

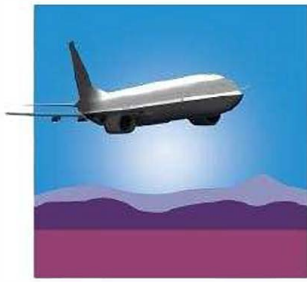


PALISADOES
CO-OP
CREDIT UNION
LIMITED

2021

ANNUAL REPORT

'Flying to New Horizons'



PALISADOES
CO-OP
CREDIT UNION
LIMITED

MISSION

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

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.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

FAMILY DAY



“Fi mi credit union, Fi mi family”.
Members had a blast on Family Day at the credit union. Here Craig Cross strikes a pose at the photo booth.



“The Carib Cement branch was not to be left out of Family Day!



Members lyming on Family Day



MEMBERS' APPRECIATION DAY

The family spirit lived on to Members Appreciation Day in October. Members were eager to show that they are a part of the family.





PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021



Dr. Terry Baker (left), and Dwayne Francis (second left), Senior Medical Officer and CEO respectively of the National Chest Hospital accept a donation of 10 handheld pulse oximeters and one ECG machine from General Manager Dr. Maxine Wilson. Looking on is Mr. Horace Bryson, Senior Director of Engineering, Maintenance & Projects at Airports Authority of Jamaica.



We are the champions! Congrats to the Petrojam team, winner of the inaugural Pali Challenge Quiz. From left are team members Messrs. Winston Henry, Adrian Brown and Telroy Morgan. Well done!



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

HELPING HANDS OUTREACH

It is in giving that we receive. The credit union once again held its annual Helping Hands Outreach in the communities of Jacques Rd, McGregor Gardens, Woodford Park and Port Royal in December.

Dr. Wilson addressing the residents before the presentations.



Ms. Kimberly Vaz handed out lunches in the Port Royal community



HELPING HANDS OUTREACH

A Port Royal golden ager accepts grocery bags that was presented by Mrs. Claudine Purboo



General Manager Dr. Maxine Wilson presented grocery bags to residents in Jacques Rd, Mountain View.

Member of Parliament Julian Robinson assist in the handing out.





PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Our Corporate Profile

Board of Directors

Audley Deidrick, MBA – President

Mr. Deidrick is the President of Airports Authority of Jamaica. He is the holder of an MBA from the University of the West Indies, and a BBA in Accounting from the University of Technology Jamaica. His work experience comprises thirty-two (32) years in the field of Accounting & Finance. He has been a member of the credit union for over thirteen (13) years.

Robert Thelwell, BBA Mgmt. – Vice President

Mr. Thelwell is the Managing Director of Kobe Motors. He holds a Bachelor of Business Administration (BBA) with an accounting major from the University of Technology Jamaica. He has been a member of the credit union for the past forty-one (41) years.

Mr. Samuel Manning, MBA CPA - Treasurer

Mr. Manning is an accomplished entrepreneur. 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-one (21) years.

Mr. Dervin Aiken, MBA – Assistant Treasurer

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

Mrs. 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.

Mrs. Margareth Antoine, MBA - Director

Mrs. Antoine has been employed to IGL for the past twenty-five (25) 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 sixteen (16) years.

Mrs. Celay Harwood-Gayle, BSc - Director

Mrs. Harwood-Gayle is an entrepreneur and has been a member of the credit union for over forty-four (44) years. She is the holder of a BSc in Public Administration and International Relations from the University of the West Indies.

Supervisory Committee

Mrs. Maria Chen, FCCA - Chair

Mrs. Chen has been a member of the credit union since 1998 and has been employed to C&WJ Co-op Credit Union for the past eleven (11) years as its Chief Internal Auditor. Mrs. Chen has combined auditing experience in tax audit, external and internal audit for over twenty (20) years. She is a Fellow and a Member of the Association of Certified Chartered Accountants (ACCA), the Institute of Chartered Accountants of Jamaica (ICAJ) and a Member of the Institute of Internal Auditors (IIA).



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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. She 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-two (22) 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 MSc (Accounting) 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 is 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

Ms. Gay Morgan, BSc (pending) - Chair

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 twelve (12) 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.

Mrs. Michelle Mais-Cadenhead, MBA - Secretary

Mrs. Mais-Cadenhead has been employed to the Airports Authority of Jamaica for over twenty-eight (28) 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 sixteen (16) years. A teacher by profession, he is the holder of Bachelor of Arts (majoring in Economics) from the University of the West Indies. He served as President of the former Esso Co-op Credit Union, and a member of the Credit Committee of the former Petroleum Industry Employees Co-op Credit Union (PIECCU).

Mr. Carlington Miles - Member

Mr. Miles has been a member of the credit union for the past nineteen (19) years. He is presently employed to PAC Kingston Airport Limited, as its Processing & Procurement Supervisor. He is a Certified Accounting Technician (level 2) and is presently pursuing a bachelor's degree in Banking and Finance at the University of the West Indies.

Management

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

Dr. Maxine Wilson has been employed to the credit union movement for forty-two (42) years; twenty-five (25) of which has been spent at Palisadoes Credit Union. She is the holder of a Doctorate in Business Administration (DBA), an MBA, and a Bachelor of Laws (LLB).



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Dr. Wilson is also a Certified Operational Risk Professional (CORP), a certified Family and Financial Counsellor, a Chartered Marketer, 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 and is presently pursuing an MBA.

Mrs. Claudine Purboo

Mrs. Claudine Purboo has been employed to the credit union for the past twenty-five (25) 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 at the Excelsior Community College.

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 2022 April 21 we will celebrate our 69th Birthday
- Our Portfolio balances as at 2021 December 31 are:
 - ✓ Assets - \$2,257.83M
 - ✓ Net Loans - \$1,224.65M
 - ✓ Voluntary Shares - \$1,394.06M
 - ✓ Total Savings Deposit - \$1,584.73M
- 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



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Vol. Shares	624.88	668.63	890.42	960.62	1,010.42	1,088.75	1,149.44	1,254.01	1,368.97	1,394.06
Saving/Deposits	199.40	187.93	204.99	215.02	203.29	217.67	249.56	200.66	178.89	190.68
Loans	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	1,255.35
Assets	1,208.90	1,283.31	1,568.29	1,664.66	1,744.88	1,861.00	1,951.84	2,039.20	2,168.82	2,257.83
Avail. for dist.	23.40	53.29	72.02	72.81	84.90	83.10	86.53	72.43	52.33	68.97
Inst. Capital	216.01	225.43	274.23	281.00	298.82	314.99	349.39	356.83	378.07	395.82
Membership	8,247	8,447	9,020	9,343	9,616	9,742	9,803	10,058	11,166	11,383
Gross Income	150.61	152.06	188.17	188.47	188.47	205.06	184.1	202.81	155.39	200.72
Vol. Div. Paid	39.80	43.09	43.09	54.70	54.70	53.24	55.69	58.53	31.30	52.80
Interest Rebate								3.33	2.72	3.40

Notice of Meeting

Notice is hereby given that the 69th Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held on 2022 April 6 Wednesday commencing at 3:00 p.m. at the Alhambra Inn Hotel, 1 Tucker Avenue, Kingston 6 & virtually via the Zoom Platform (link will be provided shortly)

Due to COVID-19 protocols which remains in place, only the first 50 members who request physical presence at the meeting will be facilitated. The wearing of masks is required.

Online Registration 2022 March 24 via the credit union's website at www.palisadoescreditunion.com.

NB. All members are required to register online.

Dated this 2022 March 18

Sheryll Hamilton (Mrs)
SECRETARY

AGENDA

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



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

MINUTES OF THE 68th ANNUAL GENERAL MEETING

Held at the Boardroom of Airports Authority of Jamaica

Norman Manley Int'l Airport, Kingston

and

Via Zoom Conference

On 2021 May 19 commencing at 3:00 P.M.

CALL TO ORDER

The meeting was called to order by President Audley Deidrick at 3:00 p.m. Secretary Sheryll Hamilton read the Notice of Meeting.

PRAYER

Prayer was said by Mrs. Claudine Purboo.

NOTICE OF RESOLUTION

President Deidrick advised of the Notice of Resolution that was circulated both electronically and written. He noted that the resolution was to facilitate the holding of the Credit Union's Annual General Meetings virtually only or by hybrid means.

Secretary Hamilton read the Notice of Resolution as follows:

PROPOSED AMENDMENT TO THE CREDIT UNION'S RULES

WHEREAS Section 11 and Regulations 41 of the Co-operative Societies Act and Regulations provides for the amendment of Rules;

WHEREAS Article XXII, Rule 78 allows for amendments to the Rules of Palisadoes Co-operative Limited; and

WHEREAS Article XI, Rule 53 is being proposed for amendments in the Rules of the Model Co-operative Credit Union Limited; and

WHEREAS it is being proposed that meetings of members may be conducted by attendance at a physical location, or by virtual-only or by hybrid-meeting; and

WHEREAS electronic attendance shall be construed as if the members were present at the physical location where the meeting is being convened; and

WHEREAS members attending meetings through an electronic media shall constitute the quorum for a legally convened meeting of members of the Society; and

WHEREAS The Co-operative Societies (Amendment) Regulations 2021 dealing with the holding of general meetings in cooperative societies were promulgated on the 15th of January 2021;

WHEREAS this credit union has agreed to adopt and accept all the interpretations so ascribed under the said regulations:

BE IT RESOLVED that Article XI, Rule 53 which now reads:

- (i) The supreme authority in the Credit Union is vested in the General Meeting of members at which every member has a right to attend and vote on all questions; and
- (ii) The first General Meeting of members after registration of the Credit Union shall be called the First Annual General Meeting, and shall have the same powers as are herein given to the Annual General Meeting



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

BE AMENDED TO READ by adding the following additional sentences after the current sentences:

- (iii) References to a "meeting" shall mean a meeting convened and held in a physical location only or via virtual-only and/or in a hybrid manner through a combination of both physical and electronic communication system. Members shall be deemed to be present at that meeting for all purposes of the Rules, applicable laws, and the Cooperative Societies (Amendments) Regulations 2021 and said attendance shall be construed to allow the member present in any one of these fora to attend and fully participate in any such meetings.
- (iv) A member's participation in the business of a general meeting shall include without limitation the right to communicate, to vote, and to have access in hard copy or electronic form all documents which are required to participate in the business of a general meeting; and participation in such a meeting shall constitute presence in person at such meeting and shall count towards the quorum and for all other voting processes.
- (v) References to "electronic communication system" shall include, without limitation, webcast, video or any form of conference call systems (telephone, video, web or otherwise) and other communication of any sound, document, and or other data.
- (vi) If a separate meeting place is linked to the main place of a general meeting by an electronic communication system, such member present at the separate meeting place shall be taken to be present at the general meeting and entitled to exercise all rights as if the member was present at the main physical location.
- (vii) All general meetings (including a Special or Annual General Meeting, any adjourned meeting or postponed meeting) may be held as a physical, virtual-only or hybrid-meeting.
- (viii) A virtual-only or hybrid-meeting may be held in Jamaica and any part of the world and at one or more locations as may be determined by the Board of Directors in its absolute discretion; however, the principal place and time of such meeting shall be construed to be held in the jurisdiction of Jamaica.
- (ix) Votes (whether by a show of hands or ballot or by way of a poll) may be cast through or by electronic means or otherwise, in keeping with the Cooperative Societies (Amendment) Regulations 2021
- (x) If voting is to take place at the meeting, there must be reasonable measures in place to verify that every person voting at the meeting by means of electronic communication system is sufficiently identified, and the Secretary shall keep record of any vote or action taken.
- (xi) The provision of these rules shall apply, with any necessary modification, to hybrid-meetings and virtual-only meetings

BE IT RESOLVED THAT Article XI, Rule 57 which now reads:

At least seven (7) days before the date of any Annual or Special General Meeting, the Secretary shall post a notice of the meeting in a conspicuous place in the office and cause written notice thereof to be handed to each member in person or mailed to each member at his address as the same appears in the records of the Credit Union.

BE AMENDED TO READ:

- (i) At least seven (7) days before the date of any Annual or Special General Meeting, the Secretary shall issue a written notice of the meeting to be delivered by electronic means and printed in one daily newspaper.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

- (ii) Where an Annual or Special General Meeting is either virtual-only or hybrid-meeting, the Secretary shall cause the notice of the meeting to provide instructions for attendance and participation, including voting by member, electronically, and an electronic link for attendees

ADD SUB-RULE (iii) at Rule 58 to read:

"Where the meeting is held as a hybrid-meeting or virtual-only meeting and during the meeting a number of members participating, virtually, cease to be able to participate in the meeting, at any time and for any period during the meeting, in such numbers that the quorum requirement for that meeting is not met, all business transacted at that meeting, including matters put to the vote and any resolution passed, shall be void"

BE IT RESOLVED THAT ARTICLE XXII, RULE 78 (AMENDMENTS TO RULES) WHICH NOW READ:

These Rules may be amended by a resolution of the members at the Annual General Meeting or Special General Meeting called for the purpose by three-fourth votes of those present and entitled to vote, provided a copy of the proposed amendments together with a written notice of the meeting shall have been sent to each member or handed to him in person at least seven (7) days before the said meeting. No amendment shall become operative until it has been approved by the Registrar in accordance with the Act.

