of disbursements for the period amounted to \$140.21m.

**Palisadoes Co-operative Credit Union Ltd**  
**Report of the Credit Committee**  
**For year ended 2020 December 31 Cont'd**

Motor Vehicle Loans

Loans to the value of \$57.66m was disbursed during the year. This reflected a \$69.43m or 120.41% decrease over the previous year's figures.

Unsecured Loans

There was a decrease of \$44.87m in the value of unsecured loans disbursed when compared to 2019. Unsecured Loans represents 13.56% of loans disbursed for the year.

Real Estate

The committee is pleased with the performance in this category. Loans disbursed amounted to \$175.83m, an increase of \$60.40m or 34.35% when compared to the \$115.43m in 2019.

Business Investments/Lines of Credit

Disbursement during the year amounted to \$20m; and the portfolio decreased by \$7.30m or 36.46%.

**Attendance Record of Credit Committee Meetings 2020**

<b>Name</b>	<b>Scheduled Meetings</b>	<b>Attended</b>	<b>Excused</b>
Berthlyn Plummer	22	20	2
Carlington Miles	18	15	3
Orrette Staple	21	20	1
Devon Howell*	11	8	3
Michelle Mais-Cadenhead	7	7	-
Gay Morgan	6	6	-

*\* Mr. Howell resigned in 2020 May due to personal reasons.*

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

Our sincere appreciation and thanks to you the members for the confidence placed in us, the Board of Directors, Supervisory Committee and the Management and Staff for their support during 2020. We wish the Credit Union continued success.

Co-operatively Yours



Carlington Miles  
Chairman

## Palisadoes Co-operative Credit Union Ltd

**Report of the Supervisory Committee  
For year ended 2020 December 31**

The members of the committee are:

Maria Chen	-	Chair
Nicola Reid	-	Secretary
Maria Chen	-	Member
Margareth Antoine	-	Member
Elaine Walters	-	Member

The Supervisory Committee is pleased to report on the operations of the Palisadoes Co-operative Credit Union Ltd (PCCUL) for the calendar year 2020. The year proved to be a fairly good one despite the challenging economic times faced by the credit union and its members. During the period, the Committee met on seven (7) occasions as it sought to perform its duties with independence and reasonable care. The attendance record is set out in the table below:

**ATTENDANCE RECORD:**

<b>Members</b>	<b>Possible Meetings</b>	<b>Attended Meetings</b>	<b>Excused Absence</b>
Maria Chen	7	7	-
Nicola Reid	7	7	-
Donnovan Dobson	4	4	-
Margareth Antoine	7	7	-
Elaine Walters	7	5	2

**COMMITTEE'S MANDATE:**

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

- Evaluation of the adequacy of policy, procedures and internal controls;
- Evaluation of performance against these said policies, procedures and internal controls;
- Verifying that the Credit Union, at least meets the minimum Regulatory Requirements, and
- Safeguarding of credit union's assets.

**MAJOR AREAS OF FOCUS**

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

**Palisadoes Co-operative Credit Union Ltd**  
**Report of the Supervisory Committee**  
**For year ended 2020 December 31 Cont'd**

3. **Payroll Statutory, Minimum Business Tax & Property Tax:** Payroll monthly returns were examined for computational and arithmetical accuracy and compliance with filing deadlines and found to be generally satisfactory and compliant. Both the Minimum Business and Property Taxes were paid within the period legally stipulated.
4. **Dormant Accounts:** The internal controls surrounding the management of dormant accounts were reviewed for adequacy and adherence thereto and the findings were satisfactory.
5. **Legal and Regulatory Compliance:** Within this exercise, the Committee reviewed the monthly reports of the Risk and Compliance Officer, the Proceeds of Crime Act (POCA) and Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements, noting areas for its continued review and focus as well as ensuring that the remedial measures recommended are implemented on a timely basis by management.
6. **Capital Adequacy (PEARLS) review:** Areas of underperformance were identified, and the Committee will continue to monitor same to ensure that compliance in all regards is obtained.
7. **Investments:** The Committee reviewed the arithmetical accuracy of investment income calculations as well as overall compliance with the credit union's Investment policy making recommendations which could improve the level of return obtainable.
8. **Staff Training:** This important area of the credit union's operations was reviewed to ensure that staff, volunteers and members of the Board of Directors received training appropriately aligned with their functions and responsibilities as required under the existing regulations.
9. **Other Areas:** The automated teller machine (ATM) reconciliation process, management of the Family Indemnity Plan (FIP), dividend payment and interest rebate to members, Computer Backup and restore process, security testing, Securities Register review as well as the adjusting journal entries from the annual audit exercise were reviewed and found to be operating in accordance with the credit union's established procedures.

