



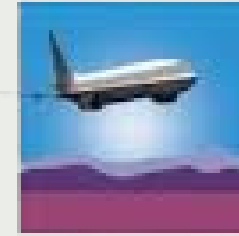
PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED

# 2022 ANNUAL REPORT

'FLYING TO NEW HORIZONS'



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED

### MISSION

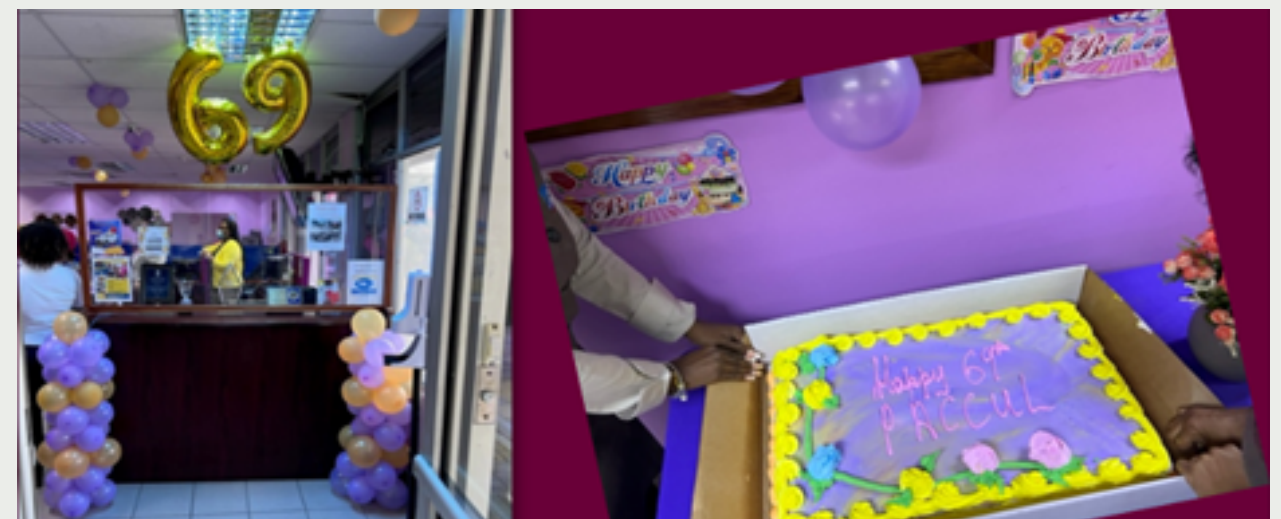
To maximize members' wealth and enhance their wellbeing while developing valuable lifelong relationships.

### 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.

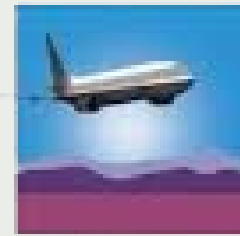
## *Birthday* PALISADOES 69TH CELEBRATION

On 2022 April 21, we celebrated 69 years of exceptional, responsive, and high-quality service to its members. Members joined in the celebration.





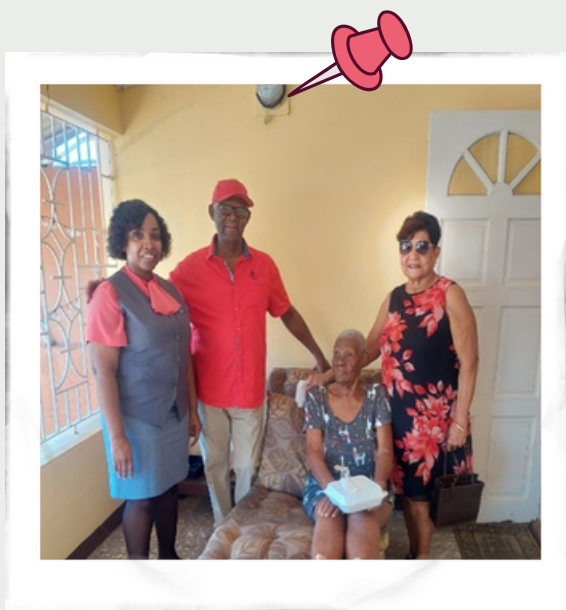
PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED

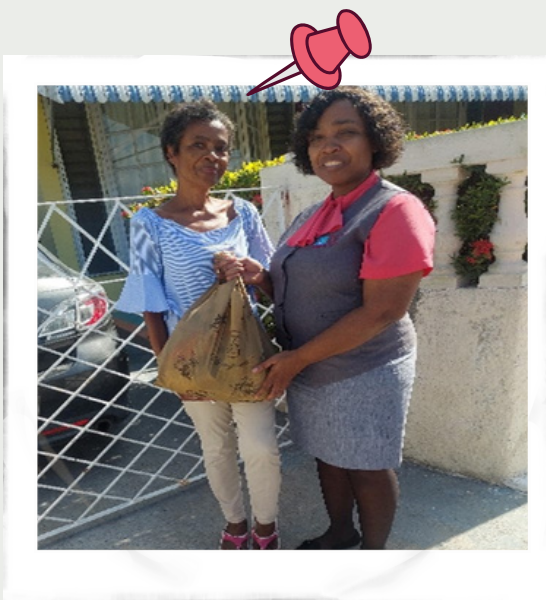
# ANNUAL HELPING HANDS *Outreach* IN PORT ROYAL

“It is in giving that we receive!” Giving back has become a deep-rooted part of our credit union’s culture and we attribute our success to the continued blessings and favour of the Almighty. The credit union once again hosted its annual Helping Hands Outreach for golden agers in the Port Royal community.



Mrs. Claudine Purboo, Admin/HR Coordinator (at left) shared lens with Golden Agers from Port Royal.

Mrs. Rosie Ridgeway posed for the camera as she collects her bag of groceries from Mrs. Purboo.



# AGM 2022 *Highlights*



It was a “ole heap” of prizes and surprises at AGM 2021.



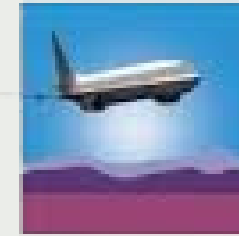
President Audley Deidrick presenting the Board of Directors’ Report.



Cross-section of members in physical attendance at the AGM.



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED

# AGM 2022 *Highlights*

# *Kultcha* DAY AT THE OFFICE



General Manager Dr. Maxine Wilson has the attention of Mrs. Kleo-Ann Error as they discuss "the business at hand".



Domino, ludo, food!  
Competition was stiff among the staff.

Member Gay Clunis going through the Annual Report. Serious business!



No joke! GM Dr Maxine Wilson "studies" the game.





PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED

# Annual BACK TO SCHOOL TREAT

“The “Choo Choo” train was a “big hit” with children and adults alike at our Annual Back-to-School Treat held at the Central Branch All-Age School, Slipe Pen Road in August 2022. The credit union distributed hundreds of school supplies, groceries, as well as care packages.



## *Our Corporate Profile*

### Board of Directors

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

Mr. Deidrick is the President of the Airports Authority of Jamaica and a certified International Airport Professional (IAP). 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-three (33) years in the field of Accounting & Finance. He has been a member of the credit union for over fourteen (14) years.

#### **Mrs. Celay Harwood-Gayle, BSc – Vice President**

Mrs. Harwood-Gayle is an entrepreneur in the baking and bee-keeping industry, having previously worked at the National Meteorological Service, her last position being Manager- Support Services. Mrs. Harwood-Gayle has been a member of the credit union for over forty-five (45) years. She is the holder of a BSc in Public Administration and International Relations from the University of the West Indies.

#### **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-two (22) years.

#### **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 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.

#### **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.

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

Mrs. Antoine has been employed to IGL for the past twenty-six (26) 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 seventeen years (17) years.

### 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 twelve (12) 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).

#### **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 also 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-three (23) 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.

#### **Mr. Wayne Rowe, MBA – Member**

Mr. Rowe is the Assistant Vice President of Finance at Massy Gas Products. His career spans over 34 years in the manufacturing and petroleum industries. He currently serves as an executive member of the Jamaica Association of Petroleum Marketers (JAPM). Mr. Rowe is the holder of an MBA (Finance) from the University of the West Indies, as well as a BSc in Economics and Accounting. He has been a member of the credit union (PIECCU/Palisadoes since 2007 May 31.

### Credit Committee

#### **Ms. Gay Morgan, 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 was presently employed to the Peace Management Initiative (PMI). She is a trained Social Worker, and certified Mediator, and 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 seventeen (17) 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 twenty (20) years. Since 2019, he has been 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 LLB (Hons) – General Manager**

Dr. Maxine Wilson has been employed to the credit union movement for forty-three (43) 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). Miss 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 November 2016, 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 – HR & Admin Coordinator**

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. Brittany Blake, BSc. – Marketing & Member Services Coordinator**

Miss Blake has been employed to the credit union since 2019 and previously held the position of Credit Officer. She is the holder of a BSc. in Human Resources Management from the University of the West Indies Mona.

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

|  | 2013     | 2014     | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>Vol. Shares</b>                         | 668.63   | 890.42   | 960.62   | 1010.42  | 1,088.75 | 1,149.44 | 1,254.01 | 1,368.97 | 1,394.06 | 1,484.40 |
| <b>Saving/Deposits</b>                     | 187.93   | 204.99   | 215.02   | 203.29   | 217.67   | 249.56   | 200.66   | 2,178.89 | 190.68   | 196.29   |
| <b>Loans</b>                               | 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 | 1,450.53 |
| <b>Assets</b>                              | 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 | 2,374.51 |
| <b>Avail. for dist.</b>                    | 53.29    | 72.02    | 72.81    | 84.90    | 83.10    | 86.53    | 72.43    | 52.33    | 68.97    | 71.77    |
| <b>Inst. Capital</b>                       | 225.43   | 274.23   | 281.00   | 298.82   | 314.99   | 349.39   | 356.83   | 378.07   | 395.82   | 408.76   |
| <b>Membership &amp; SMART – Pac Savers</b> | 8,447    | 9,020    | 9,020    | 9,616    | 9,742    | 9,803    | 10,058   | 11,166   | 11,383   | 11,202   |
| <b>Gross Income</b>                        | 152.06   | 188.17   | 188.17   | 191.10   | 205.06   | 184.10   | 202.81   | 155.39   | 200.72   | 190.24   |
| <b>Vol. Div. Paid</b>                      | 43.09    | 43.09    | 58.00    | 54.70    | 53.24    | 55.69    | 58.53    | 31.30    | 52.80    | 61.47    |
| <b>Interest Rebate</b>                     |          |          |          |          |          | 3.33     | 3.33     | 2.72     | 3.40     | 3.43     |



**Notice of Meeting**

Notice is hereby given that the 71st Annual General Meeting of Palisadoes Co-operative Credit Union Limited will be held in a hybrid format at the Alhambra Inn, 1 Tucker Avenue, Kingston 6 on 2023 April 12 Wednesday, commencing at 3:00 p.m. to present the 2022 Audited Financial Statements.

Remote access will be facilitated via the Zoom platform, and a maximum of 75 members will be hosted at the Alhambra Inn.

Members attending physically or virtually are invited to register online using the credit union's website at [www.palisadoescreditunion.com](http://www.palisadoescreditunion.com). The Zoom link for joining the Annual General Meeting is <https://us06web.zoom.us/j/86082440822?pwd=WlJ1Q1c5RlpoRHlFSXZNZjJPZHhLZz09>

NB. All members are required to register online.

Dated this 2023 March 29

Sheryll Hamilton (Mrs)  
**SECRETARY**

**AGENDA**

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

**MINUTES OF THE 70th ANNUAL GENERAL MEETING**

Held at the Alhambra Inn Hotel

1 Tucker Avenue, Kingston 6

and

Via Zoom Conference

On 2022 April 06 commencing at 3:00 P.M.

**CALL TO ORDER**

The meeting was called to order by President Audley Deidrick at 3:08 p.m. Secretary Sheryll Hamilton read the Notice of Meeting.

**PRAYER**

Prayer was said by staff member Mrs. Claudine Purboo.

**WELCOME**

The President extended welcome to the persons who were attending the hybrid meeting both virtually and physically.

**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 in 2021, some of whose names were listed on page 95 of Annual Report.

**WELCOME AND INTRODUCTIONS**

General Manager, Dr. Maxine Wilson, formally welcomed the members and guests and acknowledged the presence of the following guests:

- Ms. Audrey Allen – Attorney-at-Law
- Mr. Dennis Brown – Jamaica Co-operative Insurance Agency
- Mr. Derrick Tulloch - Past President of Jamaica Co-op Credit Union League and the Caribbean Confederation of Credit Unions
- Mr. Andrew Thompson - Auditor; HLB Mair Russell
- Ms. Jennoreen King - Auditor; HLB Mair Russell
- Mrs. Kleo-Ann Errar – Jamaica Co-op Credit Union League
- Mr. Maurice Wright – CUMAX Wealth Management Ltd
- Ms. Melaine Campbell - Jamaica Co-op Credit Union League

**APOLOGIES FOR ABSENCE**

An apology was tendered on behalf of Mr. Christopher Robinson.