BE AMENDED TO READ:

These Rules may be amended by a resolution of the members at the Annual General Meeting or Special General Meeting called in accordance with Article XXI, Rule 78 for the purpose by at least three-fourth votes of those present either Physically, Virtual-only or at a Hybrid-meeting entitled to vote, provided a copy of the proposed amendments together with a written notice of the meeting shall have been sent to each member by electronic means and printed in one daily newspaper at least seven (7) days before the said meeting. No amendment shall become operative until it has been approved by the Registrar in accordance with the Act.

All amendments are to be operational immediately and binding upon members consequent upon approval at this general meeting of members and subject to the Registrar of Cooperative Societies certification.

The resolution was adopted on a motion by Mr. Dervin Aiken, seconded by Ms. Shareen Brown. The resolution was passed with 278 members in favour, no abstentions or any against.

OBITUARIES

President Deidrick 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 2020.

WELCOME

General Manager Dr. Maxine Wilson welcomed everyone and acknowledged the presence of the following specially invited guests.

- Mrs. Kleo-Ann Errar – Jamaica Co-op Credit Union League
- Ms. Vera Lindo – Jamaica Co-op Credit Union League
- Mr. Michael-David Webb – Department of Co-operatives and Friendly Societies
- Mr. Sixto Coy – Auditor; HLB Mair Russell
- Mr. Christopher Robinson – Money Masters Limited
- Ms. Lavern Johnson – CUMAX Wealth Management Ltd

ADOPTION OF MINUTES

President Deidrick 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 Claudine Purboo and seconded by Kimberly Vaz.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

CORRECTIONS TO THE MINUTES

Secretary Hamilton read the errata previously circulated, as under:

1. First Photo page – top right-hand corner – replace “AGM 2021” with “AGM 2020”
2. Page 6 Under “Savings/Deposits Year 2020 change the figure “\$2,178.89” to “\$217.89”
3. Page 6 – under “Interest Rebate” “Year 2016” put \$3.24 and for 2017 “\$3.33”
4. Page 20 – Under “Capital”, delete “30%” and replace with “\$15.3m”; then delete the “\$15.7m” in bracket. The sentence will read – When the proposed \$15.3m of undistributed surplus is applied; the institutional capital
5. Page 20 – Under “Amount Available for Distribution” 3rd line, delete “30% or” to read Your Board is proposing that \$15.3m of the amount.
6. Page 20 – Under “Amount Available for Distribution”, last line, change the word “Voluntary” to “Permanent”, to read “10% on Permanent Shares”
7. Page 91 – Under “Short Profile of New Nominee”, last line add “2007” after the word “since”; to read “since 2007”.

Secretary Hamilton then took the meeting through the Minutes contained on pages 7 through 16 and asked whether there any corrections. There was no correction to the Minutes.

CONFIRMATION OF THE MINUTES

The Minutes of the meeting was confirmed on a motion by Shareen Brown, seconded by Marcia Palmer. The motion was carried.

MATTERS ARISING

There were no matters arising from the Minutes.

REPORTS

BOARD OF DIRECTORS

President Deidrick presented the Report for the year ended 2020 December 31. He stated that the onset of the Covid-19 pandemic had changed the world and generated significant instability and high volatility in global capital markets. The pandemic had also created opportunities for the credit union and by extension the Jamaican financial sector, as the credit union was forced to use innovative channels that were not considered a part of our strategic priority to serve our members.

Highlights of his presentation included the following areas:

Liquidity Support to the Financial System

The Bank of Jamaica has reported that it had provided JA\$76 billion in liquidity support to the financial system through various initiatives. The Bank’s combined liquidity support in Jamaican and US dollars was substantial and unprecedented, equivalent to more than 11% of GDP.

Corporate Governance

The credit union continued to enhance its comprehensive corporate governance framework, as it believes that strong governance is critical to our achieving sustainable value in a dynamic and ever-changing environment. The Board honours its 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.

The Board is 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 it to provide direction and control of the credit union is fulfilled. We continue to provide direction to management with regards to the articulation of the vision of the credit union.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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

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

The Board possesses the requisite skills required to ensure direction and control in critical areas. It continues to evaluate its own performance through an annual Board Evaluation exercise; and address areas that require improvements or inputs.

Staff training and development continues to be an area of priority as the credit union actively pursues development of its human capital. Training was somewhat limited throughout the year due to the pandemic. Our employees have contributed significantly to the success of the credit union, and 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.

Financial Results

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 \$12.30m of the undistributed surplus be transferred to Statutory Reserves, further increasing the Institutional Capital to 17.2%; the industry standard being $\geq 8\%$.

Acknowledgements

The Board expressed thanks to the membership, other stakeholders, and all the elected officers who served throughout the years. Special mention was made of the sterling contribution of Director Winston Omsby who was unavailable to continue serving.

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 experience. We encourage you to observe the Covid-19 protocols and encourage others to do likewise.

Adoption of the Board of Director' Report

There being no questions, the Report was adopted on a motion by Ms. Gay Clunis and seconded by Ms. Geraldine Geddes. The motion was carried.

TREASURER'S & AUDITORS'

The Report was presented by Treasurer Samuel Manning. He referred the members to the Treasurer's Report contained on pages 18 through 21 of the Annual Report.

Highlights of his presentation are detailed hereunder:

The Macro-Economy

COVID-19 Pandemic

The Covid-19 pandemic led to the closure of Jamaica's borders, resulting in 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.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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. 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 J\$142.97.

Net International Reserves (NIR)

BOJ 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

STATIN has reported that for the calendar year 2020, the inflation rate was 6.4%; for the fiscal period 2020 April-December - 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; noting also that there are some risks that inflation could breach the upper end of the target range during the first quarter.

The Bank also projects that the Jamaican economy is not expected to return to pre Covid-19 levels before at least Financial Year 2022/23.

Jamaica's Credit Union Movement

As at 2020 November 30, there were 25 credit unions operating in Jamaica, with Savings of \$104.925b, Loans of \$90.909b and Assets of \$136.50b.

Our Credit Union

The financial performance of the credit union was severely affected by the onset of the Covid-19 pandemic which resulted in the closure of the two 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.

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 percent 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.

The financial information contained in the Treasurer's report is consistent with the audited financial statements presented.

Performance Results

Capital

When approximately 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.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Loans

Net Loans represents 58.01% (57.97% in 2019) of Assets. 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 20.00% moving from \$10.17m to \$8.14m.
- Shares in the Credit Union League were valued, and the revaluation reserves increased by \$60.06m.

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 \$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 \$31.30m. 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 Permanent 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. 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.

Acknowledgements

The Treasurer expressed thanks to the members, elected officers, other volunteers, management and staff and other stakeholders for the confidence placed in them and reinforced the commitment to do all they can to ensure that the credit union remains relevant, safe and sound.

Adoption of the Treasurer's and Auditors' Report

The Report was adopted on a motion by Ms. Kimberly Vaz and seconded by Ms. Gay Clunis. The motion was carried.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

CREDIT COMMITTEE

The Committee's Chair, Mr. Carlington Miles, presented the report, directing the members to pages 81 to 83. He informed the meeting that 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

He told the meeting that there was a reduction in both the number of loans processed and the value of the loans. 3,210 loans were approved for the period 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 though there was a significant decrease in the value of loans disbursed in 2020, the loan portfolio grew by \$73.51m or 5.58% when compared to 2019, moving from \$1.193b to \$1.267b.

Other highlights of the Report are detailed below:

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 amounted to \$140.21m.

Motor Vehicle Loans

Loans to the value of \$57.66m were disbursed during the year. This reflected a \$69.43m or 120% 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.

Mortgage/Real Estate

The Committee is pleased with the performance in this category. Loans disbursed amounted to \$175.83m, representing an increase of \$60.4m or 34.35% over the \$115.43m in 2019.

Business Investment/Line of Credit

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

Mr. Miles told the meeting that Mr. Howell resigned in May 2020 due to personal reasons. He noted that the Credit Committee continues to be represented on the Finance and Planning, Risk and Compliance, and the BOJ Preparedness Committees. He expressed thanks to the members, Board of Directors, Supervisory Committee as well as the Management and Staff of the Credit Union for the confidence placed in the Committee.

Matters Arising

Member Althea Daley asked for an explanation on why there was an increase in the value of loans approved despite a reduction in loans disbursed. Dr. Wilson explained that the figure for loans disbursed was not always the same as that for loans approved adding that some loans approved in 2019 were disbursed in 2020.

Adoption of the Credit Committee's Report

The Report was adopted on a motion by Ms. Claudette Reynolds, seconded by Ms. Althea Daley. The motion was carried.

SUPERVISORY COMMITTEE

The Report was presented by the Committee's Chair, Mrs. Maria Chen. She told the meeting that the Committee met on seven (7) occasions as it sought to perform its duties with independence and reasonable care highlighting the attendance record at page 84 of the Annual Report.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Mrs. Chen said that in accordance with the credit union's Corporate Governance Framework, 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 to review the credit union's activities based on an assessment of associated risks. The objectives of the reviews performed included, but were not limited to, evaluation of the adequacy of policies, procedures and internal controls, evaluation of performance against those policies, procedures and controls and safeguarding of the credit union's assets. She referred the meeting to the Committee's Report at pages 84-85 of the Annual Report.

She identified the main areas of focus over the year as:

Internal Controls

Internal control mechanisms were assessed for effectiveness and adherence by the credit union. For the most part, these controls were found to be operating as intended. Areas for improvement were brought to the attention of management.

Bank and Paymaster Reconciliations

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

Payroll Statutory, 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.

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), Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements. Reviews will continue to ensure that all recommendations are implemented on a timely basis.

Capital Adequacy (PEARLS) & Management review

Areas of underperformance were identified, and the Committee will continue to monitor to ensure that compliance is obtained in all areas.

Investments

The Committee reviewed the arithmetical accuracy of investment income calculations, as well as the overall compliance with the credit union's Investment Policy and made recommendations which can improve the level of return obtainable.

Training

The schedule of training undertaken was reviewed to ensure that staff, and volunteers received appropriate training as required under the existing regulations.

Other Areas

The Committee also reviewed areas such as the ATM reconciliation process, the management of the Family Indemnity Plan, dividend payment and interest rebate to members, as well as journal entries from the annual audit exercise. The reviews found that the credit union was operating in accordance with the established procedures.

All queries/requests for clarification were satisfactorily addressed by Management, and 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 continues to be represented at meetings of the Finance and Planning, Bank of Jamaica Readiness and Risk and Compliance Committees.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

The committee expressed appreciation to the Board of Directors, Management and Staff for their co-operation during the year, and thanked members for the confidence placed in the Committee, indicating that their queries and suggestions may be shared in writing to the Chairman under confidential cover.

Adoption of the Supervisory Committee's Report

The Report was adopted on a motion by Mrs. Berthlyn Plummer and seconded by Mr. Ian Buckham. The motion was carried.

DELEGATES TO THE 79TH AGM OF THE JAMAICA CO-OP CREDIT UNION LEAGUE

Delegate Dr. Maxine Wilson referred the meeting to the Report contained at page 86 of the Annual Report. She said that the rescheduled 79th AGM of the Jamaica Credit Union League was held at the Knutsford Court Hotel on October 3, 2020, under the theme 'Together We Do More'.

There were 53 delegates physically present and approximately 150 attended virtually at the hybrid meeting.

President Winston Fletcher gave a summary of the Board of Directors' Report for the year 2019. The Treasurer's, Supervisory and Nominating Committees' Reports were also 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 \$5b.

The election of officers took place thereafter and post-AGM the following persons were elected to the executive of the League's Board:

Lambert Johnson – President
Andrea Wilson-Messam - 1st Vice President
O'Neil Grant – 2nd Vice President
Norris Gilbert – Treasurer
Jerry Hamilton - Secretary

Dr. Wilson indicated that Member Nicola Reid was re-elected to serve on the Supervisory Committee, and that the meeting ended with several credit unions being awarded for their performance in various categories.

Adoption of the Delegates to the League Report

The Report was adopted on a motion by Mrs. Mrs. Sheryll Hamilton, seconded by Ms. Shareen Brown. The motion was carried.

MANAGEMENT DISCUSSION AND ANALYSES

Dr. Wilson presented the Report and shared a synopsis of the Credit Union's operations during 2020. She said that despite the negative effects of the Covid-19, the credit union was determined to grasp the opportunities and to ensure that they continued to build resilience whilst ensuring that its members economic well-being was catered to as they continued to prepare for any eventualities that may occur.