**GENERAL COMMENTS**

The examination and evaluation carried out by the Committee over the period would not necessarily unearth all weaknesses or errors. Our queries/request for clarification were all satisfactorily addressed by Management; and we are pleased to report that the assets of the Credit Union are adequately protected and there is no indication at this time that the Credit Union is overly exposed to risks (both internal and external).

**OTHER ACTIVITIES OF THE COMMITTEE**

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

**ACKNOWLEDGEMENTS**

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



.....  
**Maria Chen (Mrs)**  
**CHAIRMAN**

Palisadoes Co-operative Credit Union Ltd

Report of the Delegates to the 79<sup>th</sup> Annual  
General Meeting of the Jamaica Co-op Credit  
Union League Ltd

The rescheduled 79<sup>th</sup> Annual General Meeting of the Jamaica Co-op Credit Union League took place at the Knutsford Court Hotel in Kingston on 2020 October 3 under the theme “Together We Do More”. The hybrid method was used to facilitate the meeting given the COVID-19 pandemic and associated restrictions; 53 delegates were physically in attendance, while approximately 150 attended virtually; all credit unions were represented.

President Winston Fletcher gave a summary of the Board of Directors’ Report for the year 2019; after which the Treasurer’s, Supervisory and Nominating Committees reports were presented. Distribution of surplus in the amount of \$9.09m was approved by the Delegates, who also accepted a proposal put forward that the maximum liability of the League be set at \$5 billion.

**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. Alexander Bourne – Manchester
- Mr. Hector Stephenson – EduCom
- Ms. Bornette Donaldson – C&WJ
- Mr. Jerry Hamilton – Grace
- Mrs. Brenda Cuthbert – NCB
- Ms. Carol Anglin – COK Soladity

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
- Mr. Delroy James – First Heritage

**Resolutions & Rule Change**

Five (5) congratulatory resolutions were passed at the meeting. There were no rule change.

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

- Lambert Johnson – President
- Andrea Messam – 1<sup>st</sup> Vice President
- O’Neil Grant – 2<sup>nd</sup> VP
- Norris Gilbert – Treasurer
- Jerry Hamilton – Secretary

The meeting ended with several credit unions being awarded for their performances in various categories.

  
Maxine P. Wilson JP DBA MBA LLB (Hons)  
Delegate

## Palisadoes Co-operative Credit Union Ltd

### Management Discussions & Analyses to the 69<sup>th</sup> Annual General Meeting

I am pleased to provide you with a synopsis of our operations during 2020. The President and Treasurer have outlined the negative effects of the COVID-19 pandemic, as well as the opportunities that present themselves. Suffice it to say, we are determined to grasp these opportunities, and ensure that we continue to build our resilience whilst ensuring that our members' economic well-being is catered to. It was Warren Buffet who said "predicting the rain doesn't count, building the ark does". We continue to prepare ourselves for any eventualities that may occur.

We continue to observe COVID-19 protocols and has put in place the necessities to reduce the number of members in our office at any one time. This has led to our enhancing our technological and other capabilities to ensure that both members and staff remain safe.

During the year we undertook a comprehensive cyber security assessment project which resulted in significant enhancements to our system. We also conducted an Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) assessment; areas identified for improvements were noted and corrective action has commenced. We acquired a "Due Diligence Module" to assist in the compliance process. All elected officials and staff members received training on the Proceeds of Crime Act (POCA) and AML/CFT.