Condolences were extended to the family, friends, past co-workers, as well as the extended credit union family on the passing of Miss Philippa Beckford who was aptly described as a stalwart of the credit union movement.



### MINUTES OF MEETING OF AGM HELD 2021 MAY 19

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 Minutes were adopted on a motion by Miss Shareen Brown and seconded by Miss Gay Chunis. All were in favour.

### CORRECTIONS TO THE MINUTES

Secretary Hamilton referred the members to the Minutes on pages 11 through 23 of the Annual Report and took them through the previously circulated errata sheet, as under:

1. Page 8 – Under profiles of Supervisory Committee, insert the following profile -  
**Mr. Wayne Rowe, MBA – Member**  
“Mr. Rowe is the Assistant Vice President of Finance at Massy Gas Products. His career spans over 33 years in the manufacturing and petroleum industries. He currently serves as an executive member of the Jamaica Association of Petroleum Marketers (JAPM). Mr. Rowe is the holder of an MBA (Finance) from the University of the West Indies, as well as a BSc in Economics and Accounting. He has been a member of the credit union (PIECCU/Palisadoes) since 2007 May 31”.
2. Page 28 - Under ‘Savings Deposit’, the sentence should be read as “The Savings Deposit portfolio increased by 6.60% or \$11.79m moving from \$178.89m to \$200.74m”.
3. Page 28 - Under the heading ‘Shares’, remove the dollar sign from before 1.83% for the sentence to read “The Voluntary Shares portfolio recorded a marginal increase of 1.83% or \$25.09m”.
4. Page 88 - The heading of the report should read “Report of the Credit Committee For the Year Ended 2021 December 31.
5. Page 99 - Under Board of Directors, in the column ‘Term in Office’, insert 2 years beside Robert Thelwell’s name.

Secretary Hamilton then took the meeting through the Minutes as she invited the members to raise any corrections, questions, or comments.

### Comments

Member Orrette Staple suggested that the Minutes should be sent out earlier to allow for prior reading. The General Manager in her response said that the Minutes were sent out several times prior to the AGM and that Mr. Staple, due to his lack of use of electronic means, would not have seen them. She also indicated that a hard copy document left in the office for Mr. Staple was not collected.

### CONFIRMATION OF THE MINUTES

The Minutes of the meeting was confirmed on a motion by Ms. Colinnette Wilson and seconded by Mrs. Margareth Antoine; all were in favour.

### MATTERS ARISING

There were no matters arising from the Minutes.

## *REPORTS*

### BOARD OF DIRECTORS

President Deidrick presented the Report for the year ended 2021 December 31 contained on pages 23 to 25. He spoke of the changes brought on by the COVID-19 pandemic and its impact on the local and international economy. He told the Meeting that the Credit Union had ended 2021 stronger than it did in 2020, and praised the efforts of the management, staff and committees. He said they would continue to search for and grasp the opportunities as 2022 was expected to be a challenging year. The President thanked the members for their support throughout the year.

### **Highlights of President Deidrick’s presentation included the following:**

#### Impact of COVID-19

The disruptions brought on by the pandemic were significant with a crushing blow to our finances and devastating effects on our mental and physical health.

#### Financial Performance

Some major portfolios did not experience growth in 2021 as the credit union struggled with balancing the portfolios and dealing with the reality that many members (especially those in the aviation sector) had no jobs, had reduced work hours, or had migrated. The Credit Union persisted, and with the continued unquestionable commitment of our members, ended 2021 stronger than the previous. The Treasurer’s and Auditors’ Reports detail the 2021 financial results, and the Board is once again pleased to provide you with a reasonable dividend and interest rebate on loans disbursed in 2021.

#### Economic Trends

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% year-over-year versus an expected 7.3%), smashing a 40-year record.

The 12-month point-to-point inflation rate was 9.7%. This represented the highest 12-month point-to-point inflation recorded in Jamaica in 7 ½ years (since the 12-month point-to-point inflation in August 2014 which was 9.8%). This breach of the Bank of Jamaica’s 4.0%-6.0% inflation target was 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.

#### Corporate Governance

The Board of Directors continues to operate at the highest ethical standards, identify areas of priorities, and reserve specific matters for our decision. We are pleased to advise that we are current with 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.

#### Acknowledgements

President Deidrick ended his presentation by thanking the staff members of the credit union who have contributed significantly to the success of the credit union. They continue to work tirelessly to meet and surpass your expectations; treating you with the highest level of professionalism and dignity that you our members so richly deserve.

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

There being no questions, the Report was adopted on a motion by Ms. Sharon Scott and seconded by Mr. Orrette Staple. All were in favour; 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 26 through 87 of the Annual Report.

He noted the following corrections to the Report –

- Page 27: Expenses – Total Operating expenses ... moving from \$102.10m to \$113.10m.
- Page 28: Staff Costs moved from \$58.49m to \$59.95m.
- Page 28: Savings Deposit portfolio moved from \$178.89m to \$200.74m.

**Highlights of his presentation are detailed hereunder:**

#### **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 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%.

#### Outlook for the Jamaican Economy

The MPC anticipates that, without 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 COVID-19 protocols. 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 performances 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**

##### Capital

When the proposed 30% of undistributed surplus (\$13.9m) is applied, the Institutional 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

- Income of \$200.72m compared 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, while 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.
- The Board has approved 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. The Board has also approved a 2.5% rebate on loan interest paid in 2021; this reflects an increase of 0.50% over the 2% approved in 2020. A proposal is being put forward for a dividend payment of 10% on Permanent Shares.

#### Expenses

- Total Operating Expense increased by 11.75% (an increase of 13.67% in 2020) moving from \$102.10m to \$113.10m, while 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 \$58.49m to \$59.95m.

#### 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.

#### Acknowledgement

Treasurer Manning thanked the members, Directors, volunteers, management, staff and other stakeholders for the confidence placed in the credit union.

#### Auditor's Report

Mr. Andrew Thompson of HLB Mair Russell presented the Report and read the highlights as contained at pages 33 to 38.

#### Questions Arising from the Auditor's Report

In response to a question on the dividend paid on permanent shares in the previous year, the General Manager said this was 10%.

Past Director Ormsby congratulated the team on the credible results. In responding to his request for an explanation on the movement in the amount for Admin Expenses and Subscription from \$7,316,268 in 2020 to \$10,749,108 in 2021, the Treasurer said this figure included accounting and professional fees and Bond insurance, in addition to smaller expenses relating primarily to additional internal audit work. It was agreed that in instances where there were large movements, an explanatory note would be included.

Member Staple also extended congratulations to the General Manager and staff for the hard work they put into the credit union in 2021. He highlighted that whilst the total revenue of \$166m in 2020 had cost \$182m or \$1.09 for each dollar of revenue earned, in 2021 the total revenue of \$201m cost \$155m creating a profit of 23 cents on every dollar. He then enquired about the "actuarial loss on defined benefits assets". Treasurer Manning explained that the actuaries carried out a valuation on

the pension scheme for staff at the end of each year. The valuation was dependent on economic variables and projections and would usually reflect either a loss or a profit and an adjustment made dependent on the book value.

Dr. Wilson, in responding to a member's query regarding the Loan Impairment amount of \$25.07m up from \$3.81m for 6-12 months category and the actions taken by the Directors to protect the Credit Union from losses, said the figures related to an aging loan for which the property was being sold under powers contained in mortgage, noting that the Sale Agreement was already signed and it was expected that the loan would be cleared within 3 months.

In response to Member Staple's question on efforts to reduce administrative expenses that moved from \$34.65m in 2020 to \$43.66m in 2021, Dr. Wilson said the expenses were mainly those with values tied to the United States dollar and over which the credit union had no control. As the Credit Union continued to pay increased costs, efforts were concentrated on increasing income in order to provide for these expenses.

Member Staple indicated that the audit fees were too high, and efforts should be made to tender for the services. The General Manager said the fees included both internal as well as external audits, pointing out that the Auditors had not increased their fees significantly over the last 2-4 years. He opined that Auditors must understand that they must use the available technology to reduce the length of time taken to carry out audits.

Further to a question on the percentage dividend paid on permanent shares for the last five years, the General Manager told the meeting that 10% was paid each year over the last five years.

The Treasurer drew the meeting's attention to a letter from the Department of Co-operatives and Friendly Societies at page 30 of the Annual Report that showed approval of the Financial Report.

#### Adoption of the Treasurer's and Auditors' Report

The Report was adopted on a motion by Mr. Orrette Staple and seconded by Mr. Randolph Jones. The motion was carried.

#### Late acknowledgment

The Chairman, prior to asking that the Credit Committee's report be presented, acknowledged the presence of, and welcomed Mr. Robin Levy, Group CEO of the Jamaica Co-op Credit Union League group of companies.

#### CREDIT COMMITTEE

Committee Chair, Ms. Gay Morgan, directed members to the committee's report contained on pages 88 to 90 of the Annual Report. She told the meeting that the Committee met on 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; and

- Provide feedback to the Board of Directors, as it relates to trends, both within and external to the Credit Union

Ms. Morgan said that there was a reduction in the number and value of loans processed during the year, noting that 2,867 loans were approved compared to 3,210 in 2020. The loans disbursed valued \$375.13m (\$455.93m in 2020), which resulted in a negative variance of \$80.8m or a decrease of 21.54%.

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

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 represented 16.48% of loans disbursed for the year.

Mortgage and Real Estate Loans

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 Arrangements

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

Other Activities

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

Acknowledgement

On behalf of the committee, Ms. Morgan thanked the members for the confidence placed in the committee, as well as the Board of Directors, Supervisory Committee and the Management and Staff for their support during 2021.

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

The Report was accepted on a motion by Ms. Shareen Brown, and seconded by Mr. Ian Buckham. The motion was carried.

**SUPERVISORY COMMITTEE**

The Report was presented by the Committee's Secretary, Ms. Nicola Reid. She referred the meeting to the Report contained on pages 91 to 93 of the Annual Report.

The Committee met on eight (8) occasions as it sought to perform its duties with independence and reasonable care, and highlighted the attendance record at page 91. Ms. Reid said that in accordance with the credit union's Corporate Governance Framework, the Supervisory Committee provides oversight responsibility of the Credit Union's operations, i.e., the Board of Directors, Management and Staff.

The Committee undertook a structured programme of review of the credit union's activities based on an assessment of associated risks. The objectives of the reviews performed included, but were not limited to:

- Evaluation of the adequacy of policies, procedures and internal controls
- 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 Leagues (JCCUL) and
- Safeguarding of the credit union's assets.

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 Reconciliations

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

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.

Delinquent Accounts

The internal controls surrounding the management of delinquent accounts were reviewed for adequacy and adherence thereto and the findings were satisfactory, although greater consistency in application would further enhance performance in this area.

Legal and Regulatory Compliance

Within this exercise, the Committee reviewed the Proceeds of Crime Act (POCA), the Terrorism Prevention Act, Anti-Money Laundering (AML) reports, Bank of Jamaica Compliance reports as well as Know Your Customer (KYC) requirements, noting areas for its continued review and focus as well as ensuring that the remedial measures recommended are implemented on a timely basis by management.

### Capital Adequacy 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.

### 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 the same policies.

### Surprise Cash Count

Cash counted was fairly stated and adequately secured.

### 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.

### General Comments

The examination and evaluation carried out by the Committee over the period could 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 committee expressed its appreciation to the Board of Directors, Management and Staff for their assistance and co-operation during the year, and thanked the members who have entrusted them with this important responsibility of being the stewards of their interest.

### Adoption of the Supervisory Committee's Report

The Report was accepted on a motion by Kimberly Vaz and seconded by Ms. Sharon Scott. The motion was carried.

### DELEGATES TO THE 80<sup>TH</sup> AGM OF THE JAMAICA CO-OP CREDIT UNION LEAGUE

Delegate Celay Harwood referred the meeting to the Report contained at pages 93 and 94 of the Annual Report. She said a hybrid version of the 80<sup>th</sup> 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 and all credit unions were represented.

President Lambert Johnson chaired the meeting and gave a summary of the Board of Directors' Report for the year 2020. The Treasurer's and Auditors, Supervisory and Nominating Committees reports were also presented. Distribution of surplus in the amount of \$10.17m was approved by the Delegates, who also accepted a proposal that the maximum liability of the League be set at \$5 billion.

The Election of Officers took place, and our own Nicola Reid was elected to serve on the Supervisory Committee of the League.