She highlighted the following activities undertaken during the year:

- A comprehensive cybersecurity assessment project was undertaken and resulted in significant enhancements to the Credit Union's systems.
- Anti-money laundering counter financing of terrorism assessments were undertaken, areas for improvements were identified and corrective actions commenced.
- A due diligence module, part of the Emortelle system, was acquired to assist in the compliance process.
- All elected officials and staff members received training on POCA.
- The Mobile app was launched, providing members with an additional option for accessing their accounts and other services at their convenience
- The Credit Union expressed sincere condolences to the families and friends of members who passed in 2019.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

- The Mountain View Men's Initiative continued despite the impact of Covid-19 which resulted in an absence of physical meetings. Twenty-two (22) members were employed under the initiative. Work continued with the young men in the Mountain View community and efforts were in place to continue providing support.
- A Back to School Treat was held in August and the Credit Union distributed over 120 school bags and other school supplies, as well as care packages.
- Two Golden Agers Treats were held in Port Royal and Mountain View respectively on the same day and the Credit Union staff operated in teams to provide meals, groceries and care packages for over 200 Golden Agers.
- Thirteen (13) scholarships were awarded during the year. A presentation was done at the AGM held last August.

The General Manager expressed special thanks to members for their continued support and said that even though the Credit Union did not meet its financial projections, it 'weathered' the storm.

PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY FOR YEAR ENDING 2021 DECEMBER 31

Treasurer Manning presented the **Proposal** and directed the meeting to page 89. 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.

The Proposal was seconded by Ms. Althea Daley; the motion was carried.

PROPOSAL FOR THE APPROPRIATION AND DISTRIBUTION OF SUPRLUS FOR THE YEAR ENDED 2020 DECEMBER 31

Mr. Manning referred the members to the Proposal for the Appropriation on pages 89 and 90 of the Report.

Mr. Manning highlighted the following:

1. Of the \$52.33m amount available for distribution it is proposed that an amount of \$15.30m be transferred to Statutory Reserves, \$1.94m be allocated for 10% on dividend on Permanent Shares, and \$1.00m for Honoraria.
2. Dividend on Voluntary Shares of \$31.30m representing 2.5%, and \$2.72m representing 2% rebate on loan interest paid were approved by the Board.

Matters Arising

Mr. Manning explained the difference between voluntary and permanent shares on a query from a member highlighting that whilst members could choose to remove their voluntary savings, the permanent shares which was usually a smaller amount could not be used as collateral for loans and could not be removed by a member as easily as voluntary shares could be.

Several members commended the credit union for the considering returning to members

The proposal was moved by Samuel Manning and seconded by Mr. Randall Jones. The motion was carried.

ELECTIONS

NOMINATING COMMITTEE'S REPORT

The Committee's Chair, Mrs. Sheryll Hamilton, presented the Report as outlined on page 91 of the Annual Report. Other members of the committee are Mrs. Sharon McEachron and Mrs. Claudine Purboo (Staff Liaison). She extended thanks to all the elected officers who served the Credit Union during 2020 and special thanks to Mr. Winston Ormsby who had indicated his inability to continue serving, highlighting his service in the capacities of President, Vice President, and Assistant Treasurer. She also extended thanks to Mr. Devon Howell who resigned from the Credit Committee during the year due to personal reasons.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Mrs. Hamilton 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 for 2021-2022 as under:

Board of Directors

Retiring: Celay-Harwood Gayle, Winston Ormsby and Samuel Manning.

Recommended: Celay Harwood-Gayle, Margareth Antoine and Samuel Manning – each to serve for two years.

Serving to 2020-21 AGM: Dervin Aiken, Audley Deidrick, Sheryll Hamilton and Robert Thelwell.

Credit Committee

Retiring: Orrette Staple and Michelle Cadenhead.

Recommended: Orrette Staple and Michelle Cadenhead – each to serve for two years.

Serving to 2022 AGM: Gaye Morgan, Berthlyn Plummer and Carlington Miles.

Supervisory Committee

Retiring: Maria Chen, Elaine Walters, Nicola Reid, Margareth Antoine and Donovan Dobson.

Recommended: Maria Chen, Elaine Walters, Nicola Reid, Wayne Rowe and Donovan Dobson – each to serve for one year.

Delegates to the League

Retiring: Celay Harwood-Gayle, Maxine Wilson, Audley Deidrick and Winston Ormsby.

Recommended: Celay Harwood-Gayle and Maxine Wilson as Delegates to the League and Audley Deidrick and Robert Thelwell as Alternate Delegates.

Mrs. Hamilton expressed sincere thanks on behalf of the Committee for the opportunity to serve after which she introduced new nominee, Mr. Wayne Rowe, to the meeting.

Adoption of the Nominating Committee's Report

The Report was adopted on a motion by Mrs. Berthlyn Plummer, seconded by Ms. Novlette Small; the motion was carried.

Election of Officers

Mr. Michael-David Webb from the Department of Co-operatives and Friendly Societies was invited to conduct the elections. He guided the members through the electoral process. There being no nominations from the floor, Mr. Webb declared the nominees as recommended by the Nominating Committee duly elected as under.

Board of Directors

Celay Harwood-Gayle, Margareth Antoine and Samuel Manning.

Credit Committee

Orrette Staple and Michelle Cadenhead.

Supervisory Committee

Maria Chen, Elaine Walters, Nicola Reid, Wayne Rowe and Donovan Dobson.

Delegates to the League

A motion to grant authority for the Board of Directors to select the persons duly recommended – Celay Harwood-Gayle, Maxine Wilson, Audley Deidrick and Robert Thelwell was moved by Mr. Ian Buckham and seconded by Ms. Berthlyn Plummer; the motion was carried.

ANY OTHER BUSINESS

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



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Presentation from Credit Union Fund Management Company (CUFMC)

Mr. Kevin Hemans presented CUFMC as a member of the Credit Union family and a broker dealer licensed by the Financial Services Commission. He introduced the CUMAX Equity Fund to the members, comparing it to a Unit Trust Fund. He said investment in the Fund allowed for instantaneous diversification, professional and active management, risk mitigation as well as excellent decision making and stock selection. Mr. Hemans said the solution had delivered 13.75% between inception date and May 11 and encouraged members to contact CUFMC for additional information.

Passing of Lifelong Honoree

Dr. Wilson informed the meeting of the passing of Mrs. Hazel Johnson who was honored at last year's AGM. She said Mrs. Johnson was a stalwart of the Credit Union who served for over 35 years as a member of staff and was the widow of one of the founding fathers of the Credit Union Henley Johnson. She acknowledged Mrs. Johnson's children who were attending the meeting virtually and expressed condolences personally and on behalf of the Credit Union to Mrs. Johnson's family on her passing.

Gifts and Presentations

Dr. Wilson expressed thanks to the various organisations and individuals who provided gifts for the occasion. She acknowledged each contributor and identified the gifts. The drawing of prizes took place at the delight of the membership.

TERMINATION

The General Manager, on behalf of President Deidrick, thanked the members for their participation as well as their continued support of the Credit Union as she brought the Annual General Meeting to a close at 4:36 p.m.

Report of the Board of Directors For year ended 2021 December 31

Fellow Members,

On behalf of the Board of Directors, I am pleased to present to you the Board of Directors' Report for the Year ended 2021 December 31. The negative impact of the COVID-19 pandemic was felt throughout the year as our country and by extension the world, experienced waves of the pandemic.

The disruptions were significant; it robbed us of the opportunity to carry out life's simple routines, dealt a crushing blow to our finances, and had a devastating effect on our mental and physical health. Our inability to greet others the way we were used to, and our longing to "be together again" took a toll on us as we were constrained to separate ourselves.

The pandemic isn't over, and we encourage everyone to adhere to the protocols put in place and take all the necessary precautions to remain safe. We will get through this together, and will emerge stronger, more resilient, more courageous, and more fortified.

You have persisted! Your commitment to your credit union remained unquestionable, and we ended 2021 stronger than we did in 2020. This was no easy feat, but with your support, the hard work and dedication of the management, staff, board, and committees made it happen.

Some of our major portfolios did not experience growth this year, as we struggled with balancing the portfolios and dealing with the reality that many of our members (especially those in the aviation sector) had no jobs, had reduced work hours, or have migrated.

The International Scene

On the international scene, inflation readings in the US for the month of 2022 January indicated that the country registered another month of higher-than-expected inflation (CPI of 7.5% YoY versus an expected 7.3%), smashing a 40-year record.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

The contributing factors were similar to those of recent times – rising oil and food prices as well as supply chain issues. However, prices of ‘commodities less food and energy’ also rose sharply, caused in part by greater demand for medical supplies as consumers became increasingly concerned about contracting the Omicron variant of the COVID-19 virus. January’s reading represents the tenth consecutive month the inflation rate has exceeded the US central bank’s target of 2% which strengthens the case for an interest rate hike in short order.

Jamaica

Here in Jamaica the 12-month point-to-point inflation rate was 9.7%. This represents the highest 12-month point-to-point inflation recorded in Jamaica in 7 ½ years (since the 12-month point-to-point inflation as at August 2014 which was 9.8%). This breach of the Bank of Jamaica’s 4.0%-6.0% inflation target is expected to continue over the next 12 months. This level of inflation substantially erodes the purchasing power of the Jamaican dollar as well as the real return on investments in the Jamaican economy.

Effective 2022 February 21, the Bank of Jamaica increased its policy interest rate by 150 basis points to 4.0% per annum. This decision was aimed at ensuring that inflation remains within the Bank’s inflation target of 4.0% to 6.0%. Higher policy rates generally slow down economic growth and expansion, as they discourage spending and investments due to the increased cost of debt.

The increase in the Policy Rate implies that businesses seeking to finance projects or general investments will be faced with increased finance costs, which will inevitably eat into their profitability; Capital Market debt increases are also expected to slow as a result.

Given the above, 2022 is likely to be a year fraught with challenges, it will test our resilience; we are however confident that somewhere between the challenges, lie opportunities that we will seek to explore in enhancing the well-being of our members.

Corporate Governance

Your Board continues to provide direction to management in ensuring that the credit union remains safe and sound. We are committed to ensuring the continued strengthening of the organization’s oversight with revised and enhanced policies, procedures, and guidelines to ensure that the mandate entrusted upon us to provide direction and control of the credit union is adhered to.

We continue to operate at the highest ethical standards, identify areas of priorities, and reserve specific matters for our decision. The Board is required to be up to date with current business, industry, regulatory and legislative developments, and trends that will affect the credit union’s operations. We have 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 elected officers are required to, and have signed 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

Your Board is composed of suitably qualified and competent directors who, collectively, possess the knowledge, independence, diversity, skills, and expertise required to provide oversight of the management and affairs of the credit union. The Board is comprised of seven (7) directors.

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.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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 as we seek to develop measures to effectively mitigate, minimize, and manage Money Laundering/Terrorist Financing risks associated with countries.

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 Treasurer's and Auditors' Reports detail the 2021 financial results. We are pleased that our performance (though not at pre-COVID level) was better than 2020; you made this happen. We are once again pleased to provide you with a reasonable dividend and interest on loans paid in 2021.

Thank You

The Board of Directors thanks you the members for your unwavering support. To all the elected officers who have served us throughout 2021, thank you; we are aware of some of the personal difficulties you faced, and even then, you continued to serve unselfishly. To the General Manager, other management and staff, we could not have asked for a more dedicated and committed team, your performance was exemplary, 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.

We have every confidence that together we will confidently face the challenges of 2022. We continue to pray for God's guidance and direction on this credit union.

BOARD MEETING ATTENDANCE 2021

NAMES	MEETINGS HELD	MEETINGS ATTENDED	MEETINGS EXCUSED
Maragreth Antoine	5	5	0
Robert Thelwell	8	8	0
Audley Deidrick	8	7	1
Samuel Manning	8	8	0
Dervin Aiken	8	7	1
Celay Harwood-Gayle	8	8	0
Sheryll Hamilton	8	8	0

* Mrs. Antoine joined the Board in 2021 May

ON BEHALF OF THE BOARD OF DIRECTORS

Audley Deidrick
PRESIDENT



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Treasurer's Report For year ended 2021 December 31

Dear Members,

We give thanks for yet another year of creditable performance despite the continued negative impact of the COVID-19 pandemic. The challenges were unprecedented, and we pause to thank the team of elected officers, the management and staff for the support given to the credit union to overcome them, even while dealing with our own personal challenges. We are forever grateful to our members, partners, and stakeholders for their continued loyalty during this period.

Our organisation has adapted and evolved, we have navigated numerous challenges, and still “we rise, never to give up, never to give in”, undaunted, ready to face the challenges that lie ahead.