#### Mobile App

Our mobile app was recently launched to provide members with an additional option of accessing their accounts and other services. The "take up" has been most encouraging, and we suggest that each member utilise this product as it provides the convenience that you so richly deserve.

#### Smart Pac Savings Programme

At year end, there were 20 schools (2019: 20) including 5 from Montego Bay enrolled in the programme. Membership under the programme stood at 2,790 (2,773 in 2019) SMART Pac Account holders, with savings of \$23.04m (2019: \$21.6m).

#### Deceased Members

It is with deep regret that we note the death of the following members who passed during 2020:

- Ann Williams
- Monica Malcolm- McFarlane
- David Sterling
- Keith Fyffe
- Pauline Fawcett
- Keith Christie
- Gurlie Campbell

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



**Palisadoes Co-operative Credit Union Ltd  
Management Discussions & Analyses to the  
69<sup>th</sup> Annual General Meeting Cont'd**

**INSURANCE CLAIM SETTLEMENT RECORD**

	2020	2019
<b>Life Savings</b>	\$ 1,315,326.59	\$ 1,040,966.12
<b>Loan Protection</b>	\$ 1,971,021.82	\$ 741,167.94
<b>Average Claim</b>	\$ 547,724.74	\$ 445,533.51
<b>Total # of Claims</b>	6	4

**OUR CORPORATE RESPONSIBILITY**

We pride ourselves in being good corporate citizens, especially within the communities that we serve. While observing all COVID-19 protocols we were able to continue to reach out to several individuals and organisations in various ways:

**Mountain View Men's Initiative**

There were a few meetings prior to the onset of COVID-19. We however continued to provide support and guidance to the young men of the Initiative. Two (2) additional members were provided with employment through the Initiative.

**Back-to-school Treat**

Our back-to-school treat provided over 120 bags and other school supplies, as well as care packages to children in need.

**Golden Agers' Treats**

We once again hosted a Christmas treat for the Golden Agers of Port Royal in December; and provided them with care packages and groceries. We were pleased to provide meals, groceries and care packages for over 200 golden agers in the Mountain View community during December.

**Scholarship Awards 2020**

Thirteen scholarship awards were granted during the year. The presentations were made at our AGM in August of 2020. Mrs. Georgette Williams-Gabbidon was the recipient of the Henley Johnson Scholarship; while Dayne Davis, Tevianna Cadenhead and Dayna Dunn were the recipients of the Roy Morrison Scholarship Awards.

The W.A. Roberts Award recipients were Alexia Reid, Addison Morgan and Ajani McLeod. The PEP Scholarship Awardees were Ajani Walker, Alexia Reid, Christaleigh Parchment, Caveen Blagrove, Nathan McLaughlin and Dwaisha Grant.

**Thank You**

Sincere thanks to you our members, for your continued confidence in us. We know we do not always get it right, but we continue to look at ways to enhance our services to you. We appreciate your feedback (both positive and negative) and thank you for your continued support.

To the Board of Directors and committee members, thank you for your continued guidance and direction. The support you have given the management and staff over the years is most appreciated. As a team, I am confident that we can weather any storms there may be, any pandemic that is already here, or is to come. Together we certainly can!

  
Maxine P. Wilson JP DBA MBA LLB(Hons)  
GENERAL MANGER

## Palisadoes Co-operative Credit Union Ltd

**Proposal for the Fixing of Maximum Liability  
For year ended 2021 December 31**

In keeping with Rule 71 (amended) which now states that “**The Board of Directors may incur a liability in voluntary shares, deposits and/or loans from any source on such terms of payment and security; provided that the total liability shall not exceed a ratio of twenty (20) times the Credit Union’s Capital**”, it is proposed that the Maximum Liability to 2021 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 2020 December**

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 2020 December 31 amounted to \$562.54m (2019: \$517.10m).