Five congratulatory resolutions were passed at the meeting. Two rules' changes 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 – 1<sup>st</sup> Vice President
- O'Neil Grant – 2<sup>nd</sup> VP
- Norris Gilbert – Treasurer
- Jerry Hamilton – Secretary

### Adoption of the Delegates to the League Report

The Report was adopted on a motion by Mr. Orrette Staple and seconded by Mr. Hubert Howlett. The motion was carried.

### MANAGEMENT DISCUSSION/ANALYSES

Dr. Wilson presented management's discussion/analyses on the credit union's performance for the year 2021 as contained at pages 94-97 of the Annual Report. She highlighted operational results and activities for the year to include:

- Improved financial performance (over 2021 versus 2020).
- The credit union's participation in the JCCUL's AccessPlus Debit Mastercard Project.
- Member Information Webinars - 3 were conducted; 2 on "Wills & Trusts, and Alternatives to Wills" and the other on the National Insurance Scheme's (NIS) products and offerings.
- Acknowledgment and condolences to members who passed during the year, as well as those who have lost family members.

- Distribution of hundreds of school supplies, groceries, care packages and refreshments to residents of Jacques Road, Woodford Park and McGregor Gardens.
- Distribution of groceries, care packages, lunches to Golden Agers in Port Royal.
- Eleven (11) Scholarships were awarded during the year.
- Continued promotion of the products and services to include the Mobile App.

### Acknowledgement

The General Manager expressed thanks to the members, the Board of Directors, committee members and everyone who served the Credit Union.

### Matters Arising

Asked whether all members will have access to the AccessPlus Debit Mastercard, the General Manager responded in the affirmative.

### **PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY FOR YEAR ENDING 2022 DECEMBER 31**

Treasurer Manning presented the **Proposal** contained at Page 97. 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, it is proposed that the Maximum Liability be set at 10 times the Credit Union's Capital.

The Proposal was seconded by Ms. Colinnette Wilson. The Proposal as put forward was adopted by the membership.

### **PROPOSAL FOR THE APPROPRIATION AND DISTRIBUTION OF SURPLUS FOR THE YEAR ENDED 2021 DECEMBER 31**

Mr. Manning read the Proposal for the Appropriation outlined at Page 97 of the Report.

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 \$401.82m or 17.80% of Assets.

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.

The Treasurer referred the meeting to the table that outlined Appropriations and Expenses at Page 98.

### Matter Arising

In his response to Member Staple who enquired on the meaning of internal capital sufficiency, Treasurer Manning said this was a ratio where the internal capital was placed over the total assets and referred the member to the Simplified Balance Sheet at Page 29.

Asked to explain how a member benefited from Capital Sufficiency, Mr. Manning told the meeting that the higher the percentage, the larger the ownership by the members adding that distribution was done after ensuring sufficient capital or members equity would remain in the Credit Union.

Dr. Wilson told the meeting that a flyer with an example would be prepared and circulated within another week to aid members' understanding of the concepts. Any member who was not sufficiently clear thereafter could be accommodated in a one-on-one session. She said focus would be placed on the explanation of key terms and concepts in webinars arranged for members.

Mr. Levy, JCCUL Group CEO, told the meeting that capital sufficiency was a term of art used by accountants that spoke to the stability of the institution when measured against international and local standards adding that the Credit Union exceeded the standard with more than enough capital reserves. He said acceptance of the proposal would not pose a challenge.

The proposal by Treasurer Samuel Manning was seconded by Ms. Shenecia Campbell. By the raising of hands, the proposal was adopted.

### **NOMINATING COMMITTEE'S REPORT**

The Committee's Chair, Mrs. Celay Harwood-Gayle, presented the Report as outlined on Page 98 of the Annual Report. She said the other members of the committee were Mrs. Sharon McEachron and Mrs. Claudine Purboo (Staff Liaison).

Mrs. Harwood-Gayle expressed thanks to all the elected officers who served the Credit Union during 2021. She said the Committee had engaged in a series of processes/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 2022-2023 as under:

#### Board of Directors

Directors retiring were Dervin Aiken, Audley Deidrick, Sheryll Hamilton and Robert Thelwell. The committee recommended all four (4) retiring Directors to serve another two (2) years. Directors serving to the 2023 AGM are Celay Harwood-Gayle, Samuel Manning and Margareth Antoine

#### Credit Committee

Committee members retiring were Gaye Morgan, Berthlyn Plummer and Carlington Miles. The committee nominated all three (3) retiring members to serve for another two (2) years. Serving to the 2023 AGM are Orrette Staple and Michelle Mais-Cadenhead.

#### Supervisory Committee

The tenure of all the members of the Supervisory Committee is for one year. The retiring members (Maria Chen, Wayne Rowe, Nicola Reid, Elaine Walters and Donovan Dobson) were recommended to serve for another year.

#### Delegates & Alternate Delegates to the League

Mrs. Harwood-Gayle told the meeting that the Board having been granted the authority at the last AGM to elect Delegates to the League had elected the following persons in 2022: Celay Harwood-Gayle & Maxine Wilson (Delegates), Audley Deidrick and Robert Thelwell (Alternate Delegates).

Mrs. Harwood-Gayle expressed sincere thanks on behalf of the Committee to the members named above for making themselves available for nomination.

#### Election of Officers

Mrs. Kleo-Ann Error (in the absence of a representative from the Department of Co-operatives and Friendly Societies) from the Jamaica Cooperative Credit Union League was invited to conduct the elections. She guided the members through the electoral process. There being no nominations from the floor, Ms. Error declared the nominees as recommended by the Nominating Committee duly elected as under.

#### **Board of Directors**

Dervin Aiken, Audley Deidrick, Sheryll Hamilton and Robert Thelwell – each to serve for a period of two (2) years.

#### **Credit Committee**

Gaye Morgan, Berthlyn Plummer and Carlington Miles – each to serve for two years.

#### **Supervisory Committee**

Maria Chen, Wayne Rowe, Nicola Reid, Elaine Walters and Donovan Dobson – each to serve for a period of one (1) year.

The Chairman extended congratulations to the persons who were elected.

#### **ANY OTHER BUSINESS**

Member Staple requested an update on BOJ's "take-over" of the Credit Unions. The General Manager said the BOJ's take-over of the monitoring and regulations appeared to be closer than it had ever been.

Mr. Staple enquired as to why members over 70 years old had to get their own insurance if they require a loan. Dr. Wilson advised that on reaching 70, the member was no longer eligible to benefit from the \$1m coverage provided by the credit union at no direct expense to them.

In response to a question from Member Morgan, the General Manager committed to ascertain whether Reggae Money Transfer Service facilitated through JMMB provided the option for members overseas to send monies from their JN accounts directly to their credit union accounts. She explained that the credit union movement did not have a facility for the seamless transfer of funds from overseas directly into a member's account.

Member Gay Clunis questioned the reason for the delay in holding the AGM. The General Manager told the meeting that the delay arose from the action of the Department of Cooperatives & Friendly Societies (DCFS). She said the credit union representatives called repeatedly after the Financials were

submitted for an update. She was eventually told by the Registrar that he along with the other person who was able to sign were out of office, at a seminar

Dr. Wilson said members had come to expect to attend the AGM on the last Wednesday of March each year and the Audited Financials were completed and sent off on time to facilitate this. She added that had it not been for the strong and adamant stance of the credit union, today's meeting would not be held explaining that at 11:58 a.m. on the previous day, the DCFS said the meeting was to be cancelled as the Notice that was sent out via newspaper for the hybrid meeting did not include the word hybrid in the Notice and as a consequence, the Notice was void.

She advised that the credit union had to secure an Attorney to handle the matter; the Attorney had advised them to proceed with the meeting. She said though the DCFS said the 2021 regulations states that the word "hybrid" must be used; that was not seen in the Regulations which really explained what hybrid meant. As a result, the DCFS was not represented at this meeting.

Mr. Robin Levy extended congratulations to the Team for the consistency with always being early with accounts and hosting the AGM, adding that this was always the earliest AGM of all 25 credit unions each year.

Member Burke queried whether the information was an excuse for the DCFS not wanting to take the trouble to turn up and indicated that the Registrar and the Cooperatives Dept. would not wish for him to call for a commission of enquiry adding that it was obvious that some persons in the Movement wanted to make their own rules.

The General Manager acknowledged the presence of team members from the League and thanked them for their continued support. Special thanks was extended to the Airports Authority Team that provided the equipment to allow the credit union to facilitate the online aspect of the meeting.

#### Gifts and Presentations

Dr. Wilson expressed thanks to the various organisations and individuals who provided gifts for the occasion as she identified the gifts. The drawing of prizes took place to 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. She advised the elected officers that a new meeting date would be communicated to them as she brought the Annual General Meeting to a close at 7:36 p.m.

## Report of the Board of Directors

For year ended 2022 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 2022 December 31. Before I begin the presentation, let me use this opportunity to say that the year 2023 is a very special one for us. On April 21, Palisadoes Credit Union will be celebrating its 70<sup>th</sup> birthday! a significant milestone. We pay tribute to all the past and present volunteers, members of staff and the many stakeholders who have contributed to our success over the years.

Our stakeholders have certainly assisted us along the way. Too numerous to mention, we however pause to acknowledge with sincere gratitude, the sterling contribution made over the years by the **Airports Authority of Jamaica**, for assisting us every step along the way. Their continued support in many of our endeavours is highly appreciated.

Although no longer in existence, we pause to remember and acknowledge the significant contribution made to this credit union by **Air Jamaica**. Their outstanding contribution to the credit union remains etched in our memory.

Our special thanks are reserved for **You, our members**. Through "thick and thin" you stuck with us, and even when there were challenges, you raised them in no uncertain manner, but you never left us. Today, you speak with pride as you have experienced first-hand, the transition of "the little credit union that was struggling" to one that is strong, resilient, providing you with the relevant products and services and good returns on your investments. We salute you and have no doubt that your continued support and unwavering commitment will continue, as we remain rooted and grounded, ensuring your continued empowerment while unlocking your dreams.

In all our 70 years of existence, we have never been as clear about our purpose and prospects as we are today. The actions/decisions we take are deliberate and embedded in the realisation that the recent period of social, political and economic volatility and uncertainty is reshaping and redefining how we do business and life in general. While unsettling, this period has sharpened our focus and unearthed new opportunities.

### The Global Economy

It has been reported that global growth slowed in 2022 to 3.2%, more than 1 percentage point weaker than expected at the end of 2021, mainly weighed down by Russia's war of aggression in Ukraine, and the associated cost-of-living crisis in many countries. Growth is projected to remain at below-trend rates in 2023 and 2024. The Russian war of aggression against Ukraine continues to overshadow the world economy, and although there have been signs of improvement, the outlook remains fragile and down-side risks predominate.

Concerns about financial vulnerabilities have risen, including in financial institutions, housing markets and low-income countries. While headline inflation has started declining, it remains elevated and could

persist even longer. A key factor in the improvement in activity and sentiment in early 2023 was the recent decline in energy and food prices. While levels are still relatively high compared to pre-war, this is boosting purchasing power for most firms and households and is helping to lower headline inflation. The earlier-than-expected re-opening in China is also expected to have a positive impact on global activity, reducing supply chain pressures and giving a boost to international tourism.

### Jamaica's Economy

The Statistical Institute of Jamaica (STATIN) has reported that the 12-month (Jan-Dec 2022) point-to-point inflation rate was 9.4%. The movement in the inflation rate was mainly driven by increases in the index for the divisions 'Food and Non-Alcoholic Beverages', which rose by 13.8%, 'Restaurants and Accommodations Services', which increased by 23.9%, while 'Housing, Water, Electricity, Gas and Fuels' increased by 2.8%.

The Bank of Jamaica has reported that the Jamaican economy continues to show strong growth, and that there are signs that the economy is continuing to expand during the March 2023 quarter to date. Of note, domestic economic activity is estimated to have returned to pre-COVID-19 levels in the December 2022 quarter and is expected to remain above pre-COVID levels over the forecast horizon. For fiscal year 2022/23, real GDP growth is therefore projected in the range of 4.0% to 5.5%, and the Bank expects that GDP growth will continue to be driven by tourism, agriculture, and the resumption of production at the Jamalco alumina plant.

Despite the continued expansion of the economy, challenges will remain, and our resilience will continue to be tested. We will continue to position ourselves to seek and find the opportunities that exist in between the challenges and explore them to the ultimate benefit of the membership.

### Corporate Governance

We continue to provide direction to management in ensuring that the credit union remains safe and sound, and have implemented enhanced guidelines/procedures/policies to ensure that our operations are strengthened, and risks minimized in fulfilment of our mandate. In these challenging times, we continue to identify areas of priorities, and reserve specific matters for our decision. We continue to update ourselves with current business, industry, regulatory and legislative developments, and trends that will affect the credit union's operations, and have made ourselves available for the relevant training and have signed the Ethics and Conflict of Interest, Corporate Governance, and other applicable policies indicating our commitment to abide by them.