The Macro-economy

The Bank of Jamaica has reported that Jamaica's financial system remained sound, profitable, adequately funded and capitalised, despite the continued impact of the COVID-19 pandemic. There continued to be slower growth in loans relative to pre-pandemic rates, but loan quality deteriorated only marginally during the year.

Inflation

Inflation breached the Bank's inflation target of 4.0 to 6.0% during the latter half of 2021, resulting in the Bank's Monetary Policy Committee (“MPC”) instituting measures to guide inflation back within the target range. The Bank's policy interest rate was increased by 200 basis points to 2.50% during the year and the MPC also instituted other measures to contain Jamaican Dollar liquidity and reiterated that, while not targeting any specific level of the exchange rate, the Bank would try to ensure that movements in the exchange rate do not further threaten the inflation target.

The Statistical Institute of Jamaica has reported that the point-to-point inflation rate for the period December 2020 to December 2021 was 7.3%. The fiscal year-to-date inflation rate was 8.6%, while the calendar year inflation rate was 9.1%.

Gross Domestic Product (GDP)

Real GDP is estimated to have partially rebounded by 4.3% in 2021, in contrast to the decline of 9.9% recorded for 2020, and that the estimated expansion for 2021 reflected partial recovery in tourism and its affiliated services as well as production and distribution activities in the context of a general easing of stringency measures employed to curtail the spread of the COVID-19 pandemic.

Despite the adverse impacts of COVID-19 on the country, Jamaica did not suffer rating downgrades in 2021 and its sovereign ratings were reaffirmed by the three major international rating agencies.

Net International Reserves (NIR)

The Bank of Jamaica has reported that as at 2021 December 31, the country's NIR stood at US\$4.0billion, up from the US\$3.1 billion at the end of 2020.

Outlook for the Jamaican Economy

The MPC anticipates that, without further, stronger policy actions, inflation will continue to breach the upper limit of the Bank's target range over the next 10 to 12 months and will peak in the range of 9.0 to 11.0% over this period. Real GDP is anticipated to return to its pre-COVID level in 2023.

Our Performance (2021)

The financial performance of the credit union improved in 2021, as we did all we could to cater to members' needs and normalise operations whilst adhering to the COVI-19 protocols.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Our financial performance is detailed in the Auditors' Report later in this Report, but given all the challenges we experienced in 2021, we are pleased that we were able to reverse some of the adverse performance of 2020.

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 2021 December 31.

Capital

When the proposed 30% of undistributed surplus (\$13.9m) is applied; the Institution Capital is increased to \$374.67m or 17.5% of Assets.

Assets

Assets increased by 4.10% (6.30% in 2020), moving from \$2,168.82m to \$2,257.83m.

Loans

The negative effects of the COVID-19 pandemic were evident as the Net Loans:Asset ratio decreased to 55.38% or \$1,247.47m down from 58.01% in 2020. While \$375.13m was disbursed during the period, \$386.97m was repaid compared to disbursements of \$455.93m and repayment of \$382.42m in 2020. Gross Loans amounted to \$1,255.35m (\$1,267.19m in 2020). The Expected Credit Loss decreased by \$1.05m moving from \$8.93m to \$7.88m.

Income/Surplus

- For the year in review, we grossed Income of \$200.72m; this compares favourably with the \$155.39m in 2020 and reflected an increase of 29.17%. Our main source of Income (Income from Loans) increased by 5.13% and ended the year at \$138.97m (\$132.19m in 2020). Income from Loans represents 69% of Total Income (85% in 2020).
- Non-interest Income increased by 78.67% moving from \$8.14m to \$14.55m.
- Fair value gain on investments amounted to \$19.83m, reversing the loss of \$8.69m recorded in 2020.
- Gains on indexed investments amounted to \$6.56m.

Amount Available for Distribution

- The amount available for distribution (after the transfer of 30% to statutory reserves) increased by \$16.64m (or 31.80%) to \$68.97m; this compared to \$52.33m which was available in 2020.
- Your Board is very pleased to be able to approve a dividend payment on Voluntary Shares of 4%, an increase of 1.5% when compared to 2020. This means that dividend disbursements will increase by \$21.50m, up from the \$31.3m disbursed in 2020.
- We continue to reward our borrowing members and are pleased to be able to provide them with a 2.5% rebate on loan interest paid in 2021, an increase of 0.50% over the 2% approved in 2020.
- A proposal is being put forward to the AGM for a dividend payment of 10% to be paid on Permanent Shares.

Expenses

- Total Operating Expense increased by 11.75% (an increase of 13.67% in 2020) moving from \$102.10m to \$114.10m.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

- Administrative Costs which accounted for the major increase in expenses reflected a 26.01% or \$9.01m increase, ending the year at \$43.66m.
- Staff Costs remained relatively flat, moving from \$58.15m to \$58.49m.

Shares

- The Voluntary Shares portfolio recorded a marginal increase of 1.83% or \$25.09m (9.96% or \$114.96m in 2020), the lowest increase recorded over the past 15 years.
- The Permanent Shares portfolio increased by 17.64% (2020:17.26%) and ended the year at \$27.85m. We remind members that Permanent Shares is a part of the credit union's Institutional Capital.

Savings Deposits

The Savings Deposit portfolio increased by 6.60% or \$11.79m moving from \$200.74m to \$178.89m.

Our Focus

Our commitment to you is to ensure that our credit union continues to be managed in the most frugal manner possible, and to ensure the best returns on investments, even during these difficult times.

As we march into the unknown, we are confident that we will withstand the challenges that lie ahead. We remain committed, resolute, determined to ensure that our credit union continues on the path of sustainable growth. Our Institutional Capital indicates that we are strong, courageous, and determined. It is with this determination that we remain firmly focused on our Vision despite the ongoing uncertainties and challenges.

It is often said that a crisis triggers a flight or fight response, our response is the latter. The pandemic may not be over, we know not what the extent of Russia's war on Ukraine may be to us here in Jamaica, we know not whether there are other 'pandemics' waiting to unleash on us. What we do know is that we are fully committed to the cause and will ensure that our credit union remains alive and well.

To you our members, we know of the significant displacements caused by COVID-19; we all have been affected one way or another. The continued support of each other is still required, let us continue to be our brothers' keeper.

Our credit union remains adequately capitalised and is poised to withstand the shocks.

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. Be assured of our commitment and support.

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

Wishing for you and your families a successful 2022.

Samuel Manning
TREASURER



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

<u>WE THE MEMBERS OWN:</u>	2021	2020	% GROWTH/ REDUCTION
Statutory Reserves	367,972,775	338,696,405	8.64%
Retirement Benefit Reserve	14,935,000	18,151,000	-17.72%
Revaluation Reserve	23,366,072	23,366,072	0.00%
Permanent Share Capital	27,847,698	23,671,788	17.64%
Permanent Share Transfer Fund	1,040,043	1,040,043	0.00%
General Reserves	106,499,616	105,286,838	1.15%
Undistributed Surplus	68,973,859	52,332,597	31.80%
Making the grand total owned by us as members	610,635,063	562,544,743	8.55%
<u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>			
Net Loans to us as members	1,247,471,801	1,258,262,962	-0.86%
To invest in others	861,937,591	759,855,799	13.43%
Cash in hand and at bank	61,283,696	54,850,048	11.73%
Advances to Others	21,503,343	30,273,298	-28.97%
Retirement Benefit Asset	14,935,000	18,151,000	-17.72%
To purchase Assets	45,620,654	47,424,709	-3.80%
Less amount we owe to others at year end	(1,642,117,022)	(1,606,273,703)	-2.23%
Agreeing our net investment with our grand total owned	610,635,063	562,544,743	8.55%
<u>OUR INCOME WAS EARNED FROM</u>			
Interest on members' loans	138,974,873	132,190,005	5.13%
Interest on short-term investments and loans	47,197,437	15,055,549	213.49%
Other Income	14,546,895	8,141,821	78.67%
Total Income earned	200,719,205	155,387,375	-29.17%
<u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>			
Affiliation	9,244,739	8,728,326	5.92%
Administration	103,873,668	93,377,756	12.29%
Financial	6,126,713	5,130,884	19.41%
Net movement/expected credit loss for IFRS	(1,048,623)	(2,214,924)	52.66%
Leaving Surplus before distribution of	82,522,708	50,365,333	36.15%
Less Dividend paid (2020 paid in 2021)	35,189,476	63,209,993	-44.33%
Less Honoraria paid (2020 paid in 2021)	1,000,000	2,800,000	-64.29%
Balance	46,333,232	(15,644,660)	214.52%
Less: Transfer to Statutory Reserve	13,899,970	-	100.00%
Less other adjustments and appropriation	15,792,000	(4,461,000)	389.87%
Less			
To which we add previous Undistributed Surplus	52,332,597	72,438,257	-27.76%
Resulting in a total undistributed surplus at this yearend of	68,973,859	52,332,597	31.80%

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021



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

Website: www.dcfs.gov.jm

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

S1
R99/388/03/22

March 24, 2022

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 financial year ended December 31, 2021.

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.

Kindly advise the Department of the date of the Annual General Meeting, so that arrangements can be made for representation.

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-OP CREDIT UNION LTD.
ANNUAL REPORT 2021**

Palisadoes Co-operative Credit Union Limited

December 31, 2021

**Palisadoes Co-operative Credit
Union Limited**

Financial Statements
December 31, 2021

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

December 31, 2021

Contents

	Page
Independent auditor's report	33
Financial Statements	
Statement of financial position	39
Statement of income and expenditure and other comprehensive income	41
Statement of changes in equity	42
Statement of cash flows	44
Notes to the financial statements	45-87

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, 2021, 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, 2021, 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.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021



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, 2021 loans after allowances for credit losses of \$7.8 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 judgments by management, including:

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

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 (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.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021



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 21, 2022


Chartered Accountants

HLB Mair Russell is an independent member of HLB the global advisory and accounting network

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Statement of financial position

December 31, 2021

	Note	2021 \$	2020 \$
Assets			
Non-current assets			
Earning			
Financial investments	(4)	330,484,513	292,072,644
Loans, after provision for expected credit losses	(5)	1,224,654,329	1,235,068,885
Automated Teller Machines	(6)	3,976,043	4,562,740
		1,559,114,885	1,531,704,269
Non-Earning			
Property, plant and equipment	(7)	41,644,611	42,861,969
Retirement benefit asset	(8)	14,935,000	18,151,000
		56,579,611	61,012,969
Total non-current assets		1,615,694,496	1,592,717,238
Current assets			
Earning			
Financial investments	(4)	481,453,078	417,783,155
Resale agreement	(9)	50,000,000	50,000,000
Loans, after provision for loan impairment	(5)	22,817,472	23,194,077
		554,270,550	490,977,232
Non-earning			
Bank and cash balances	(10)	61,283,696	54,850,048
Receivables	(11)	21,503,343	30,273,928
		82,787,039	85,123,976
Total current assets		637,057,589	576,101,208
Total assets		2,252,752,085	2,168,818,446

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021


Palisadoes Co-operative Credit Union Limited Statement of financial position

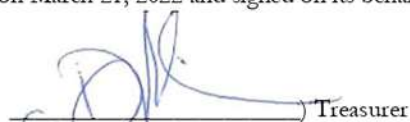
December 31, 2021

	Note	2021 \$	2020 \$
Capital and liabilities			
Capital			
Permanent share capital	(12)	27,847,698	23,671,788
Institutional capital	(13)	367,972,775	338,696,405
Non-institutional capital	(14)	145,840,731	147,843,953
Undistributed surplus		68,973,859	52,332,597
Total capital		<u>610,635,063</u>	<u>562,544,743</u>
Liabilities			
Non-current liabilities			
Interest bearing			
Members' shares	(15)	1,394,056,858	1,368,971,080
External credit	(16)	29,143,079	29,095,283
		<u>1,423,199,937</u>	<u>1,398,066,363</u>
Non-interest bearing			
External credit	(16)	4,880,491	4,880,491
Total non-current liabilities		<u>1,428,080,428</u>	<u>1,402,946,854</u>
Current liabilities			
Interest bearing			
Savings deposits	(17)	190,677,761	178,891,328
Non-interest bearing			
Accounts payable and accruals	(18)	23,358,833	24,435,521
Total current liabilities		<u>214,036,594</u>	<u>203,326,849</u>
Total liabilities		<u>1,642,117,022</u>	<u>1,606,273,703</u>
Total capital and liabilities		<u>2,252,752,085</u>	<u>2,168,818,446</u>

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

Approved for issue by the Board of Directors on March 21, 2022 and signed on its behalf by:


 _____) President
Audley Deidrick


 _____) Treasurer
Samuel Manning

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Statement of income and expenditure and Other comprehensive income