Our Assets grossed \$2,168.82m (2019: \$2,039.20m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2020 December 31 was 25.93 % (2019: 21.05%).

After the proposed distribution (appropriations and expenses) below, the *Capital* (inclusive of the proposed amount of \$15.3m) decreases to \$377.24m or **17.72%** of Assets. Under the heading **WE THE MEMBERS OWN**, the undistributed surplus amounted to \$108,376,046.

In view of the above, your Board proposes the following surplus distribution to 2020 December 31, noting that the proposed transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

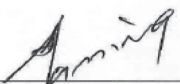
<b>APPROPRIATIONS</b>	<b>2020</b>	<b>2019</b>
To Stat. Reserves	\$15,300,000	\$ -
Additional Amount to Statutory Reserve	\$ -	\$ 2,000,000
10% dividend on Permanent Shares	\$ 1,940,000	\$ 3,300,000
Education & Outreach	\$ -	\$ 2,500,000
Honoraria	\$ 1,000,000	\$ 2,800,000
<b>Sub Total</b>	<b>\$18,240,000</b>	<b>\$ 10,600,000</b>

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

**EXPENSES**

Dividends	\$31,300,000	\$56,820,000
2% rebate on Loan int. paid (patronage refund)	\$ 2,720,000	\$ 3,600,000
<b>GRAND TOTAL</b>	<b>\$52,260,000</b>	<b>\$71,020,000</b>

For and on behalf of the Board of Directors



Samuel Manning  
**TREASURER**

**Palisadoes Co-operative Credit Union Ltd**

**Report of the Nominating Committee**

The Nominating Committee comprises the following:

Sheryll Hamilton	Chair
Sharon McEachron	Member
Claudine Purboo	Staff Liaison

The committee wishes to use this medium to thank all the elected officers who served the credit union throughout 2020. We are very pleased that in an era when voluntarism seems to be on the decline, our members selflessly continue to make themselves available to serve. We all wish to place on record our sincere thanks to Mr. Winston Ormsby who has indicated his inability to continue serving at this time. Mr. Ormsby served on the credit union’s Board of Directors since 2014. He has held various positions including that of President, Vice President and Assistant Treasurer. We thank him for his very meaningful contribution while he served, and we have no doubt that he will continue to provide support as much as he can. Special thanks also to Mr. Devon Howell who resigned from the Credit Committee during the year because of personal reasons.

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 2021-2022:

**BOARD OF DIRECTORS**

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

Please see profile of Mrs. Antoine in the Corporate Profile section of this Report.

**CREDIT COMMITTEE**

<b>Retiring at this AGM</b>	<b>Recommended</b>	<b>Term in office</b>	<b>Serving to 2022 AGM</b>
Orrette Staple	Orrette Staple	2 years	Gay Morgan
Michelle Cadenhead	Michelle Cadenhead	2 years	Berthlyn Plummer
			Carlington Miles

**Palisadoes Co-operative Credit Union Ltd**  
**Report of the Nominating Committee Cont'd**

**SUPERVISORY COMMITTEE**

<b>Retiring at this AGM</b>	<b>Recommended</b>	<b>Term in office</b>
Maria Chen	Maria Chen	1 year
Elaine Walters	Elaine Walter	1 year
Nicola Reid	Nicola Reid	1 year
Margareth Antoine	Wayne Rowe	1 year
Donnovan Dobson	Donnovan Dobson	1 year

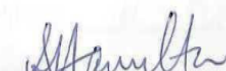
**DELEGATES TO THE LEAGUE**

<b>Retiring at this AGM</b>	<b>Recommended</b>	<b>Position</b>
Celay Harwood-Gayle	Celay Harwood-Gayle	Delegate
Maxine Wilson	Maxine Wilson	Delegate
Audley Deidrick	Audley Deidrick	Alternate Delegate
Winston Ormsby	Robert Thelwell	Alternate Delegate

The committee is pleased to provide you with a short profile (see below) of new nominee Mr. Wayne Rowe.

Thanks to the other members of the committee, and to you our members for the opportunity to be of service.