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 of seven (7) Directors 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.



**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. This is an undertaking that we take very seriously, and a comprehensive, rigorous and objective evaluation session is conducted. We identify the shortfalls and put measures in place to remedy them.

**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. Other relevant training sessions (both inhouse and external) were conducted to include Robbery Prevention and Disaster Preparedness. One Business Continuity (BC) simulation exercise was conducted, which provided us with very useful information that better prepares us in the event the BC plan has to be initiated.

The employees have contributed significantly to the success of the credit union. We especially applaud their sterling contribution during the COVID-19 onslaught, as they continued to serve and devised innovative ways and means to continue to serve the members. 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. The profound sense of pride they exude in working for you is immeasurable; we appreciate them.

**Financial Results**

The Treasurer’s and Auditors’ Reports detail the 2022 financial results. We are pleased that our performance (though not at pre-COVID level) was better than 2021; you made this happen. We are once again pleased to provide you with a reasonable dividend and a rebate on interest on loans paid in 2022. We anticipate a better year in 2023 but can only achieve same with your continued commitment and support. We do not take it lightly at all that you have chosen us as your preferred financial institution, and for that we are extremely grateful.

**Thank You**

The Board of Directors thanks you the members for your unwavering support. To all the elected officers who have served us throughout 2022, 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. You can be confident that you are investing in a credit union that is built to last, one so very able to withstand shocks while re-imagining our business model for future expansion, one that is focused on long-term viability and sustainable returns.

We have every confidence that together we will confidently face the challenges of 2023. As we look forward to celebrating our 70<sup>th</sup> Anniversary, we continue to pray for God’s guidance and direction on this credit union. We have every confidence that together we will confidently face the challenges of 2023. As

we look forward to celebrating our 70 anniversary, we continue to pray for God’s guidance and direction on our credit union.

**BOARD MEETING ATTENDANCE 2022**

| NAMES               | MEETINGS HELD | MEETINGS ATTENDED | MEETINGS EXCUSED |
|---------------------|---------------|-------------------|------------------|
| Margareth Antoine   | 8             | 8                 | 0                |
| Robert Thelwell     | 8             | 8                 | 0                |
| Audley Deidrick     | 8             | 6                 | 2                |
| Samuel Manning      | 8             | 8                 | 0                |
| Dervin Aiken **     | 1             | 1                 | 0                |
| Celay Harwood-Gayle | 8             | 8                 | 0                |
| Sheryll Hamilton    | 8             | 8                 | 0                |

\*\* Mr. Aiken was unable to continue to serve during the year

**ON BEHALF OF THE BOARD OF DIRECTORS**



**Audley Deidrick  
PRESIDENT**

## Treasurer's Report

For year ended 2022 December 31

Members, it gives me great pleasure to be able to serve you as Treasurer for the year ended 2022 December. It is indeed a privilege to serve, and I am grateful to you for having placed your confidence in me. The year 2022 saw the credit union beginning the journey to recovery from the devastating impact of the COVID-19 pandemic. Some of our displaced members slowly regained employment, while some continue to seek unemployment and others have sought to start their own businesses.

Our performance, though not yet at the pre-pandemic level, was commendable. We were able to stave off many of the challenges we faced, and with resilience, commitment, and hard work, we were able to once again provide you with a reasonable return on your investments.

### The Macro-economy

The Bank of Jamaica has reported that the Jamaican economy continues to show strong growth. Real GDP growth of 5.9% for the September 2022 quarter was higher than the Bank had anticipated, and there are signs that the economy continued to expand during the December 2022 and March 2023 quarters. The Bank noted that domestic economic activity is estimated to have returned to pre-COVID-19 levels in the December 2022 quarter and is expected to remain above pre-COVID levels over the forecast horizon.

For fiscal year 2022/23, real GDP growth is projected in the range of 4.0% to 5.5%, and for 2023/24 it is projected to moderate somewhat, as income growth among Jamaica's main trading partners normalises to pre-COVID rates.

The inflation target of 4%-6% is considered optimal to support Jamaica's long-run growth, and is also consistent with the programmed reduction in public debt. Low, stable, and predictable inflation will facilitate sustainable productivity, economic growth and a reduction in the public debt burden.

The Monetary Policy Committee (MPC) has decided to hold the policy interest rate at 7.00%, to maintain its posture in the money market and to continue ensuring relative stability in the foreign exchange market. In addition, the MPC is continuing its review of the monetary transmission mechanism with the objective of ensuring that monetary policy achieves the desired impact on inflation control.

### Net International Reserves (NIR)

The Bank of Jamaica has reported that as at 2022 December 31, the country's NIR stood at US\$3.98 billion, slightly down from the US\$4.00 billion at the end of 2021.

### Outlook for the Jamaican Economy

Despite the positive developments, the risks to Jamaica's inflation outlook are elevated. In a context where the domestic economy continues to grow, labour market shortages carry the potential for future wage adjustments that can put upward pressure on inflation. In addition, the Central Bank posited that if the projected level of liquidity in the financial system is left unchecked, it will pose a material

risk to the achievement of the inflation target, as well as to the maintenance of stability in the foreign exchange market.

Higher than expected inflation could also ensue from a worsening in supply chain conditions and higher commodity prices if there are further geo-political disruptions. On the downside, however, weaker than expected global growth could negatively affect domestic demand and some projected adjustments to regulated prices may not materialise.

### Our Performance

There were marked signs in the overall operations of the credit union as the credit union continues to recover from the devastating effects of the COVID-19 pandemic. Though not at pre-COVID level, we continue to perform creditably well. We are indeed heartened by the fact that our members' unflinching commitment was evident through the crisis and are pleased to be able to provide them with reasonable returns on their investments.

Our financial performance is detailed in the Auditors' Report later in this Report, but given all the challenges we experienced in 2022, we are pleased that we were able to reverse some of the adverse performances of 2021.

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 2022 December 31.

#### Capital

When the proposed 30% of undistributed surplus (\$4.25m) is applied; the Institution Capital is increased to \$408.76m or 17.21% of Assets.

#### Assets

Assets increased by 5.40% (4.1% in 2021), moving from \$2,252.75m to \$2,374.51m.

#### Loans

The Loan portfolio recorded a 15.68% (2021: -0.10%) increase, moving from \$1,247.47m to \$1,443.61m. While \$548.15m (2021: \$375.13m) was disbursed during the period, \$352.98m (2021: \$386.97m) was repaid. The Expected Credit Loss decreased by \$0.51m moving from \$7.88m to \$7.37m.

We continue to employ stringent collections policies and procedures as much as possible, this to reduce the risks of increase in the delinquency portfolio that can be avoided.

### Income/Surplus

- For the year in review, we grossed Income of \$190.24m; a reduction of \$10.48m. While 'Income from Loans' increased by just under 2% and ended the year at \$141.71m (\$138.97m in 2021), there was a loss on "Fair value on Investments" which declined by 38.33%, moving from \$19.83m to \$12.23m.

- Non-interest Income decreased by 35.33% moving from \$14.55m to \$9.41m. Gains on indexed investments declined by 62.66%, moving from \$6.56m to \$2.45m year-over-year.

#### **Amount Available for Distribution**

- The amount available for distribution (after the transfer of 30% to statutory reserves) increased by \$2.8m (or 4.05%) to \$71.77m; this compared to \$68.97m which was available in 2021.
- Your Board is very pleased to be able to approve a dividend payment on Voluntary Shares of 4.5%, an increase of 0.50% when compared to 2021. This means that dividend disbursements will increase by \$8.70m, up from the \$52.80m disbursed in 2021.
- We continue to reward our borrowing members and are pleased to be able to provide them with a 2.5% rebate (\$3.43m) on loan interest paid in 2022.
- 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 declined by 3.52% (an increase of 11.75% in 2021) moving from \$113.12m to \$109.15m. The “Depreciation” and “Repairs and Maintenance” were the main categories which accounted for the reduction. Staff Costs remained relatively flat, moving from \$59.95m to \$58.50m.

#### **Shares**

- The Voluntary Shares portfolio rebounded and recorded an increase of 6.48% or \$90.34m (1.83% or \$25.09m in 2021). The Permanent Shares portfolio increased by 9.25% (2021:17.64%) and ended the year at \$30.42m.

#### **Savings Deposits**

The Savings Deposit portfolio increased by 2.94% or \$5.62m moving from \$190.68m to \$196.29m.

#### **Our Focus**

As stewards of your funds, our commitment to you is to safeguard and manage it in the most frugal way possible. As Warren Buffet states “opportunities come infrequently; when it rains gold, put out the bucket, not the thimble”. We are intentional in seeking to grasp the opportunities that come our way, all for the greater good of you, our members.

We remain committed, resolute, and determined to ensure that our credit union continues on the path of sustainable growth. Our strong Institutional Capital continues to reflect our strength, courage, and determination. We thank you for your continued support, without which we would not have achieved all that we have. As we celebrate 70 years, we are renewed, refreshed, energized to face the future.

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 2023.

**Samuel Manning**  
**TREASURER**

| <u>WE THE MEMBERS OWN:</u>   | 2022               | 2021               | % GROWTH/<br>REDUCTION |
|--|--------------------|--------------------|------------------------|
| Statutory Reserves   | 378,333,317        | 367,972,775        | 2.81%                  |
| Retirement Benefit Reserve   | 9,112,000          | 14,935,000         | -38.99%                |
| Revaluation Reserve  | 23,366,072         | 23,366,072         | 0.00%                  |
| Permanent Share Capital  | 30,424,677         | 27,847,698         | 9.25%                  |
| Permanent Share Transfer Fund  | 1,040,043          | 1,040,043          | 0.00%                  |
| General Reserves   | 121,597,666        | 106,499,616        | 14.18%                 |
| Undistributed Surplus  | 71,774,157         | 68,973,859         | 4.06%                  |
| <b>Making the grand total owned by us as members</b>                 | <b>635,647,932</b> | <b>610,635,063</b> | <b>4.10%</b>           |
| <u>WE USED THIS MONEY IN THE FOLLOWING MANNER</u>                    |                    |                    |                        |
| Net Loans to us as members   | 1,443,161,168      | 1,247,471,801      | 15.69%                 |
| To invest in others  | 789,340,699        | 861,937,591        | -8.42%                 |
| Cash in hand and at bank   | 65,334,917         | 61,283,696         | 6.61%                  |
| Advances to Others   | 23,275,118         | 21,503,343         | -8.24%                 |
| Retirement Benefit Asset   | 9,112,000          | 14,935,000         | -38.99%                |
| To purchase Assets   | 44,283,695         | 45,620,654         | -2.93%                 |
| Less amount we owe to others at year end                             | (1,738,859,665)    | (1,642,117,022)    | 5.89%                  |
| <b>Agreeing our net investment with our grand total owned</b>        | <b>635,647,932</b> | <b>610,635,063</b> | <b>4.10%</b>           |
| <u>OUR INCOME WAS EARNED FROM</u>                                    |                    |                    |                        |
| Interest on members' loans   | 141,706,972        | 138,974,873        | 1.97%                  |
| Interest on short-term investments and loans                         | 39,123,704         | 47,197,437         | -17.11%                |
| Other Income   | 9,407,919          | 14,546,895         | -35.33%                |
| <b>Total Income earned</b>   | <b>190,238,595</b> | <b>200,719,205</b> | <b>-5.22%</b>          |
| <u>LESS: OUR COST TO OPERATE THE CREDIT UNION WERE</u>               |                    |                    |                        |
| Affiliation  | 11,466,570         | 9,244,739          | 24.03%                 |
| Administration   | 97,680,034         | 103,873,668        | -5.96%                 |
| Financial  | 4,872,196          | 6,126,713          | -20.48%                |
| Net movement/expected credit loss for IFRS                           | 1,647,982          | (1,048,623)        | -257.16%               |
| Leaving Surplus before distribution of                               | 74,571,813         | 82,522,708         | -9.63%                 |
| Less Dividend paid (2021 paid in 2022)                               | 58,595,674         | 35,189,476         | 66.51%                 |
| Less Honoraria paid (2021 paid in 2022)                              | 1,800,000          | 1,000,000          | 80.00%                 |
| <b>Balance</b>   | <b>14,176,140</b>  | <b>46,333,232</b>  | <b>-69.40%</b>         |
| Less: Transfer to Statutory Reserve                                  | 4,252,842          | 13,899,970         | -69.40%                |
| Less other adjustments and appropriation                             | 7,123,000          | 15,792,000         | -54.89%                |
| Less   |                    |                    | 31.80%                 |
| To which we add previous Undistributed Surplus                       | 68,973,859         | 52,332,597         |                        |
| <b>Resulting in a total undistributed surplus at this yearend of</b> | <b>71,774,157</b>  | <b>68,973,859</b>  | <b>4.060%</b>          |



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES  
CHARITIES AUTHORITY, JAMAICA  
Ministry of Industry, Investment, and Commerce  
2 Musgrave Avenue, Kingston 10  
Jamaica, W.I.  
Tel: (876) 927-4912 | 927-6572 | 978-1946  
E-mail: [dcfs@cwjamaica.com](mailto:dcfs@cwjamaica.com) Website: [www.dcfs.gov.jm](http://www.dcfs.gov.jm)

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

S1  
R99/362/03/23

March 23, 2023

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, 2022.