Year ended December 31, 2021

	Note	2021 \$	2020 \$
Interest income			
Members' loans		138,974,873	132,190,005
Investments		27,371,236	23,749,057
Fair value gain/(loss) on investment		19,826,201	(8,693,508)
		<u>186,172,310</u>	<u>147,245,554</u>
Interest expense and dividends			
Interest on members' savings and deposits		5,101,290	3,757,289
Dividends		35,189,476	63,209,993
External credit		291,955	299,958
Bank charges and interest		733,468	1,073,637
		<u>41,316,189</u>	<u>68,340,877</u>
Net interest income		144,856,121	78,904,677
Net movement on loan impairment provision		1,048,623	2,214,924
Net interest income after provision for losses		<u>145,904,744</u>	<u>81,119,601</u>
Non-interest income			
Service fees		2,192,652	2,532,725
Money transfer service commission		15,582	13,607
Rental income		1,320,000	1,290,000
Foreign exchange gain		6,560,923	13,246
Other income		4,457,738	4,292,144
		<u>14,546,895</u>	<u>8,141,821</u>
Gross margin		160,451,639	89,261,422
Less: Operating expenses	(19)	(113,118,407)	(102,106,082)
Surplus/(deficit) for the year before honorarium		<u>47,333,232</u>	<u>(12,844,660)</u>
Honorarium		(1,000,000)	(2,800,000)
Net surplus/(deficit) for the year		<u>46,333,232</u>	<u>(15,644,660)</u>
Other comprehensive income:			
Actuarial loss on defined benefit plan		(3,708,000)	(15,000)
Fair value gain on investments		1,212,778	60,061,376
Other comprehensive (loss)/income for the year		<u>(2,495,222)</u>	<u>60,046,376</u>
Total comprehensive income for the year		<u>43,838,010</u>	<u>44,401,716</u>

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Statement of changes in equity

Year ended December 31, 2021

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at December 31, 2020	23,671,788	338,696,405	147,843,953	52,332,597	562,544,743
Surplus for the year	-	-	-	46,333,232	46,333,232
Other comprehensive income					
Fair value gain on investments	-	-	1,212,778	-	1,212,778
Actuarial loss on defined benefit asset	-	-	(3,708,000)	-	(3,708,000)
Other comprehensive income	-	-	(2,495,222)	-	(2,495,222)
Total comprehensive income	-	-	(2,495,222)	46,333,232	43,838,010
30% transfer of statutory reserve	-	13,899,970	-	(13,899,970)	-
Transfer of retirement benefit asset	-	-	492,000	(492,000)	-
Additional statutory reserve	-	15,300,000	-	(15,300,000)	-
Entrance fee	-	76,400	-	-	76,400
Permanent shares	4,175,910	-	-	-	4,175,910
Balance at December 31, 2021	27,847,698	367,972,775	145,840,731	68,973,859	610,635,063

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Statement of changes in equity

Year ended December 31, 2021 (cont'd)

	Permanent Share Capital \$	Institutional Capital \$	Non- Institutional Capital \$	Undistributed Surplus \$	Total \$
Balance at December 31, 2019	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)
Other comprehensive income					
Fair value gain on investments	-	-	60,061,376	-	60,061,376
Actuarial loss on defined benefit asset	-	-	(15,000)	-	(15,000)
Other comprehensive income	-	-	60,046,376	-	60,046,376
Total comprehensive income	-	-	60,046,376	(15,644,660)	44,401,716
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
Balance at December 31, 2020	23,671,788	338,696,405	147,843,953	52,332,597	562,544,743

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Statement of cash flows

Year ended December 31, 2021

	2021 \$	2020 \$
Cash flows from operating activities:		
Surplus/(deficit) for the year	46,333,232	(15,644,660)
Adjustments for:		
Gain on retirement asset	(492,000)	39,000
Depreciation	5,062,168	4,801,064
Net cash (used in)/provided by operating activities	50,903,400	(10,804,596)
Cash flows from investing activities:		
Loans after provision for loan impairment	10,838,956	(76,146,237)
Financial investments	(102,081,792)	(176,569,783)
Resale agreement	-	128,194,904
Accounts receivables	8,770,585	(3,186,455)
Purchase of property, plant and equipment	(3,258,112)	(3,830,181)
Net cash used in investing activities	(85,730,363)	(131,537,752)
Cash flows from financing activities:		
Issue of permanent shares	4,175,910	3,484,828
Members' shares	25,085,778	114,958,402
Savings deposits	11,786,433	(21,845,865)
External credit	-	228,497
Payables and accruals	(1,076,688)	(9,167,991)
Entrance fees	76,400	54,900
Appropriations	-	(2,500,000)
Investment revaluation reserve	1,212,778	60,061,376
Net cash provided by financing activities	41,260,611	145,277,147
Net increase in bank and cash balances	6,433,648	2,931,799
Bank and cash balances at beginning of year	54,850,048	51,918,249
Bank and cash balances at end of year	61,283,696	54,850,048

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Notes to the financial statements

December 31, 2021

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).

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

a Basis of preparation (cont'd)

Changes in accounting policies

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

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

Amendments to IAS 1 and IAS 8 on the definition of material. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 16 and IFRS 7- Interest rate benchmark reform. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

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.

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after January 1, 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

PALISADOES CO-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Financial Statements

Year ended December 31, 2021

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

a Basis of preparation (cont'd)

Standards, amendments and interpretations issued but not yet effective and have not been early adopted by the Credit Union (cont'd)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments' and the Illustrative examples accompanying IFRS 16, 'Leases'.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after January 1, 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

b Property, plant and equipment (cont'd)

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

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

iii Repairs and renewals

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

c Intangible asset – computer software

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

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

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

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

d Foreign currency translation

Functional and presentation currency

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

Foreign currency translations and balances

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

e Revenue

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

f Operating expenses

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

g Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the 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.

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

g Financial instruments (cont'd)

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.

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).

Palisadoes Co-operative Credit Union Limited
Financial Statements

Year ended December 31, 2021

3. Summary of significant accounting policies (cont'd)
g Financial instruments (cont'd)

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 and whose credit risk is not low ("Stage 2").
- '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.

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

g Financial instruments (cont'd)

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.

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.

Palisadoes Co-operative Credit Union Limited
Financial Statements

Year ended December 31, 2021

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

k Originated loans and provision for loan impairment (cont'd)

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

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

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

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

l Pension obligations and short-term employee benefits

Pension to employees is provided through a Defined Benefit Plan.

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

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

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

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

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

l Pension obligations and short-term employee benefits (cont'd)

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

m Members' deposits and other borrowed funds

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

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

n Receivables

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

o Other liabilities

Other liabilities are stated at their nominal value.

p Borrowing costs

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

q Impairment

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

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

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

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

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

r Critical accounting estimates and judgments in accounting policies

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

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

Impairment losses on loans and receivables

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

Pension and post-retirement benefits

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

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

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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

r Critical accounting estimates and judgments in accounting policies (cont'd)

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

4. Financial investments

	2021 \$'000	2020 \$'000
Non-current		
Amortised cost		
Proven Wealth	36,979,735	20,000,000
VM Wealth	85,000,000	260,000,000
JCCUL - CUETS Settlement Deposit	2,094,511	2,072,644
Money Masters Fund Bonds	30,000,000	10,000,000
Money Master preference shares	40,000,000	-
CUMAX Bond	30,000,000	-
Money Master Reii fund	10,000,000	-
Sterling Asset Management	53,744,667	-
JMMB preference shares	42,665,600	-
Total non-current	330,484,513	292,072,644
Current		
Amortised cost		
Sterling Asset Management	49,063,113	84,298,951
CUMAX Fund	177,822,377	121,285,699
JMMB - Savings	1,269,239	2,633,608
Money Master Fund Bonds	69,220,000	-
	297,374,729	208,218,258
Fair value through other comprehensive income		
Shares NUCS Co-operative Insurance Services	500,000	500,000
JCCUL shares unquoted	69,246,123	68,611,952
Shares – Quality Networks Co-operative Limited	1,904,855	2,093,247
Credit Union Fund Management Company	10,787,000	10,050,000
Centralised Strategic Service Limited	60,000	30,000
	82,497,978	81,285,199
Fair value through profit or loss		
Grace Kennedy	932,687	584,491
JMMB	10,939,986	9,622,416
Wisynco	2,208,458	2,226,972
Seprod	6,131,347	6,144,602
Elite Diagnostics	141,289	149,221
Stationery and Office Supplies	1,008,521	716,539
Sagicor	12,910,847	11,659,896
Jamaica Broilers	1,945,010	1,973,820
Proven Wealth	43,060,542	78,580,683
Sygnus	1,488,000	1,625,000
VM Wealth	16,452,532	14,895,478
Eppley	90,628	100,580
Kingston Wharves	4,270,524	-
	101,580,371	128,279,698
Total current	481,453,078	417,783,155
Total	811,937,591	709,855,799

5. Loans, after provision for expected credit losses

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

(a) Movement in loans during the year	2021	2020
	\$	\$
Balance at the beginning of the year	1,267,190,009	1,193,681,103
Add: Disbursement during the year	375,127,922	455,925,174
	1,642,317,931	1,649,606,277
Less: Repayment	(386,967,706)	(382,416,268)
	1,255,350,225	1,267,190,009
Less: Expected credit losses	(7,878,424)	(8,927,047)
	1,247,471,801	1,258,262,962
Less: Current portion	(22,817,472)	(23,194,077)
Total non-current	1,224,654,329	1,235,068,885

(b) Expected credit losses	2021	2020
	\$	\$
Provision for impairment at beginning of year	8,927,047	11,564,378
Reduction amounts provided for during the year	(1,048,623)	(2,214,924)
Loans written-off that were previously provided for	-	(422,407)
Provision for impairment at end of year	7,878,424	8,927,047

(c) Delinquent loans

During the year, loans totalling \$9,528,379, which have been delinquent for periods exceeding one (1) year were written off. In 2021, 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.

At December 31, 2021, there were 52 (2020 – 47) delinquent loans totalling \$13,687,478 (2020 – \$12,681,760) aged two months and over. These loans are summarised as follows:

Months Arrears	Number of Members	Delinquent Loans \$	Percentage Provision %	PEARLS Provision \$
0 - 2	8	288,349	0	-
2 - 3	6	306,556	10	30,656
3 - 6	4	291,769	30	87,531
6 - 12	10	3,272,425	60	1,963,455
Over 12	24	9,528,379	100	9,528,379
	52	13,687,478		11,610,021

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

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

	2021 \$	2020 \$
Within 3 months	3,792,931	3,933,281
From 3 months to 1 year	19,024,542	19,260,796
Over 1 year	1,224,654,328	1,235,068,885
Total	1,247,471,801	1,258,262,962

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

	2021 \$	2020 \$
Home equity	589,292,975	575,730,537
Motor vehicle	206,268,275	215,989,355
Loans within shares and savings	382,906,227	411,919,087
Unsecured loans	74,243,065	63,455,151
Others	2,639,683	95,879
Total	1,255,350,225	1,267,190,009

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

	2021 \$	2020 \$
Neither past due nor impaired	1,220,115,971	1,255,241,995
Past due but not impaired	4,160,656	191,998
Impaired loans:		
2 to 3 months	449,408	542,432
3 to 6 months	607,934	1,166,882
6 to 12 months	25,070,704	3,811,403
Over 12 months	4,945,552	6,235,899
Less provision for loan losses	(7,878,424)	(8,927,047)
Total	1,247,471,801	1,258,262,962

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

	2021 \$	2020 \$
Balance at January 1	8,927,047	11,564,378
Loans written-off previously provided for	-	(422,407)
Reduction amounts provided for during the year	(1,048,623)	(2,214,924)
Provision for impairment at end of year-IFRS9	7,878,424	8,927,047
Calculated provision for impairment in accordance with LEAGUE provisioning rules	11,610,021	9,660,794

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

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

	2021	2020
	\$	\$
Neither past due nor impaired	1,220,115,971	1,255,241,995
Past due but not impaired	4,160,656	191,998
Impaired loans:		
2 to 3 months	449,408	542,432
3 to 6 months	607,934	1,166,882
6 to 12 months	25,070,704	3,811,403
Over 12 months	4,945,552	6,235,899
Less provision for loan losses	(7,878,424)	(8,927,047)
Total	1,247,471,801	1,258,262,962

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

	2021	2020
	\$	\$
Balance at January 1	8,927,047	11,564,378
Loans written-off previously provided for	-	(422,407)
Increase/reduction amounts provided for during the year	(1,048,623)	(2,214,924)
Provision for impairment at end of year-IFRS9	7,878,424	8,927,047

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

6. Automated teller machines

The carrying amounts are reconciled as follows:

	Automated Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2020	12,337,677	12,337,677
Balance at December 31, 2021	12,337,677	12,337,677
Depreciation		
Balance at December 31, 2020	(7,774,937)	(7,774,937)
Depreciation	(586,697)	(586,697)
Balance at December 31, 2021	(8,361,634)	(8,361,634)
Carrying amount at December 31, 2021	3,976,043	3,976,043