**For and on behalf of the Committee**



**Sheryll Hamilton (Mrs)**  
**CHAIR**

**SHORT PROFILE OF NEW NOMINEE**

**Mr. Wayne Rowe**

Mr. Rowe is presently the Assistant Vice President of Finance at Massy Gas Products. His career spans over 33 years in the manufacturing and petroleum industries; and he currently serves as an executive member of the Jamaica Association of Petroleum Marketers (JAPM).

Mr. Rowe is the holder of an MBA (Finance) degree from the University of the West Indies, as well as a BSc. degree in Economics and Accounting. He has been a member of the credit union (PIECCU/Palisadoes) since

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

1. Loans shall be made for provident or productive purposes only and in accordance with the rules of the credit union.
2. Loans are normally granted on a maximum loan to share ratio determined by the Board of Directors from time to time, after six (6) months of membership, except in the following cases:
  - a) Where the Credit Union is offering Monthly Loans Special
  - b) Where there are open periods for new members to access loans
  - c) Where externally generated funds are used
  - d) Special Loan Product Offering
  - e) Transfer of accounts in good standing from other credit unions
3. Loans shall not be granted for down payment on Hire Purchase transactions.
4. Loans shall not be granted to delinquent members.
5. Members who have saved regularly with the Credit Union shall be eligible for loans as follow:
  - a) **Membership up to six (6) months** – within shares and savings. Where applicable (2a-2d above), members may borrow in excess of shares and savings at a special loan rate
  - b) **Membership over six (6) months** – four (4) times shares, except where 2a-2d applies.
  - c) **Membership after nine (9) months in the SMART PAC Savings Programme** – four (4) times savings.
6. Loans above savings under the SMART PAC Savings Programme shall be for educational purposes only.
7. Fixed Deposits may not be used to qualify for a loan; however, it may be used as collateral.
8. For Premium financing, a deposit to shares representing 20% of premium is required. The Credit Union will finance 100% of premium, repayable over nine (9) months at a special loan rate.
9. Verification of income e.g. last three (3) pay slips, are required for all loans above shares and savings in the credit union. The Credit Union reserves the right to request additional information.
10. The maximum repayment period of a loan shall not exceed seven (7) years, except in cases a-g listed below:
  - a. Loan within shares, deposits and savings in Palisadoes C.U. – 15 years
  - b. Loans secured by funds held in other approved institutions – 10 years
  - c. Real Estate purchase (and affiliated costs) (for members primary residence) – Where a member is offering a first (1<sup>st</sup>) mortgage on property or a pari passu arrangement with NHT or a Building Society, the Credit Union may extend loan for a period not exceeding thirty (30) years.
  - d. Other loans for which the Credit Union will hold first mortgage on property – 15 years
  - e. Home improvement – 15 years
  - f. Loans for motor vehicles 0-1 year – 8 years
  - g. Loans for motor vehicles 2-3 years – 7 years
  - h. Loans for motor vehicles 4-5 years – 5 years
  - i. Loans for motor vehicles 6-8 years – 3 years

**SECURITY**

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

New vehicle	-	90%
1 year	-	80%
2 – 3 years	-	75%
4 years	-	70%
5 years	-	60%
6 years	-	55%
7-9 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 (1<sup>st</sup>), parri passu or second (2<sup>nd</sup>) mortgage on property.

**Approval Limits:**

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

*As approved by the Board of Directors  
2021 February*

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

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

*As approved by the Board of Directors  
2021 February*







# *Prayer of St. Francis of Assisi*

*Lord, make me an instrument of your peace.*

*Where there is hatred, let me sow love;*

*where there is injury, pardon;*

*where there is doubt, faith;*

*where there is despair, hope;*

*where there is darkness, light;*

*where there is sadness, joy.*

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

*to be consoled as to console;*

*to be understood as to understand;*

*to be loved as to love.*

*For it is in giving that we receive;*

*it is in pardoning that we are pardoned;*

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

**PALISADOES CO-OP CREDIT UNION LIMITED**