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-operative Credit  
Union Limited**  
Financial Statements  
December 31, 2022

---

**Palisadoes Co-operative Credit Union Limited**

December 31, 2022

---

## Contents

|  | <b>Page</b> |
|--|-------------|
| <b>Independent auditor's report</b>                                | 41-46       |
| <b>Financial Statements</b>  |             |
| Statement of financial position                                    | 47-48       |
| Statement of income and expenditure and other comprehensive income | 49          |
| Statement of changes in equity                                     | 50-51       |
| Statement of cash flows  | 52          |
| Notes to the financial statements                                  | 53-94       |



## 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, 2022, 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirement of the Co-operative Societies Act.

#### Basis for Opinion

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

#### Key audit matters

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

#### hlbjm.com

Partners: Sixto P. Coy, Karen A. Lewis

3 Haughton Avenue, Kingston 10, Jamaica W.I. 56 Market Street, Montego Bay, Jamaica W.I.

TEL: (876) 926-2020/2 TEL: (876) 926-9400 TEL: (876) 952-2891 EMAIL: info@hlbjm.com

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



## Independent auditor's report (cont'd)

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

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

#### Key audit matters (cont'd)

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

As at December 31, 2022 loans after allowances for credit losses of \$7.3 Million amounted to \$1.4 billion or 61% of the total assets of the Credit Union. We consider the measurement of expected credit losses a key audit matter as there is a number of significant judgement by management, including:

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

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.



## 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 22, 2023

HLB Mair Russell  
Chartered Accountants



**Palisadoes Co-operative Credit Union Limited**  
**Statement of financial position**

December 31, 2022

|   | Note | 2022<br>\$           | 2021<br>\$           |
|---|------|----------------------|----------------------|
| <b>Assets</b>                                     |      |                      |                      |
| <b>Non-current assets</b>                         |      |                      |                      |
| <b>Earning</b>                                    |      |                      |                      |
| Financial investments                             | (4)  | 164,733,853          | 330,484,513          |
| Loans, after provision for expected credit losses | (5)  | 1,415,646,095        | 1,224,654,329        |
| Automated Teller Machines                         | (6)  | 3,340,706            | 3,976,043            |
|   |      | <b>1,583,720,654</b> | <b>1,559,114,885</b> |
| <b>Non-Earning</b>                                |      |                      |                      |
| Property, plant and equipment                     | (7)  | 40,942,989           | 41,644,611           |
| Retirement benefit asset                          | (8)  | 9,112,000            | 14,935,000           |
|   |      | <b>50,054,989</b>    | <b>56,579,611</b>    |
| <b>Total non-current assets</b>                   |      | <b>1,633,775,643</b> | <b>1,615,694,496</b> |
| <b>Current assets</b>                             |      |                      |                      |
| <b>Earning</b>                                    |      |                      |                      |
| Financial investments                             | (4)  | 624,606,846          | 481,453,078          |
| Reverse repurchase agreement                      | (9)  | -                    | 50,000,000           |
| Loans, after provision for loan impairment        | (5)  | 27,515,073           | 22,817,472           |
|   |      | <b>652,121,919</b>   | <b>554,270,550</b>   |
| <b>Non-earning</b>                                |      |                      |                      |
| Bank and cash balances                            | (10) | 65,334,917           | 61,283,696           |
| Receivables                                       | (11) | 23,275,118           | 21,503,343           |
|   |      | <b>88,610,035</b>    | <b>82,787,039</b>    |
| <b>Total current assets</b>                       |      | <b>740,731,954</b>   | <b>637,057,589</b>   |
| <b>Total assets</b>                               |      | <b>2,374,507,597</b> | <b>2,252,752,085</b> |

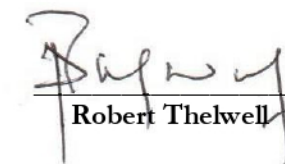
**Palisadoes Co-operative Credit Union Limited**  
**Statement of financial position**

December 31, 2022

|                                      | Note | 2022<br>\$           | 2021<br>\$           |
|--------------------------------------|------|----------------------|----------------------|
| <b>Capital and liabilities</b>       |      |                      |                      |
| <b>Capital</b>                       |      |                      |                      |
| Permanent share capital              | (12) | 30,424,677           | 27,847,698           |
| Institutional capital                | (13) | 378,333,317          | 367,972,775          |
| Non-institutional capital            | (14) | 155,115,781          | 145,840,731          |
| Undistributed surplus                |      | 71,774,157           | 68,973,859           |
| <b>Total capital</b>                 |      | <b>635,647,932</b>   | <b>610,635,063</b>   |
| <b>Liabilities</b>                   |      |                      |                      |
| <b>Non-current liabilities</b>       |      |                      |                      |
| <b>Interest bearing</b>              |      |                      |                      |
| Members' shares                      | (15) | 1,484,399,156        | 1,394,056,858        |
| External credit                      | (16) | 28,911,276           | 29,143,079           |
|                                      |      | <b>1,513,310,432</b> | <b>1,423,199,937</b> |
| <b>Non-interest bearing</b>          |      |                      |                      |
| External credit                      | (16) | 4,880,491            | 4,880,491            |
| <b>Total non-current liabilities</b> |      | <b>1,518,190,923</b> | <b>1,428,080,428</b> |
| <b>Current liabilities</b>           |      |                      |                      |
| <b>Interest bearing</b>              |      |                      |                      |
| Savings deposits                     | (17) | 196,292,995          | 190,677,761          |
| <b>Non-interest bearing</b>          |      |                      |                      |
| Accounts payable and accruals        | (18) | 24,375,747           | 23,358,833           |
| <b>Total current liabilities</b>     |      | <b>220,668,742</b>   | <b>214,036,594</b>   |
| <b>Total liabilities</b>             |      | <b>1,738,859,665</b> | <b>1,642,117,022</b> |
| <b>Total capital and liabilities</b> |      | <b>2,374,507,597</b> | <b>2,252,752,085</b> |

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

Approved for issue by the Board of Directors on March 22, 2023 and signed on its behalf by:

 Director  
Robert Thelwell

 Assistant Treasurer  
Margareth Antoine

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

Year ended December 31, 2022

|   | Note | 2022<br>\$         | 2021<br>\$         |
|---|------|--------------------|--------------------|
| <b>Interest income</b>                                  |      |                    |                    |
| Members' loans  |      | 141,706,972        | 138,974,873        |
| Investments   |      | 26,895,344         | 27,371,236         |
| Fair value gain/(loss) on investment                    |      | 12,228,360         | 19,826,201         |
|   |      | <b>180,830,676</b> | <b>186,172,310</b> |
| <b>Interest expense and dividends</b>                   |      |                    |                    |
| Interest on members' savings and deposits               |      | 4,084,168          | 5,101,290          |
| Dividends   |      | 58,595,674         | 35,189,476         |
| External credit   |      | 282,265            | 291,955            |
| Bank charges and interest                               |      | 505,763            | 733,468            |
|   |      | <b>63,467,870</b>  | <b>41,316,189</b>  |
| <b>Net interest income</b>                              |      | 117,363,806        | 144,856,121        |
| Net movement on loan impairment provision               |      | (1,647,982)        | 1,048,623          |
| <b>Net interest income after provision for losses</b>   |      | <b>115,714,824</b> | <b>145,904,744</b> |
| <b>Non-interest income</b>                              |      |                    |                    |
| Service fees  |      | 4,135,228          | 2,192,652          |
| Money transfer service commission                       |      | 9,836              | 15,582             |
| Rental income   |      | 1,430,000          | 1,320,000          |
| Foreign exchange gain                                   |      | 2,452,436          | 6,560,923          |
| Other income  |      | 1,380,419          | 4,457,738          |
|   |      | <b>9,407,919</b>   | <b>14,546,895</b>  |
| <b>Gross margin</b>                                     |      | 125,122,743        | 160,451,639        |
| Less: Operating expenses                                | (19) | (109,146,603)      | (113,118,407)      |
| <b>Surplus/(deficit) for the year before honorarium</b> |      | <b>15,976,140</b>  | <b>47,333,232</b>  |
| Honorarium  |      | (1,800,000)        | (1,000,000)        |
| <b>Net surplus/(deficit) for the year</b>               |      | <b>14,176,140</b>  | <b>46,333,232</b>  |
| <b>Other comprehensive income:</b>                      |      |                    |                    |
| Actuarial loss on defined benefit plan                  |      | (5,446,000)        | (3,708,000)        |
| Fair value gain on investments                          |      | 15,098,050         | 1,212,778          |
| <b>Other comprehensive (loss)/income for the year</b>   |      | <b>9,652,050</b>   | <b>(2,495,222)</b> |
| <b>Total comprehensive income for the year</b>          |      | <b>23,828,190</b>  | <b>43,838,010</b>  |

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

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

Year ended December 31, 2022

|   | Permanent<br>Share<br>Capital<br>\$ | Institutional<br>Capital<br>\$ | Non-<br>Institutional<br>Capital<br>\$ | Undistributed<br>Surplus<br>\$ | Total<br>\$        |
|---|-------------------------------------|--------------------------------|--|--------------------------------|--------------------|
| <b>Balance at December 31, 2021</b>     | 27,847,698                          | 367,972,775                    | 145,840,731                            | 68,973,859                     | 610,635,063        |
| Surplus for the year                    | -                                   | -                              | -                                      | 14,176,140                     | 14,176,140         |
| <b>Other comprehensive income</b>       |                                     |                                |  |                                |                    |
| Fair value gain on investments          | -                                   | -                              | 15,098,050                             | -                              | 15,098,050         |
| Actuarial loss on defined benefit asset | -                                   | -                              | (5,446,000)                            | -                              | (5,446,000)        |
| <b>Other comprehensive income</b>       | -                                   | -                              | 9,652,050                              | -                              | 9,652,050          |
| <b>Total comprehensive income</b>       | -                                   | -                              | 9,652,050                              | 14,176,140                     | 23,828,190         |
| 30% transfer of statutory reserve       | -                                   | 4,252,842                      | -                                      | (4,252,842)                    | -                  |
| Transfer of retirement benefit asset    | -                                   | -                              | (377,000)                              | 377,000                        | -                  |
| Education outreach                      | -                                   | -                              | -                                      | (1,500,000)                    | (1,500,000)        |
| Additional statutory reserve            | -                                   | 6,000,000                      | -                                      | (6,000,000)                    | -                  |
| Entrance fee                            | -                                   | 107,700                        | -                                      | -                              | 107,700            |
| Permanent shares                        | 2,576,979                           | -                              | -                                      | -                              | 2,576,979          |
| <b>Balance at December 31, 2022</b>     | <b>30,424,677</b>                   | <b>378,333,317</b>             | <b>155,115,781</b>                     | <b>71,774,157</b>              | <b>635,647,932</b> |

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

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

Year ended December 31, 2022 (cont'd)

|   | Permanent<br>Share<br>Capital<br>\$ | Institutional<br>Capital<br>\$ | Non-<br>Institutional<br>Capital<br>\$ | Undistributed<br>Surplus<br>\$ | Total<br>\$        |
|---|-------------------------------------|--------------------------------|--|--------------------------------|--------------------|
| <b>Balance at December 31, 2020</b>     | 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         |
| <b>Other comprehensive income</b>       |                                     |                                |  |                                |                    |
| Fair value gain on investments          | -                                   | -                              | 1,212,778                              | -                              | 1,212,778          |
| Actuarial loss on defined benefit asset | -                                   | -                              | (3,708,000)                            | -                              | (3,708,000)        |
| <b>Other comprehensive income</b>       | -                                   | -                              | (2,495,222)                            | -                              | (2,495,222)        |
| <b>Total comprehensive income</b>       | -                                   | -                              | (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          |
| <b>Balance at December 31, 2021</b>     | <b>27,847,698</b>                   | <b>367,972,775</b>             | <b>145,840,731</b>                     | <b>68,973,859</b>              | <b>610,635,063</b> |