	Automated Teller Machines \$	Total \$
Gross carrying amount		
Balance at December 31, 2019	12,337,677	12,337,677
Addition	-	-
Balance at December 31, 2020	12,337,677	12,337,677
Depreciation		
Balance at December 31, 2019	(7,185,682)	(7,185,682)
Depreciation	(589,255)	(589,255)
Balance at December 31, 2020	(7,774,937)	(7,774,937)
Carrying amount at December 31, 2020	4,562,740	4,562,740

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Financial Statements

Year ended December 31, 2021

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

	Land \$	Leasehold Improvement \$	Office Furniture & Equipment \$	Computer \$	Software \$	Total \$
Gross carrying amount						
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
Balance at December 31, 2020	33,605,925	10,838,131	14,972,047	18,923,356	24,005,446	102,344,905
Depreciation						
Balance at December 31, 2019	-	(10,025,574)	(11,566,782)	(18,370,261)	(15,308,511)	(55,271,128)
Charge for the year	-	(222,946)	(745,081)	(110,019)	(3,133,762)	(4,211,808)
Balance at December 31, 2020	-	(10,248,520)	(12,311,863)	(18,480,280)	(18,442,273)	(59,482,936)
Carrying amount at December 31, 2020	33,605,925	589,611	2,660,184	443,076	5,563,173	42,861,969

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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,

	2021 \$	2020 \$
Present value of funded obligation	87,721,000	77,218,000
Fair value of plan assets	(102,656,000)	(95,369,000)
Asset recognised in the statement of financial position	(14,935,000)	(18,151,000)

Expense recognised in the revenue and expenditure statement

	2021 \$	2020 \$
Current service cost	2,536,000	2,507,000
Interest cost	6,908,000	5,235,000
Return on plan assets	(9,227,000)	(6,039,000)
Net pension credit included in staff costs	(217,000)	(1,703,000)

Changes in the present value of the pension obligation

	2021 \$	2020 \$
Present value of obligation at beginning of year	77,218,000	69,089,000
Current service cost and contributions	4,586,000	4,555,000
Interest cost	6,908,000	5,235,000
Benefits paid	(936,000)	(616,000)
Actuarial gain	(55,000)	(1,045,000)
Changes in the present value of obligation at end of year	87,721,000	77,218,000

Changes in the fair value of plan assets

	2021 \$	2020 \$
Fair value of plan assets	95,369,000	87,294,000
Contributions	3,789,000	3,712,000
Return on plan assets	8,197,000	6,039,000
Benefits paid	(936,000)	(616,000)
Actuarial loss on plan assets	(3,763,000)	(1,060,000)
Changes in the fair value of plan assets at end of year	102,656,000	95,369,000

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

8. Retirement benefit asset (cont'd)

Movements in net asset

	2021 \$	2020 \$
Opening net asset	(18,151,000)	(18,205,000)
Pension income	1,247,000	1,703,000
Total re-measurements included in other comprehensive income	3,708,000	15,000
Employer's contributions	(1,739,000)	(1,664,000)
Closing net asset	(14,935,000)	(18,151,000)

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

	2021		2020	
	\$	%	\$	%
J\$ debentures	26,690,000	26.00	29,840,000	31.29
US\$ Certificates of deposit	855,000	0.83	2,749,000	2.88
Repurchase Agreements	9,173,000	8.94	1,973,000	2.07
US\$ debentures	13,530,000	13.18	15,076,000	15.81
Quoted equities	23,745,000	23.13	19,410,000	20.35
Investment properties	23,420,000	22.81	23,132,000	24.26
Real estate fund	1,156,000	1.13	1,040,000	1.09
Local registered stocks			-	-
Unit trust	5,463,000	5.32	4,025,000	4.22
Net current assets	(1,376,000)	(1.34)	(1,876,000)	(1.97)
	102,656,000	100	95,369,000	100

Principal actuarial assumptions

	2021 %	2020 %
Discount rate	8.0	9.5
Future salaries increase	5.5	6.5
Pension increases	3.75	4.5

9. Reverse repurchase agreement

	Amortised cost 2021 \$	Amortised cost 2020 \$
NCB Capital Markets Limited	50,000,000	50,000,000

10. Bank and cash balances

	2021 \$	2020 \$
Cash in hand	46,120,244	35,916,843
Current accounts	15,163,452	18,933,204
Total	61,283,696	54,850,048

PALISADOES CO-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Financial Statements

Year ended December 31, 2021

11. Receivables

	2021	2020
	\$	\$
Loan interest receivable	1,579,588	2,408,446
Interest receivable	13,635,055	17,708,956
Prepaid expense	40,000	1,936,148
Payroll receivable	525,510	965,510
Withholding tax	1,559,611	1,559,611
Other receivables	3,687,900	4,896,169
Inventory	475,679	799,088
Total	21,503,343	30,273,928

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

12. Permanent share capital

	2021	2020
	\$	\$
Balance at beginning of the year	23,671,788	20,186,960
Allocation of shares	4,175,910	3,484,828
Balance at end of year	27,847,698	23,671,788

13. Institutional capital

	2021	2020
	\$	\$
Statutory reserve as at January 1	304,220,671	302,165,771
Add 30% of net income	13,899,970	-
Additional amount transferred to statutory reserve	15,300,000	2,000,000
Add: Entrance Fees	76,400	54,900
	333,497,041	304,220,671
Business combination reserve	34,475,734	34,475,734
Total	367,972,775	338,696,405

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-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Financial Statements

Year ended December 31, 2021

14. Non-Institutional capital

	2021	2020
	\$	\$
Retirement benefit asset reserve (Note i)	14,935,000	18,151,000
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)	62,176,357	60,963,579
Total	145,840,731	147,843,953

- (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

	2021	2020
	\$	\$
Balance at beginning of year	1,368,971,080	1,254,012,678
Add: Amount subscribed and dividends	410,902,341	489,033,387
	1,779,873,421	1,743,046,065
Less: Withdrawals and transfer	(385,816,563)	(374,074,985)
Balance at end of year	1,394,056,858	1,368,971,080

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

16. External credit

	2021 \$	2020 \$
Interest bearing:		
(i) Carib Cement	13,401,302	13,369,815
(ii) Rubis Energy	5,402,218	5,361,865
(iii) IGL	3,406,617	3,536,044
(iv) Airport Authority of Jamaica	6,878,942	6,827,559
Total	29,143,079	29,095,283
Non-interest bearing:		
(i) Airport Authority of Jamaica	2,413,058	2,413,058
(ii) Air Jamaica Holding Limited	2,467,433	2,467,433
Total	4,880,491	4,880,491

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

17. Savings deposits

	2021 \$	2020 \$
Other deposits	37,266,820	35,061,664
Regular deposits	71,368,760	54,268,931
Members fixed deposits	82,042,181	89,560,733
Total	190,677,761	178,891,328

18. Accounts payables

	2021 \$	2020 \$
Employee benefit payable	251,070	378,145
Audit and accounting fee	2,221,545	1,289,244
Education and outreach	370,280	2,801,842
Trade payable	3,068,475	542,646
Accrued interest	278,679	150,736
Withholding tax	72,687	124,923
LS & LP payable	266,727	240,000
Compliance fund	10,406	-
Other payable	16,818,964	18,907,785
Total	23,358,833	24,435,321

PALISADOES CO-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited

Financial Statements

Year ended December 31, 2021

19. Operating expenses

	2021	2020
	\$	\$
Staff costs		
Employees salaries and allowances	54,858,344	52,373,427
Employee benefits	3,728,810	5,223,095
Employee welfare and training	756,306	245,268
Employee travel and related expenses	601,873	649,884
	59,945,333	58,491,674
Administrative		
Office rental	8,078,642	7,529,566
Audit fees	4,000,000	2,500,000
Depreciation	5,062,168	4,801,064
Legal fees and professional fees	1,658,118	820,825
Administrative expenses and subscription	10,749,108	7,316,268
Utilities	2,680,885	2,089,858
Telecommunication	3,405,506	2,456,038
Insurance premiums	4,108,997	3,680,107
Printing, stationery and supplies	3,324,413	2,918,146
Repairs and maintenance	592,728	537,513
Total administrative expenses	43,660,565	34,649,385
Representation and affiliation		
League fees and other fees	4,254,603	3,995,266
Stabilization dues	1,160,897	1,454,750
Board and committee meetings	2,242,524	1,805,378
League AGM	1,586,715	1,472,932
Total representation and affiliation expenses	9,244,739	8,728,326
Marketing and promotion		
Promotion and advertising	267,770	236,697
Total marketing and promotion expenses	267,770	236,697
Total operating expenses	113,118,407	102,106,082

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

20. Leases

Lease payment not recognised as a liability.

The Credit Union leases its offices. Lease agreement expired prior to December 31, 2021 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 expense relating to payments not included in the measurement of the lease liability is as follows:

	2021	2020
	\$	\$
Lease of 2 offices	8,078,642	7,529,666
Total	8,078,642	7,529,566

21. Volunteers' balances

At December 31, 2021, 7 (2020 - 7) members of the Society's Board of Directors and 10 (2020 - 10) Committee Members had savings and deposits of \$53,882,567 (2020 - \$47,198,707) and loans including interest totalling \$68,248,218 (2020 - \$ 68,446,078).

Loans including interest due from members of staff totalled \$12,157,106 (2020 - \$31,690,775). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2021, 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	1,394,056,858	190,677,671	1,255,350,225
Personal ledgers	1,394,056,858	190,677,671	1,255,350,225
Ledger difference	-	-	-

23. Employee benefits

	2021	2020
	\$	\$
Salaries and allowances	54,858,344	52,373,427
Other personnel cost	4,330,683	5,872,979
Staff training and welfare	756,306	245,268
Total	59,945,333	58,491,674

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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:

	2021 \$	2020 \$
Financial assets at amortised cost		
Reverse repurchase agreement	50,000,000	50,000,000
Financial investments	627,859,242	500,290,902
	677,859,242	550,290,902
Fair value through profit or loss		
Quoted shares	101,580,371	128,279,698
Fair value through other comprehensive income		
Unquoted shares	82,497,978	81,285,199
Financial assets at amortised cost		
Members' loans	1,247,471,800	1,258,262,962
Accounts receivables	21,503,343	30,273,928
Cash and cash equivalents	61,283,696	54,850,048
	1,330,258,839	1,343,386,938
Total financial assets	2,192,278,823	2,103,242,737
Liabilities		
Financial liabilities measured at amortised cost		
Members shares	1,394,056,858	1,368,971,080
Savings deposits	190,677,761	178,891,328
Trade and other payables	23,358,833	24,435,521
External credit	34,023,570	33,975,774
	1,642,117,022	1,606,273,703

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 Limited
Financial Statements**

Year ended December 31, 2021

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 Limited
Financial Statements

Year ended December 31, 2021

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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.

	2021					Total \$
	Average Interest rate %	Within three months \$	Three to Twelve months \$	One to five years \$	Non-Rate sensitive \$	
Reverse repurchase agreement	6	50,000,000	-	-	-	50,000,000
Financial investments	2.5	524,118,678	-	287,818,913	-	811,937,591
Loan	10.0	3,792,931	19,024,541	1,224,654,329	-	1,247,471,801
Account receivables		-	-	-	21,503,343	21,503,343
Bank balances		-	-	-	61,283,696	61,283,696
Total assets		577,911,609	19,024,541	1,512,473,242	82,787,039	2,192,196,431
Savings deposits	1.5	108,635,743	82,042,218	-	-	190,677,961
Non-interest bearing liabilities		-	-	34,023,570	-	34,023,570
Interest bearing liabilities	1.0	-	-	-	23,358,835	23,358,833
Members shares		-	-	-	1,394,056,858	1,394,056,858
Total liabilities		108,635,743	82,042,181	29,143,079	1,422,296,184	1,642,117,022

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

25. Risk management policies (cont'd)

a Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	2020					Total \$
	Average Interest rate %	Within three months \$	Three to Twelve months \$	One to five years \$	Non-Rate sensitive \$	
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
Total assets		471,716,436	19,260,796	1,527,141,529	85,123,976	2,103,242,737
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
Total liabilities		89,330,595	89,560,733	29,095,283	1,398,287,092	1,606,273,703

**Palisadoes Co-operative Credit Union Limited
Financial Statements**

Year ended December 31, 2021

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 2021	Effect on Net Surplus 2021 \$'000	Change in basis points 2020	Effect on Net Surplus 2020 \$'000
J\$ instruments		J\$ instruments	
+100	65,505	+100	58,065
-50	(32,752)	-100	(58,065)

(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.