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

**Palisadoes Co-operative Credit Union Limited**  
**Statement of cash flows**

Year ended December 31, 2022

|  | 2022<br>\$           | 2021<br>\$          |
|--|----------------------|---------------------|
| <b>Cash flows from operating activities:</b>               |                      |                     |
| Surplus/(deficit) for the year                             | 14,176,140           | 46,333,232          |
| Adjustments for:   |                      |                     |
| (Gain)/loss on retirement asset                            | 377,000              | (492,000)           |
| Depreciation   | 3,944,117            | 5,062,168           |
| <b>Net cash provided by/(used in) operating activities</b> | <b>18,497,257</b>    | <b>50,903,400</b>   |
| <b>Cash flows from investing activities:</b>               |                      |                     |
| Loans after provision for loan impairment                  | (195,689,367)        | 10,838,956          |
| Financial investments                                      | 22,596,892           | (102,081,792)       |
| Resale agreement   | 50,000,000           | -                   |
| Accounts receivables                                       | (1,771,775)          | 8,770,585           |
| Purchase of property, plant and equipment                  | (2,607,158)          | (3,258,112)         |
| <b>Net cash used in investing activities</b>               | <b>(127,471,408)</b> | <b>(85,730,363)</b> |
| <b>Cash flows from financing activities:</b>               |                      |                     |
| Issue of permanent shares                                  | 2,576,979            | 4,175,910           |
| Members' shares  | 90,342,298           | 25,085,778          |
| Savings deposits   | 5,615,234            | 11,786,433          |
| External credit  | (231,803)            | -                   |
| Payables and accruals                                      | 1,016,914            | (1,076,688)         |
| Entrance fees  | 107,700              | 76,400              |
| Appropriations   | (1,500,000)          | -                   |
| Investment revaluation reserve                             | 15,098,050           | 1,212,778           |
| <b>Net cash provided by financing activities</b>           | <b>113,025,372</b>   | <b>41,260,611</b>   |
| <b>Net increase in bank and cash balances</b>              | <b>4,051,221</b>     | <b>6,433,648</b>    |
| <b>Bank and cash balances at beginning of year</b>         | <b>61,283,696</b>    | <b>54,850,048</b>   |
| <b>Bank and cash balances at end of year</b>               | <b>65,334,917</b>    | <b>61,283,696</b>   |

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

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

December 31, 2022

### 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, 2022

### 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, 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.

**A number of narrow-scope amendments to IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16,** (effective for annual periods beginning on or after January 1, 2022). 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'.

##### 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 Bank.

Management anticipates that all relevant pronouncements will be adopted in the Group'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 Bank's financial statements.

**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.

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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, 2022

### 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, 2022

### 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, 2022

### 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, 2022

### 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, 2022

### 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, 2022

### 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, 2022

### 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-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 4. Financial investments

|  | 2022<br>\$'000     | 2021<br>\$'000     |
|--|--------------------|--------------------|
| <b>Non-current</b>                                   |                    |                    |
| <b>Amortised cost</b>                                |                    |                    |
| Proven Wealth  | 21,151,635         | 36,979,735         |
| VM Wealth  | -                  | 85,000,000         |
| JCCUL - CUETS Settlement Deposit                     | 2,116,588          | 2,094,511          |
| Money Masters Fund Notes                             | 10,000,000         | 30,000,000         |
| Money Master preference shares                       | 40,000,000         | 40,000,000         |
| CUMAX Bond   | 30,000,000         | 30,000,000         |
| Sterling Asset Management                            | -                  | 53,744,667         |
| JMMB preference shares                               | 41,465,630         | 42,665,600         |
| Bank of Jamaica Bond                                 | 20,000,000         | -                  |
| <b>Total non-current</b>                             | <b>164,733,853</b> | <b>330,484,513</b> |
| <b>Current</b>                                       |                    |                    |
| <b>Amortised cost</b>                                |                    |                    |
| Sterling Asset Management                            | 53,759,057         | 49,063,113         |
| CUMAX Fund   | 139,452,588        | 177,822,377        |
| JMMB - Savings                                       | 71,832             | 1,269,239          |
| NCB Capital Market                                   | 20,000,000         | -                  |
| Proven Wealth  | 16,000,000         | -                  |
| Money Master Fund Notes                              | 193,580,709        | 69,220,000         |
|  | <b>422,864,186</b> | <b>297,374,729</b> |
| <b>Fair value through other comprehensive income</b> |                    |                    |
| Shares NUCS Co-operative Insurance Services          | 500,000            | 500,000            |
| JCCUL shares unquoted                                | 82,830,156         | 69,246,123         |
| Shares – Quality Networks Co-operative Limited       | 1,932,632          | 1,904,855          |
| Credit Union Fund Management Company                 | 12,258,240         | 10,787,000         |
| Centralised Strategic Service Limited                | 75,000             | 60,000             |
|  | <b>97,596,028</b>  | <b>82,497,978</b>  |
| <b>Fair value through profit or loss</b>             |                    |                    |
| Grace Kennedy  | 776,027            | 932,687            |
| JMMB   | 9,139,770          | 10,939,986         |
| Wisynco  | 2,336,734          | 2,208,458          |
| Seprod   | 6,722,138          | 6,131,347          |
| Elite Diagnostics                                    | 156,161            | 141,289            |
| Stationery and Office Supplies                       | 2,670,450          | 1,008,521          |
| Sagicor  | 13,356,777         | 12,910,847         |
| Jamaica Broilers                                     | 2,077,000          | 1,945,010          |
| Proven Wealth  | 45,325,706         | 43,060,542         |
| Sygnus   | 1,267,000          | 1,488,000          |
| VM Wealth  | 16,594,754         | 16,452,532         |
| Eppley   | 96,653             | 90,628             |
| Kingston Wharves                                     | 3,627,462          | 4,270,524          |
|  | <b>104,146,632</b> | <b>101,580,371</b> |
| <b>Total current</b>                                 | <b>624,606,846</b> | <b>481,453,078</b> |
| <b>Total</b>   | <b>789,340,699</b> | <b>811,937,591</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 5. Loans, after provision for expected credit losses

| (a) Movement in loans during the year  | 2022<br>\$           | 2021<br>\$           |                        |                     |
|--|----------------------|----------------------|------------------------|---------------------|
| Balance at the beginning of the year   | 1,255,350,225        | 1,267,190,009        |                        |                     |
| Add: Disbursement during the year  | 548,154,034          | 375,127,922          |                        |                     |
|  | <b>1,803,504,259</b> | <b>1,642,317,931</b> |                        |                     |
| Less: Repayment  | (352,975,511)        | (386,967,706)        |                        |                     |
|  | <b>1,450,528,748</b> | <b>1,255,350,225</b> |                        |                     |
| Less: Expected credit losses   | (7,367,580)          | (7,878,424)          |                        |                     |
|  | <b>1,443,161,168</b> | <b>1,247,471,801</b> |                        |                     |
| Less: Current portion  | (27,515,073)         | (22,817,472)         |                        |                     |
| <b>Total non-current</b>   | <b>1,415,646,095</b> | <b>1,224,654,329</b> |                        |                     |
| (b) Expected credit losses   | 2022<br>\$           | 2021<br>\$           |                        |                     |
| Provision for impairment at beginning of year  | 7,878,424            | 8,927,047            |                        |                     |
| Increase/(reduction) amounts provided for during the year  | 1,647,982            | (1,048,623)          |                        |                     |
| Loans written-off that were previously provided for  | (2,158,826)          | -                    |                        |                     |
| Provision for impairment at end of year  | <b>7,367,580</b>     | <b>7,878,424</b>     |                        |                     |
| (c) Delinquent loans   |                      |                      |                        |                     |
| During the year, loans totalling \$10,000,978, which have been delinquent for periods exceeding one (1) year were written off.   |                      |                      |                        |                     |
| The Credit Union is actively pursuing the delinquent members in respect of these loans with an object of collecting the amounts written off.                                   |                      |                      |                        |                     |
| At December 31, 2022, there were 28 (2021 – 52) delinquent loans totalling \$11,271,682 (2021 – \$13,687,478) aged two months and over. These loans are summarised as follows: |                      |                      |                        |                     |
| Months Arrears   | Number of Members    | Delinquent Loans \$  | Percentage Provision % | PEARLS Provision \$ |
| 2 - 3  | 4                    | 293,614              | 10                     | 29,361              |
| 3 - 6  | 3                    | 337,550              | 30                     | 101,265             |
| 6 - 12   | 6                    | 639,550              | 60                     | 383,730             |
| Over 12  | 15                   | 10,000,978           | 100                    | 10,000,978          |
|  | <b>28</b>            | <b>11,271,692</b>    |                        | <b>10,515,334</b>   |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

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

|                         | 2022<br>\$           | 2021<br>\$           |
|-------------------------|----------------------|----------------------|
| Within 3 months         | 3,645,834            | 3,792,931            |
| From 3 months to 1 year | 23,869,239           | 19,024,542           |
| Over 1 year             | 1,415,646,095        | 1,224,654,328        |
| <b>Total</b>            | <b>1,443,161,168</b> | <b>1,247,471,801</b> |

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

|                                 | 2022<br>\$           | 2021<br>\$           |
|---------------------------------|----------------------|----------------------|
| Home equity                     | 803,370,203          | 589,292,975          |
| Motor vehicle                   | 171,769,529          | 206,268,275          |
| Loans within shares and savings | 408,832,188          | 382,906,227          |
| Unsecured loans                 | 66,556,828           | 74,243,065           |
| Others                          | -                    | 2,639,683            |
| <b>Total</b>                    | <b>1,450,528,748</b> | <b>1,255,350,225</b> |

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

|                                | 2022<br>\$           | 2021<br>\$           |
|--------------------------------|----------------------|----------------------|
| Neither past due nor impaired  | 1,439,257,056        | 1,220,115,971        |
| Past due but not impaired      | -                    | 4,160,656            |
| Impaired loans:                |                      |                      |
| 2 to 3 months                  | 293,614              | 449,408              |
| 3 to 6 months                  | 337,550              | 607,934              |
| 6 to 12 months                 | 639,550              | 25,070,704           |
| Over 12 months                 | 10,000,978           | 4,945,552            |
| Less provision for loan losses | (7,367,580)          | (7,878,424)          |
| <b>Total</b>                   | <b>1,443,161,168</b> | <b>1,247,471,801</b> |

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

|  | 2022<br>\$       | 2021<br>\$       |
|--|------------------|------------------|
| Balance at January 1   | 7,878,424        | 8,927,047        |
| Loans written-off previously provided for  | (2,158,826)      | -                |
| Increase/(reduction)in expected credit loss the year                             | 1,647,982        | (1,048,623)      |
| <b>Provision for impairment at end of year-IFRS9</b>                             | <b>7,367,580</b> | <b>7,878,424</b> |
| Calculated provision for impairment in accordance with LEAGUE provisioning rules | 10,515,334       | 11,610,021       |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 6. Automated teller machines

The carrying amounts are reconciled as follows:

|   | Automated<br>Teller<br>Machines<br>\$ | Total<br>\$        |
|---|---------------------------------------|--------------------|
| <b>Gross carrying amount</b>                |                                       |                    |
| Balance at December 31, 2021                | 12,337,677                            | 12,337,677         |
| <b>Balance at December 31, 2022</b>         | <b>12,337,677</b>                     | <b>12,337,677</b>  |
| <b>Depreciation</b>                         |                                       |                    |
| Balance at December 31, 2021                | (8,361,634)                           | (8,361,634)        |
| Depreciation                                | (635,338)                             | (586,465)          |
| <b>Balance at December 31, 2022</b>         | <b>(8,996,972)</b>                    | <b>(8,948,099)</b> |
| <b>Carrying amount at December 31, 2022</b> | <b>3,340,706</b>                      | <b>(3,389,578)</b> |

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

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

Year ended December 31, 2022

**7. Property, plant and equipment**

The carrying amounts for property and equipment for the years included in these financial statements as at December 31, 2022 can be analysed as follows:

|   | Land<br>\$        | Leasehold<br>Improvement<br>\$ | Office<br>Furniture &<br>Equipment<br>\$ | Computer<br>\$      | Software<br>\$      | Total<br>\$         |
|---|-------------------|--------------------------------|--|---------------------|---------------------|---------------------|
| <b>Gross carrying amount</b>                |                   |                                |  |                     |                     |                     |
| Balance at December 31, 2021                | 33,605,925        | 10,838,131                     | 15,800,287                               | 19,285,746          | 26,072,929          | 105,603,018         |
| Additions                                   | -                 | -                              | 1,033,584                                | 392,347             | 1,181,227           | 2,607,158           |
| <b>Balance at December 31, 2022</b>         | <b>33,605,925</b> | <b>10,838,131</b>              | <b>16,833,871</b>                        | <b>19,678,093</b>   | <b>27,254,156</b>   | <b>108,210,176</b>  |
| <b>Depreciation</b>                         |                   |                                |  |                     |                     |                     |
| Balance at December 31, 2021                | -                 | (10,403,461)                   | (12,789,653)                             | (18,659,964)        | (22,105,329)        | (63,958,407)        |
| Charge for the year                         | -                 | (167,623)                      | (556,603)                                | (314,144)           | (2,224,122)         | (3,308,780)         |
| <b>Balance at December 31, 2022</b>         | <b>-</b>          | <b>(10,571,084)</b>            | <b>(13,392,544)</b>                      | <b>(18,974,108)</b> | <b>(24,329,451)</b> | <b>(67,267,187)</b> |
| <b>Carrying amount at December 31, 2022</b> | <b>33,605,925</b> | <b>267,047</b>                 | <b>3,441,327</b>                         | <b>703,985</b>      | <b>2,924,705</b>    | <b>40,942,989</b>   |

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

Year ended December 31, 2022

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

|   | Land<br>\$        | Leasehold<br>Improvement<br>\$ | Office<br>Furniture &<br>Equipment<br>\$ | Computer<br>\$      | Software<br>\$      | Total<br>\$         |
|---|-------------------|--------------------------------|--|---------------------|---------------------|---------------------|
| <b>Gross carrying amount</b>                |                   |                                |  |                     |                     |                     |
| Balance at December 31, 2020                | 33,605,925        | 10,838,131                     | 14,972,047                               | 18,923,356          | 24,005,446          | 102,344,905         |
| Additions                                   | -                 | -                              | 828,240                                  | 362,390             | 2,067,483           | 3,258,113           |
| <b>Balance at December 31, 2021</b>         | <b>33,605,925</b> | <b>10,838,131</b>              | <b>15,800,287</b>                        | <b>19,285,746</b>   | <b>26,072,929</b>   | <b>105,603,018</b>  |
| <b>Depreciation</b>                         |                   |                                |  |                     |                     |                     |
| Balance at December 31, 2020                | -                 | (10,248,520)                   | (12,311,863)                             | (18,480,280)        | (18,442,273)        | (59,482,936)        |
| Charge for the year                         | -                 | (154,941)                      | (477,790)                                | (179,684)           | (3,663,056)         | (4,475,471)         |
| <b>Balance at December 31, 2021</b>         | <b>-</b>          | <b>(10,403,461)</b>            | <b>(12,789,653)</b>                      | <b>(18,659,964)</b> | <b>(22,105,329)</b> | <b>(63,958,407)</b> |
| <b>Carrying amount at December 31, 2021</b> | <b>33,605,925</b> | <b>434,670</b>                 | <b>3,010,634</b>                         | <b>625,782</b>      | <b>3,967,600</b>    | <b>41,644,611</b>   |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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,

|  | 2022<br>\$         | 2021<br>\$          |
|--|--------------------|---------------------|
| Present value of funded obligation                             | 61,860,000         | 87,721,000          |
| Fair value of plan assets                                      | (103,949,000)      | (102,656,000)       |
| Effect of asset ceiling  | 32,977,000         | -                   |
| <b>Asset recognised in the statement of financial position</b> | <b>(9,112,000)</b> | <b>(14,935,000)</b> |

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

|   | 2022<br>\$       | 2021<br>\$       |
|---|------------------|------------------|
| Current service cost                              | 2,774,000        | 2,536,000        |
| Interest cost                                     | 6,941,000        | 6,908,000        |
| Return on plan assets                             | (8,914,000)      | (9,227,000)      |
| <b>Net pension credit included in staff costs</b> | <b>(801,000)</b> | <b>(217,000)</b> |

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

|  | 2022<br>\$        | 2021<br>\$        |
|--|-------------------|-------------------|
| Present value of obligation at beginning of year                 | 87,721,000        | 77,218,000        |
| Current service cost and contributions                           | 4,744,000         | 4,586,000         |
| Interest cost  | 6,941,000         | 6,908,000         |
| Benefits paid  | (1,915,000)       | (936,000)         |
| Actuarial gain   | (35,631,000)      | (55,000)          |
| <b>Changes in the present value of obligation at end of year</b> | <b>61,860,000</b> | <b>87,721,000</b> |

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

|  | 2022<br>\$         | 2021<br>\$         |
|--|--------------------|--------------------|
| Fair value of plan assets                                      | 102,656,000        | 95,369,000         |
| Contributions  | 3,657,000          | 3,789,000          |
| Return on plan assets  | 7,650,000          | 8,197,000          |
| Benefits paid  | (1,915,000)        | (936,000)          |
| Actuarial loss on plan assets                                  | (8,099,000)        | (3,763,000)        |
| <b>Changes in the fair value of plan assets at end of year</b> | <b>103,949,000</b> | <b>102,656,000</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

#### Movements in net asset

|  | 2022<br>\$         | 2021<br>\$          |
|--|--------------------|---------------------|
| Opening net asset  | (14,935,000)       | (18,151,000)        |
| Pension income   | 2,064,000          | 1,247,000           |
| Total re-measurements included in other comprehensive income | 5,446,000          | 3,708,000           |
| Employer's contributions                                     | (1,687,000)        | (1,739,000)         |
| <b>Closing net asset</b>                                     | <b>(9,112,000)</b> | <b>(14,935,000)</b> |

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

|                              | 2022               |            | 2021               |            |
|------------------------------|--------------------|------------|--------------------|------------|
|                              | \$                 | %          | \$                 | %          |
| J\$ debentures               | 34,201,000         | 32.90      | 26,690,000         | 26.00      |
| US\$ Certificates of deposit | -                  | -          | 855,000            | 0.83       |
| Repurchase Agreements        | 9,806,000          | 9.43       | 9,173,000          | 8.94       |
| US\$ debentures              | 7,453,000          | 7.17       | 13,530,000         | 13.18      |
| Quoted equities              | 23,066,000         | 22.19      | 23,745,000         | 23.13      |
| Investment properties        | 23,090,000         | 22.21      | 23,420,000         | 22.81      |
| Real estate fund             | 1,285,000          | 1.24       | 1,156,000          | 1.13       |
| Local registered stocks      |                    |            |                    |            |
| Unit trust                   | 5,662,000          | 5.45       | 5,463,000          | 5.32       |
| Net current assets           | (614,000)          | 0.59       | (1,376,000)        | (1.34)     |
|                              | <b>103,949,000</b> | <b>100</b> | <b>102,656,000</b> | <b>100</b> |

#### Principal actuarial assumptions

|                          | 2022<br>% | 2021<br>% |
|--------------------------|-----------|-----------|
| Discount rate            | 13.00     | 8.0       |
| Future salaries increase | 7.50      | 5.5       |
| Pension increases        | 5.50      | 3.75      |

### 9. Reverse repurchase agreement

|                             | Amortised<br>cost<br>2022<br>\$ | Amortised<br>cost<br>2021<br>\$ |
|-----------------------------|---------------------------------|---------------------------------|
| NCB Capital Markets Limited | -                               | 50,000,000                      |

### 10. Bank and cash balances

|                  | 2022<br>\$        | 2021<br>\$        |
|------------------|-------------------|-------------------|
| Cash in hand     | 41,118,706        | 46,120,244        |
| Current accounts | 24,216,211        | 15,163,452        |
| <b>Total</b>     | <b>65,334,917</b> | <b>61,283,696</b> |

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

Year ended December 31, 2022

**11. Receivables**

|                          | 2022<br>\$        | 2021<br>\$        |
|--------------------------|-------------------|-------------------|
| Loan interest receivable | -                 | 1,579,588         |
| Interest receivable      | 17,011,747        | 13,635,055        |
| Prepaid expense          | 1,002,014         | 515,679           |
| Payroll receivable       | -                 | 525,510           |
| Withholding tax          | 1,559,611         | 1,559,611         |
| Other receivables        | 3,701,746         | 3,687,900         |
| <b>Total</b>             | <b>23,275,118</b> | <b>21,503,343</b> |

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

**12. Permanent share capital**

|                                  | 2022<br>\$        | 2021<br>\$        |
|----------------------------------|-------------------|-------------------|
| Balance at beginning of the year | 27,847,698        | 23,671,788        |
| Allocation of shares             | 2,576,979         | 4,175,910         |
| <b>Balance at end of year</b>    | <b>30,424,677</b> | <b>27,847,698</b> |

**13. Institutional capital**

|  | 2022<br>\$         | 2021<br>\$         |
|--|--------------------|--------------------|
| Statutory reserve as at January 1                  | 333,497,041        | 304,220,671        |
| Add 30% of net income                              | 4,252,842          | 13,899,970         |
| Additional amount transferred to statutory reserve | 6,000,000          | 15,300,000         |
| Add: Entrance Fees                                 | 107,700            | 76,400             |
|  | <b>343,857,583</b> | <b>333,497,041</b> |
| Business combination reserve                       | 34,475,734         | 34,475,734         |
| <b>Total</b>                                       | <b>378,333,317</b> | <b>367,972,775</b> |

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

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

Year ended December 31, 2022

**14. Non-Institutional capital**

|   | 2022<br>\$         | 2021<br>\$         |
|---|--------------------|--------------------|
| Retirement benefit asset reserve (Note i) | 9,112,000          | 14,935,000         |
| 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)       | 77,274,407         | 62,176,357         |
| <b>Total</b>                              | <b>155,115,781</b> | <b>145,840,731</b> |

- (i) This reserve was created to match the value of the Retirement Benefit Asset of the Credit Union. Movement in this reserve passes through the undistributed surplus.
- (ii) This reserve was excess fund set aside for any eventuality.
- (iii) This reserve was created to record the changes in fair value of land.
- (iv) This reserve was set aside for the purpose of purchasing permanent shares from resigning and deceased members' beneficiaries.
- (v) This reserve was set aside to aid the renovation of the property at 10 Garelli Avenue.
- (vi) This reserve represents the unrealised surplus of market value versus cost of equity investment.

**15. Members' shares**

|                                      | 2022<br>\$           | 2021<br>\$           |
|--------------------------------------|----------------------|----------------------|
| Balance at beginning of year         | 1,394,056,858        | 1,368,971,080        |
| Add: Amount subscribed and dividends | 479,859,842          | 410,902,341          |
|                                      | <b>1,873,916,700</b> | <b>1,779,873,421</b> |
| Less: Withdrawals and transfer       | (389,517,544)        | (385,816,563)        |
| <b>Balance at end of year</b>        | <b>1,484,399,156</b> | <b>1,394,056,858</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 16. External credit

|                                   | 2022              | 2021              |
|-----------------------------------|-------------------|-------------------|
|                                   | \$                | \$                |
| <b>Interest bearing:</b>          |                   |                   |
| (i) Carib Cement                  | 13,271,057        | 13,401,302        |
| (ii) Rubis Energy                 | 5,226,397         | 5,402,218         |
| (iii) IGL                         | 3,487,429         | 3,406,617         |
| (iv) Airport Authority of Jamaica | 6,926,393         | 6,878,942         |
| <b>Total</b>                      | <b>28,911,276</b> | <b>29,143,079</b> |
| <b>Non-interest bearing:</b>      |                   |                   |
| (i) Airport Authority of Jamaica  | 2,413,058         | 2,413,058         |
| (ii) Air Jamaica Holding Limited  | 2,467,433         | 2,467,433         |
| <b>Total</b>                      | <b>4,880,491</b>  | <b>4,880,491</b>  |

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

### 17. Savings deposits

|                        | 2022               | 2021               |
|------------------------|--------------------|--------------------|
|                        | \$                 | \$                 |
| Other deposits         | 48,743,432         | 37,266,820         |
| Regular deposits       | 72,130,237         | 71,368,760         |
| Members fixed deposits | 75,419,326         | 82,042,181         |
| <b>Total</b>           | <b>196,292,995</b> | <b>190,677,761</b> |

### 18. Accounts payables

|                          | 2022              | 2021              |
|--------------------------|-------------------|-------------------|
|                          | \$                | \$                |
| Employee benefit payable | 251,000           | 251,070           |
| Audit and accounting fee | 1,384,537         | 2,221,545         |
| Education and outreach   | 288,283           | 370,280           |
| Trade payable            | 2,798,288         | 3,068,475         |
| Accrued interest         | 403,265           | 278,679           |
| Withholding tax          | -                 | 72,687            |
| LS & LP payable          | 147,001           | 266,727           |
| Compliance fund          | 10,406            | 10,406            |
| Other payable            | 19,092,967        | 16,818,964        |
| <b>Total</b>             | <b>24,375,747</b> | <b>23,358,833</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 19. Operating expenses

|  | 2022               | 2021               |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>Staff costs</b>                                   |                    |                    |
| Employees salaries and allowances                    | 53,932,291         | 54,858,344         |
| Employee benefits                                    | 2,883,169          | 3,728,810          |
| Employee welfare and training                        | 291,422            | 756,306            |
| Employee travel and related expenses                 | 1,397,947          | 601,873            |
| <b>Total</b>   | <b>58,504,829</b>  | <b>59,945,333</b>  |
| <b>Administrative</b>                                |                    |                    |
| Office rental  | 8,103,297          | 8,078,642          |
| Audit fees   | 3,067,200          | 4,000,000          |
| Depreciation   | 3,944,117          | 5,062,168          |
| Legal fees and professional fees                     | 508,000            | 1,658,118          |
| Administrative expenses and subscription             | 8,909,653          | 10,749,108         |
| Utilities  | 3,301,934          | 2,680,885          |
| Telecommunication                                    | 4,347,826          | 3,405,506          |
| Insurance premiums                                   | 4,637,782          | 4,108,997          |
| Printing, stationery and supplies                    | 1,656,152          | 3,324,413          |
| Repairs and maintenance                              | 699,244            | 592,728            |
| <b>Total administrative expenses</b>                 | <b>39,175,205</b>  | <b>43,660,565</b>  |
| <b>Representation and affiliation</b>                |                    |                    |
| League fees and other fees                           | 4,728,902          | 4,254,603          |
| Stabilization dues                                   | 1,980,918          | 1,160,897          |
| Board and committee meetings                         | 2,855,887          | 2,242,524          |
| League AGM   | 1,900,863          | 1,586,715          |
| <b>Total representation and affiliation expenses</b> | <b>11,466,570</b>  | <b>9,244,739</b>   |
| <b>Marketing and promotion</b>                       |                    |                    |
| Promotion and advertising                            | -                  | 267,770            |
| <b>Total marketing and promotion expenses</b>        | <b>-</b>           | <b>267,770</b>     |
| <b>Total operating expenses</b>                      | <b>109,146,603</b> | <b>113,118,407</b> |

### 20. Leases

Lease payment not recognised as a liability.