Palisadoes Co-operative Credit Union Limited
Financial Statements

Year ended December 31, 2021

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 Limited
Financial Statements

Year ended December 31, 2021

25. Risk management policies (cont'd)

b Credit risk (cont'd)

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, 2021 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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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, 2021 and January 1, 2021 was determined as follows:

Expected credit loss summarise by stage

Loan stage	December 31, 2021		
	Total loan balance \$	Expected credit loss \$	Expected credit loss rate %
Stage 1	1,220,388,644	3,061,729	0.25
Stage 2	4,625,732	16,507	0.36
Stage 3	30,335,848	4,800,188	15.82
Total	1,255,350,224	7,878,424	

Expected credit loss summarise by stage

Loan stage	December 31, 2020		
	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
Total	1,267,190,009	8,927,047	

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

25. Risk management policies (cont'd)

b Credit risk (cont'd)

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

	2021	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,255,350,225	7,878,424

	2020	
	Loans \$'000	Impairment provision \$'000
Loans to members	1,267,190,009	8,927,047

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

	2021 \$'000	2020 \$'000
Provision for impairment at beginning of year	8,927,047	11,564,378
(Reduction)/increase in amounts provided for during the year	(1,048,623)	(2,214,924)
Loans written-off previously provided for	-	(422,409)
Provision for impairment at end of year	7,878,424	8,927,047

(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 2021, there were no renegotiated loans.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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:

	2021 \$	2020 \$
Real estate residential	443,311,074	423,339,693
Home improvement	45,885,301	46,305,537
Education	20,693,021	24,357,845
Business investment	93,254,423	88,899,364
Transport purchase	213,251,900	215,989,355
Line of credit	44,634,123	40,727,531
Bills	209,572,254	234,810,909
Personal and others	184,748,129	192,759,775
	1,255,350,225	1,267,190,009
Less: Allowances for loan losses	(7,878,424)	(8,927,047)
Total	1,247,471,801	1,258,262,962

(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:

	2021 \$	2020 \$
Real estate	-	-
Motor vehicle	1,060,000	-
Total	1,060,000	-

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

	2021 \$	2020 \$
Real estate	-	-
Motor vehicle	976,840	-
Total	976,840	-

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 Limited
Financial Statements

Year ended December 31, 2021

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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.

	2021				Total \$
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	
Interest bearing liabilities					
Member shares	-	-	-	1,394,056,858	1,394,056,858
Savings deposits	110,265,114	83,292,814	-	-	193,537,928
External credit	-	-	29,434,509	4,880,491	34,315,000
Non-interest bearing liabilities	-	-	-	23,358,833	23,358,833
Total liabilities	110,265,114	83,292,814	29,434,509	1,422,296,182	1,645,268,619
	2020				
	Within Three Months \$	Three to Twelve Months \$	One to Five Years \$	No Specific Maturity \$	Total \$
Interest bearing liabilities					
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
Total liabilities	90,670,554	90,904,144	29,386,235	1,398,287,092	1,609,248,026

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 Limited
Financial Statements**

Year ended December 31, 2021

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. The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

December 31, 2021

Assets	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Quoted shares (a)	101,580,371	42,665,600	-	144,245,971
Fixed deposits and other deposits (c)	-	-	717,691,620	717,691,620
Total	101,580,371	42,665,600	717,691,620	861,937,591

December 31, 2020

Assets	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Quoted shares (a)	128,279,698	-	-	128,279,698
Fixed deposits and other deposits (c)	-	-	631,576,101	631,576,101
Total	128,279,698	-	631,576,101	759,855,799

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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 \$25,735,537 (2020 - \$25,753,537) that comprised the following balances;

	2021 \$	2020 \$
Statutory reserve	16,429,227	16,429,227
General reserve	9,324,310	9,324,310
Total	25,753,537	25,753,537

There was no change to the Credit Union's approach to capital management during the year.

All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2021 and 2020.

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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2021

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

Effective June 1, 2020, 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.

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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Report of the Credit Committee For year ended 2020 December 31

The committee comprised the following:

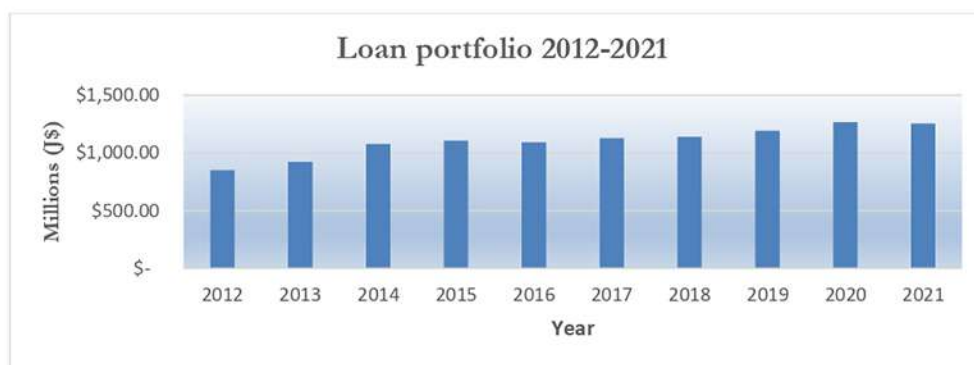
- ❖ Gay Morgan- Chair
- ❖ Michelle Mais-Cadenhead - Secretary
- ❖ Berthlyn Plummer
- ❖ Carlington Miles
- ❖ Orrette Staple

The committee met on forty-one (41) occasions; in order to carry out its mandate as determined by the membership. The following tasks were undertaken:

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

For the year being reported on, there was a reduction in the number and value of loans processed. The number of loans approved for the period amounted to 2,867 when compared to 3,210 in 2020. The value of these loans was \$375.13m (\$455.93m in 2020), which resulted in a negative variance of \$80.8m or a decrease of 21.54%.

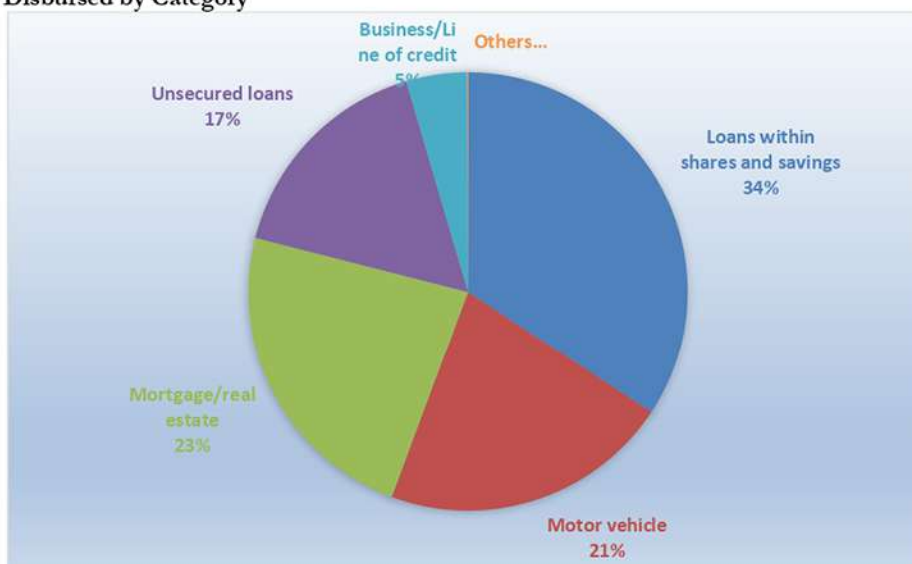
The table below reflects the movement in the credit union's loan portfolio over the past 10 years



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

COMPARITIVE ANALYSIS OF LOANS DISBURSED BY CATEGORY 2021 VS 2020						
Loan type	Amount	Amount	Variance	%change	% Allocation	% Allocation
	2021	2020			2021	2020
Loans within shares and savings	\$ 128,680,852.28	\$ 140,211,986.37	-\$ 11,531,134.09	-8.96	34.30	30.75
Motor vehicle	\$ 80,079,861.62	\$ 57,664,669.00	\$ 22,415,192.62	27.99	21.35	12.65
Mortgage/real estate	\$ 87,474,393.52	\$ 175,833,261.35	-\$ 88,358,867.83	-101.01	23.32	38.57
Unsecured loans	\$ 61,835,938.56	\$ 61,826,920.39	\$ 9,018.17	0.01	16.48	13.56
Business/Line of credit	\$ 16,800,000.00	\$ 20,000,000.00	-\$ 3,200,000.00	-19.05	4.48	4.39
Others	\$ 256,875.65	\$ 388,337.16	-\$ 131,461.51	-51.18	0.07	0.09
Total Loans disbursed	375,127,921.63	\$ 455,925,174.27	-\$ 80,797,252.64	-21.54	100.00	100.00
Number of Loans	2867	3210	-343	-11.96		

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 \$11.53m or 8.96% when compared to 2020. The value of disbursements amounted to \$128.68m.

Motor Vehicle Loans

Loans to the value of \$80.08m were disbursed during the year. This reflected a \$22.41m or 27.99% increase over the previous year's figures.

Unsecured Loans

There was a slight increase of \$9,018.17 in the value of unsecured loans disbursed when compared to 2020. Unsecured Loans represents 16.48% of loans disbursed for the year.



PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Mortgage and Real Estate

There was a significant decrease in the value of Mortgage and Real Estate type loans. The total for this category amounted to \$87.47m compared to \$175.83m in 2020, a decrease of \$88.35m or 101.01%.

Business/Line of Credit

The performance in this category shows that total loans decreased by \$3.2m or 19.05%. Total loans disbursed was \$16.8m.

Recommendations

The Credit Union and country on a whole continues to be impacted by the COVID-19 pandemic. This is seen in the 2021 figures as there was a 21.54% decline in the value of loans disbursed compared with 2020. Many of our members have been negatively affected, with some losing their jobs or have had a reduction in their disposable income. The continued redundancy exercise at Carib Cement and other affiliated companies, along with strong competition from other financial institutions, has also impacted the number of members accessing loans.

With the above in mind, the committee recommends that more emphasis be placed on marketing activities to encourage its members to access loans. We must aim to be more visible to the public through branding and advertising (newspaper, television, social media, etc). Where possible, special loan promotions should be done to target new members.

The Covid-19 pandemic has sparked an entrepreneurial spirit in Jamaica, and the Credit Union should now be placing more emphasis on encouraging members to take up the business loan option.

Attendance Record of Credit Committee Meeting 2021

Names	Scheduled Meetings	Attended	Excused
Berthlyn Plummer	23	18	5
Carlington Miles	23	21	2
Orette Staple	27	27	0
Michelle Mais Cadenhead	27	25	2
Gay Morgan	23	20	3

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

Our sincere appreciation and thanks to you the members for the confidence placed in us, the Board of Directors, Supervisory Committee and the Management and Staff for their support during 2021. We wish the Credit Union continued success.

Co-operatively Yours


Gay Morgan
CHAIR

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

Report of the Supervisory Committee For year ended 2021 December 31

The Supervisory Committee is pleased to report on the operations of the Palisadoes Cooperative Credit Union Ltd (PCCUL) for the year 2021.

The Committee, in performing its duties with independence and reasonable care, held meetings to discuss the affairs of the Credit Union. During the period January – December 2021, the Committee met on eight (8) occasions; the attendance record is set out in the table below:

The members of the committee at the beginning of the year were:

Maria Chen	-	Chairman
Margareth Antoine	-	Secretary
Nicola Reid	-	Member
Elaine Walters	-	Member
Donovan Dobson	-	Member

The following volunteers were duly elected at the Annual General Meeting held in May 2021 to serve on the Supervisory Committee:

Maria Chen	-	Chairman
Nicola Reid	-	Secretary
Elaine Walters	-	Member
Donovan Dobson	-	Member
Wayne Rowe	-	Member

Attendance Record:

Members	Possible Meetings	Attended Meetings	Excused
Maria Chen, Chairman	8	8	-
Nicola Reid, Secretary	8	8	-
Elaine Walters	8	6	2
Donovan Dobson	8	5	3
Wayne Rowe *	5	2	3

Note: * Member's attendance affected by clash of meeting times for the Supervisory Committee and the Asset & Liability Committee.

PALISADOES CO-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Committee's Mandate:

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

- Evaluation of the adequacy of policies, procedures and internal controls;
- Evaluation of performance against these said policies, procedures and internal controls;
- Verifying that the Credit Union meets the minimum Regulatory Requirements (Bank of Jamaica and Jamaica Co-operative Credit Union League's (JCCUL)) and
- Safeguarding of credit union's assets.

MAJOR AREAS OF FOCUS

1. **Internal Controls:** Internal control mechanisms (financial, compliance and risk management) were assessed for effectiveness and adherence by the Credit Union. For the most part, these controls were found to be operating as intended but there were areas for improvement, and these were brought to the attention of management.
2. **Bank Reconciliations:** The reconciliations for all bank accounts were done in a timely fashion and found to be in order.
3. **Statutory Taxes:** 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.
4. **Delinquent Accounts:** The internal controls surrounding the management of delinquent accounts were reviewed for adequacy and adherence thereto and the findings were satisfactory, although greater consistency in application would further enhance performance in this area.
5. **Legal and Regulatory Compliance:** Within this exercise, the Committee reviewed the Proceeds of Crime Act (POCA), the Terrorism Prevention Act, and Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements, noting areas for its continued review and focus as well as ensuring that the remedial measures recommended are implemented on a timely basis by management.
6. **Capital Adequacy Management:** The Credit Union's capital base remains adequate to support its current level of operations, due to adequate procedures in place to monitor capital levels.
7. **Liquidity & Investments:** Management controls related to Credit Union's Investment and Liquidity Policies were functioning as intended. Compliance and monitoring were observed as per the requirements set forth in same policies.
8. **Surprise Cash Count:** Cash counted was fairly stated and adequately secured.
9. **Other Areas:** Dormant Accounts, fixed assets, loans underwriting, the automated teller machine (ATM) reconciliation process, external reports 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.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

GENERAL COMMENTS

The examination and evaluation carried out by the Committee over the period would not necessarily unearth all control weaknesses or errors. The Supervisory Committee is of the view however, that the system of internal controls is operating satisfactorily and that the assets of the Credit Union are adequately protected. 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 of work, representatives of the Committee attended meetings of the Asset & Liability Management (ALM) Committee, Bank of Jamaica (BOJ) Readiness and Risk & Compliance Committees.

Training: Members of the Committee participated in the mandatory training in the Proceeds of Crime Act (POCA) and Anti-Money Laundering (AML) regulations.

ACKNOWLEDGEMENTS

The Supervisory Committee wishes to express our appreciation to the Board of Directors, Management and Staff of the Credit Union for their assistance and cooperation during the year and a special thanks to you the members who have entrusted us with this important responsibility of being the stewards of your interest.



.....
Maria Chen
CHAIR

Report of the Delegates to the 80th Annual General Meeting of the Jamaica Co-op Credit Union League Ltd

A hybrid version of the 80th Annual General Meeting of the Jamaica Co-op Credit Union League was convened on Saturday June 2, 2021. Most delegates and observers joined via the Zoom virtual platform. All credit unions were represented; Delegate Celay Harwood-Gayle was our representative.

President Lambert Johnson chaired the meeting and gave a summary of the Board of Directors' Report for the year 2020, after which the Treasurer's and Auditors, Supervisory and Nominating Committees reports were presented. Distribution of surplus in the amount of \$10.17m 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. Anthony McLaughlin – Jamaica Police
- Mr. Lambert Johnson – Gateway
- Mr. Michael Anglin – JDF
- Mr. Norris Gilbert – PWD
- Mr. O'Neil Grant – First Heritage

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

The following persons were elected to the Supervisory Committee:

- Ms. Nicola Reid - Palisadoes
- Ms. Paulette Green – Jamaica Police
- Ms. Karen Robotham-Teape – Broadcast & Allied
- Ms. Ivy Lawrence – Lascelles Employees & Partners
- Mr. Delroy James – First Heritage

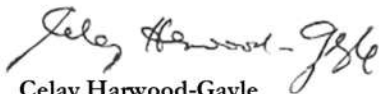
Resolutions & Rule Change

Five (5) congratulatory resolutions were passed at the meeting. Two rules change were proposed and passed; these related to the League being allowed to hold virtual-only and hybrid meetings as well as flexibility to amend liquidity reserves requirements.

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

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

- Lambert Johnson – President
- Andrea Messam – 1st Vice President
- O'Neil Grant – 2nd VP
- Norris Gilbert – Treasurer
- Jerry Hamilton – Secretary



Celay Harwood-Gayle
Delegate

Management Discussions & Analyses to the 70th Annual General Meeting

I am pleased to provide you with a synopsis of our operations for the year 2021. The contraction in economic output witnessed in the prior year continued throughout the first half of the year. However, the relaxation of restrictions on movement, welcomed signs of increased activities at the airports, and some displaced members returning to work, signaled a revival of activities at the credit union.

Of the various sectors that fall within the credit union's bond, members in the aviation sector were most affected by the onset of the pandemic due to the closure of the airports, and subsequent controlled entry restrictions and reduction in the number of flights entering the island. In addition, members who were employed to Fly Jamaica continued to experience difficulties due their not receiving redundancy payments.

Our financial performance for the year is outlined in the Treasurer's and Auditors' Report presented. Of note is the improved financial performance which has allowed us to pay to you a dividend of 4% on voluntary shares (2.5% for 2020), a 2.5% rebate on interest on loans you would have paid in 2021, as well as 10% dividend on Permanent Shares.

PALISADOES CO-OP CREDIT UNION LTD.

ANNUAL REPORT 2021

Our non-financial objectives include improved member services, employee engagement and satisfaction, organisational health, corporate social responsibility, and corporate governance among others. We continue our efforts in this regard and have noted improvements. Delivering optimally to our members requires the best people, tools, systems, and processes available.

I can confidently say our success, now and in the future, is heavily dependent on those who serve, and I am extremely grateful for our dedicated team members who continue to serve our members and community in times of challenges and opportunities, empowering people and unlocking dreams.

AccessPlus Debit Mastercard

Our credit union is a participant in the project being undertaken by the League on behalf of some credit unions to provide members with AccessPlus Debit Mastercard. Credit Unions began testing the card in the BOJ Fintech Regulatory Sandbox on February 14, 2022. The issuing of cards will commence shortly.

Member Information Webinars

During the year, we conducted three (3) webinars, 2 of which dealt with “Wills and Trusts” and “Alternatives to Wills”. The other was a presentation by the National Insurance Scheme (NIS) detailing the various products/offerings, and how to access the benefits. These were well received by the membership, and we will continue to host these useful webinars in the future.

Deceased Members

It is with deep regret that we note the death of the following members who passed during 2021:

- Jasmine Lalor
- Belinda Blair
- Hazel Johnson
- Sharon Service
- Leithland Richards
- Carol Vaz
- Alton Williams
- Damian Yap
- Nigel Morgan
- Cyrus Bruce
- David Howard
- Fitzroy Francis
- Devon Simmonds
- Ricardo Fortella
- Karen Wynter
- Gladstone Howell
- Brian Andrews

We note with sadness the increased number of members who passed in 2021 when compared to 2020. On behalf of the entire membership, our sincere condolences to their families and friends; may their souls rest in eternal 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-OP CREDIT UNION LTD. ANNUAL REPORT 2021

INSURANCE CLAIM SETTLEMENT RECORD

	2021	2020
Life Savings	\$ 1,688,086.54	\$ 1,315,326.59
Loan Protection	\$ 3,703,264.22	\$ 1,971,021.82
Average Claim	\$ 299,519.49	\$ 547,724.74
Total# of Claims	18	6

As we continue to provide limited insurance coverage on loans and savings, we encourage our members to ensure that they have a Family Indemnity Plan (FIP) in place to assist with funeral expenses on the passing of a loved one.

REACHING FURTHER, DOING MORE

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 organisation in various ways.

On 2021 December 21 our ‘Helping Hands’ team of staff members journeyed to the communities of Jacques Road, Woodford Park, and McGregor Gardens where we distributed hundreds of school supplies, groceries, care packages and refreshments to the residents.

On the same day we made our usual annual visit to Port Royal to share with the “golden agers”. We visited with them at their homes, providing them with groceries, care packages and lunches, and spent time with them as they shared in songs, poems, and past experiences.

Scholarship Awards-2021

Eleven (11) scholarships were awarded during the year. The Scholarships awarded and the recipients are as follow:

Henley Johnson	Roy Morrison	W.A. Roberts	PEP Top Performers
Bradley James	Alana-Kaye Morgan	Joshua Parchment	Abbey Stewart
	Paula-Gaye Clarke	Damecia McLeod	Satria McLean
	Ethan Stephenson	Michaela Roye	Timoy Parchment
			Michaela Roye

Congratulations to all the awardees, we encourage you to continue to do well.

Member Services

We encourage our members to sign up for our mobile app as it provides a convenient way of accessing your account anytime. In addition, you may also access your account at www.palisadoescreditunion.com. Please contact our office for further details.

Our Future

It was Jeff Bezos who said, "what we need to do is always lean into the future; when the world changes around you and when it changes against you - what used to be a tail wind is now a head wind - you have to lean into that and figure out what to do because complaining isn't a strategy." We will continue to assess the challenges that arise, and from them we will grasp the opportunities, and work at ensuring that our credit union continues to be relevant; complaining cannot and will not be our strategy.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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 will embrace the future with the determination, commitment and resolve to enhance the well-being of our members.

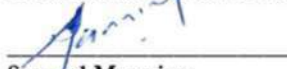


Maxine P. Wilson JP DBA MBA LLB(Hons) CORP
GENERAL MANGER

Proposal for the Fixing of Maximum Liability For year ended 2022 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 2022 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 2021 December 31

Using the figure on the Simplified Statement of Financial Position, *Internal Capital* is Statutory Reserve, Permanent Shares, and Undistributed Surplus under the heading **WE THE MEMBERS OWN** which at 2021 December 31 amounted to \$610.34m (2020: \$562.54m).

Our Assets grossed \$2,252.75 (2020: \$2,168.82m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2021 December 31 was 27.09 % (2020: 25.94%).

The undistributed surplus amounted to \$68.97m. After the proposed distribution (appropriations and expenses) below, the *Capital* (inclusive of the proposed additional amount of \$6.0m to statutory reserves) decreases to \$401.82 or 17.80% of Assets.

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

In view of the above, your Board proposes the following surplus distribution to 2021 December 31, noting that the proposed transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

APPROPRIATIONS	2021	2020
To Stat. Reserves	\$ -	\$15,300,000
Additional Amount to Statutory Reserve	\$ 6,000,000	\$ -
10% dividend on Permanent Shares	\$ 2,420,000	\$ 1,940,000
Education & Outreach	\$ 1,500,000	\$ -
Honoraria	\$ 1,800,000	\$ 1,000,000
Sub Total	\$11,720,000	\$ 18,240,000

* Honoraria and Education & Outreach for 2019 amounted to \$2.m and \$2.5m respectively.

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

EXPENSES		
Dividends	\$52,805,000	\$31,300,000
2.5% rebate on Loan int. paid (patronage refund)	\$ 3,402,000	\$ 2,720,000
GRAND TOTAL	\$67,927,000	\$52,260,000

For and on behalf of the Board of Directors



Samuel Manning
TREASURER

Report of the Nominating Committee

The Nominating Committee comprises the following:

Celay Harwood-Gayle	Chair
Sharon McEachron	Member
Claudine Purboo	Staff Liaison

The committee wishes to use this medium to thank all the elected officers and all others who served the credit union throughout 2021. Despite the adverse effects of COVID-19 you remained fully committed to the tasks to be accomplished. We are indeed grateful to have a core of volunteers that continues to serve selflessly, always ensuring that our members are served.

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 all considered fit and proper. Having determined this, the committee makes the following recommendations for the period 2022-2023:

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

BOARD OF DIRECTORS

Retiring at this AGM	Recommended	Term in office	Serving to 2023 AGM
Dervin Aiken	Dervin Aiken	2 years	Celay Harwood-Gayle
Audley Deidrick	Audley Deidrick	2 years	Samuel Manning
Sheryll Hamilton	Sheryll Hamilton	2 years	Margareth Antoine
Robert Thelwell	Robert Thelwell		

CREDIT COMMITTEE

Retiring at this AGM	Recommended	Term in office	Serving to 2023 AGM
Gay Morgan	Gay Morgan	2 years	Orrett Staple
Berthlyn Plummer	Berthlyn Plummer	2 years	Michelle Mais-Cadenhead
Carlington Miles	Carlington Miles	2 years	

SUPERVISORY COMMITTEE

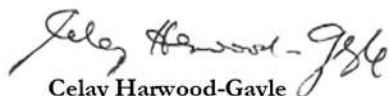
Retiring at this AGM	Recommended	Term in office
Maria Chen	Maria Chen	1 year
Wayne Rowe	Wayne Rowe	1 year
Nicola Reid	Nicola Reid	1 year
Elaine Walters	Elaine Walters	1 year
Donnovan Dobson	Donnovan Dobson	1 year

DELEGATES TO THE LEAGUE

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

The committee wishes to thank the members named above for making themselves available for nomination.

For and on behalf of the Committee


Celay Harwood-Gayle
CHAIR

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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 (1st) mortgage on property or a pari passu arrangement with NHT or a Building Society, the Credit Union may extend loan for a period not exceeding 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

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

SECURITY

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

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

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

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

Approval Limits:

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

*As approved by the Board of Directors
2021 February*

PALISADOES CO-OP CREDIT UNION LTD. ANNUAL REPORT 2021

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, 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 ASSISSI

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. And 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's
in dying that we are born to eternal life. Amen



PALISADOES
CO-OP
CREDIT UNION
LIMITED

Flying to New Horizons