The Credit Union leases its offices. Lease agreement expired prior to December 31, 2022 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:

|                    | 2022             | 2021             |
|--------------------|------------------|------------------|
|                    | \$               | \$               |
| Lease of 2 offices | 8,103,297        | 8,078,642        |
| <b>Total</b>       | <b>8,103,297</b> | <b>8,078,642</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 21. Volunteers' balances

At December 31, 2022, 7 (2021 - 7) members of the Society's Board of Directors and 10 (2021 - 10) Committee Members had savings and deposits of \$16,480,129 (2021 - \$53,882,567) and loans including interest totalling \$38,186,784 (2021 - \$ 68,248,218).

Loans including interest due from members of staff totalled \$88,458,101 (2021 - \$12,157,106). During the year no Director or Committee Member received loans which necessitated waiver of the loan policy. At December 31, 2022, all loans owing by Directors, committee members and staff were being paid in accordance with loan agreements.

### 22. Comparison of ledger balances

|                   | Shares<br>\$  | Deposits<br>\$ | Loan<br>\$    |
|-------------------|---------------|----------------|---------------|
| General ledgers   | 1,484,399,156 | 196,292,995    | 1,450,528,748 |
| Personal ledgers  | 1,484,399,156 | 196,292,995    | 1,450,528,748 |
| Ledger difference | -             | -              | -             |

### 23. Employee benefits

|                            | 2022<br>\$        | 2021<br>\$        |
|----------------------------|-------------------|-------------------|
| Salaries and allowances    | 53,932,291        | 54,858,344        |
| Other personnel cost       | 4,281,116         | 4,330,683         |
| Staff training and welfare | 291,422           | 756,306           |
| <b>Total</b>               | <b>58,504,829</b> | <b>59,945,333</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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:

|   | 2022<br>\$           | 2021<br>\$           |
|---|----------------------|----------------------|
| <b>Financial assets at amortised cost</b>               |                      |                      |
| Reverse repurchase agreement                            | -                    | 50,000,000           |
| Financial investments                                   | 587,659,439          | 627,859,242          |
|   | <b>587,659,439</b>   | <b>677,859,242</b>   |
| <b>Fair value through profit or loss</b>                |                      |                      |
| Quoted shares   | <b>104,146,632</b>   | <b>101,580,371</b>   |
| <b>Fair value through other comprehensive income</b>    |                      |                      |
| Unquoted shares   | <b>97,596,028</b>    | <b>82,497,978</b>    |
| <b>Financial assets at amortised cost</b>               |                      |                      |
| Members' loans  | 1,443,161,168        | 1,247,471,800        |
| Accounts receivables                                    | 22,275,118           | 21,503,343           |
| Cash and cash equivalents                               | 65,334,917           | 61,283,696           |
|   | <b>1,531,771,203</b> | <b>1,330,258,839</b> |
| <b>Total financial assets</b>                           | <b>2,321,173,302</b> | <b>2,192,278,823</b> |
| <b>Liabilities</b>                                      |                      |                      |
| <b>Financial liabilities measured at amortised cost</b> |                      |                      |
| Members shares  | 1,484,399,156        | 1,394,056,858        |
| Savings deposits  | 196,292,995          | 190,677,761          |
| Trade and other payables                                | 24,375,747           | 23,358,833           |
| External credit   | 28,911,276           | 34,023,570           |
|   | <b>1,733,979,174</b> | <b>1,642,117,022</b> |
| <b>Total financial liabilities</b>                      |                      |                      |

### 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, 2022

### 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, 2022

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

a Market risk

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

i Currency risk and Sensitivity

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

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

ii Interest rate risk

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

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

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

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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.

| 2022                             |                                  |                                 |                                    |                               |                             |                      |
|----------------------------------|----------------------------------|---------------------------------|------------------------------------|-------------------------------|-----------------------------|----------------------|
|                                  | Average<br>Interest<br>rate<br>% | Within<br>three<br>months<br>\$ | Three to<br>Twelve<br>months<br>\$ | One to<br>five<br>years<br>\$ | Non-Rate<br>sensitive<br>\$ | Total<br>\$          |
| Financial investments            | 6.50                             | 624,606,846                     | -                                  | 164,733,853                   | -                           | 789,340,699          |
| Loan                             | 10.00                            | 3,645,834                       | 23,869,239                         | 1,415,930,023                 | -                           | 1,443,445,096        |
| Account receivables              | -                                | -                               | -                                  | -                             | 23,275,118                  | 23,275,118           |
| Bank balances                    | -                                | -                               | -                                  | -                             | 65,334,917                  | 65,334,917           |
| <b>Total assets</b>              |                                  | <b>628,252,680</b>              | <b>23,869,239</b>                  | <b>1,580,663,876</b>          | <b>88,610,035</b>           | <b>2,321,395,830</b> |
| Savings deposits                 | 1.50                             | 120,873,669                     | 75,419,326                         | -                             | -                           | 196,292,995          |
| Non-interest bearing liabilities | -                                | -                               | -                                  | -                             | 24,375,747                  | 24,375,747           |
| Interest bearing liabilities     | -                                | -                               | -                                  | 28,911,276                    | 4,880,491                   | 33,791,767           |
| Members shares                   | -                                | -                               | -                                  | -                             | 1,484,399,156               | 1,484,399,156        |
| <b>Total liabilities</b>         |                                  | <b>120,873,669</b>              | <b>75,419,326</b>                  | <b>28,911,276</b>             | <b>1,513,655,394</b>        | <b>1,738,859,665</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

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

##### (ii) Interest rate risk (cont'd)

| 2021                             |                                  |                                 |                                    |                               |                             |                      |
|----------------------------------|----------------------------------|---------------------------------|------------------------------------|-------------------------------|-----------------------------|----------------------|
|                                  | Average<br>Interest<br>rate<br>% | Within<br>three<br>months<br>\$ | Three to<br>Twelve<br>months<br>\$ | One to<br>five<br>years<br>\$ | Non-Rate<br>sensitive<br>\$ | Total<br>\$          |
| 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           |
| <b>Total assets</b>              |                                  | <b>577,911,609</b>              | <b>19,024,541</b>                  | <b>1,512,473,242</b>          | <b>82,787,039</b>           | <b>2,192,196,431</b> |
| 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                  | 23,358,835           |
| Members shares                   | -                                | -                               | -                                  | -                             | 1,394,056,858               | 1,394,056,858        |
| <b>Total liabilities</b>         |                                  | <b>108,635,743</b>              | <b>82,042,181</b>                  | <b>29,143,079</b>             | <b>1,422,296,184</b>        | <b>1,642,117,022</b> |

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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<br>Basis<br>points<br>2022 | Effect on Net<br>Surplus<br>2022<br>\$'000 | Change in<br>basis<br>points<br>2021 | Effect on Net<br>Surplus<br>2021<br>\$'000 |
|--------------------------------------|--|--------------------------------------|--|
| <b>J\$ instruments</b>               |  | <b>J\$ instruments</b>               |  |
| +100                                 | 58,256                                     | +100                                 | 65,505                                     |
| -50                                  | (29,127)                                   | -50                                  | (32,752)                                   |

#### (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, 2022

### 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. This is measured using the

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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, 2022 and January 1, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer’s ability to settle the amount outstanding. The Bank has identified interest rate, exchange rate gross domestic product (GDP) and unemployment rates of Jamaica to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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, 2022 and January 1, 2022 was determined as follows:

Expected credit loss summarise by stage

| Loan stage   | December 31, 2022        |                            |                                |
|--------------|--------------------------|----------------------------|--------------------------------|
|              | Total loan balance<br>\$ | Expected credit loss<br>\$ | Expected credit loss rate<br>% |
| Stage 1      | 1,036,574,312            | 3,458,820                  | 0.34                           |
| Stage 2      | 406,416,449              | 6,134                      | 0.00                           |
| Stage 3      | 7,537,987                | 3,902,626                  | 52.00                          |
| <b>Total</b> | <b>1,450,528,748</b>     | <b>7,367,580</b>           |                                |

Expected credit loss summarise by stage

| Loan stage   | December 31, 2021        |                            |                                |
|--------------|--------------------------|----------------------------|--------------------------------|
|              | Total loan balance<br>\$ | Expected credit loss<br>\$ | Expected credit loss rate<br>% |
| Stage 1      | 1,220,388,645            | 3,061,729                  | 0.25                           |
| Stage 2      | 4,625,732                | 16,507                     | 0.36                           |
| Stage 3      | 30,335,848               | 4,800,188                  | 15.82                          |
| <b>Total</b> | <b>1,255,350,225</b>     | <b>7,878,424</b>           |                                |

#### Impairment

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

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

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

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

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

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

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

|                  | 2022            |                                   |
|------------------|-----------------|-----------------------------------|
|                  | Loans<br>\$'000 | Impairment<br>provision<br>\$'000 |
| Loans to members | 1,450,528,748   | 7,367,580                         |

|                  | 2021            |                                   |
|------------------|-----------------|-----------------------------------|
|                  | Loans<br>\$'000 | Impairment<br>provision<br>\$'000 |
| Loans to members | 1,255,350,225   | 7,878,424                         |

#### 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

|  | 2022<br>\$'000 | 2021<br>\$'000 |
|--|----------------|----------------|
| Provision for impairment at beginning of year                | 7,878,424      | 8,927,047      |
| Increase/(reduction) in amounts provided for during the year | 1,661,913      | (1,048,623)    |
| Loans written-off previously provided for                    | (2,172,757)    | -              |
| Provision for impairment at end of year                      | 7,367,580      | 7,878,424      |

#### (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 2022, there were no renegotiated loans.

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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:

|                                  | 2022<br>\$           | 2021<br>\$           |
|----------------------------------|----------------------|----------------------|
| Real estate residential          | 803,370,203          | 443,311,074          |
| Home improvement                 | -                    | 45,885,301           |
| Education                        | -                    | 20,693,021           |
| Business investment              | -                    | 93,254,423           |
| Transport purchase               | 171,769,529          | 213,251,900          |
| Line of credit                   | 65,556,828           | 44,634,123           |
| Bills                            | -                    | 209,572,254          |
| Personal and others              | 408,832,188          | 184,748,129          |
|                                  | <b>1,450,528,748</b> | <b>1,255,350,225</b> |
| Less: Allowances for loan losses | (7,367,580)          | (7,878,424)          |
| <b>Total</b>                     | <b>1,443,161,168</b> | <b>1,247,471,801</b> |

#### (iv) Repossessed collateral

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

|               | 2022<br>\$       | 2021<br>\$       |
|---------------|------------------|------------------|
| Motor vehicle | 1,060,000        | 1,060,000        |
| <b>Total</b>  | <b>1,060,000</b> | <b>1,060,000</b> |

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

|               | 2022<br>\$       | 2021<br>\$     |
|---------------|------------------|----------------|
| Motor vehicle | 1,347,705        | 976,840        |
| <b>Total</b>  | <b>1,347,705</b> | <b>976,840</b> |

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

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

#### c Liquidity risk

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

#### Liquidity risk management process

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

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

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

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

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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.

|                                     | 2022                            |                                    |                               |                                  |                      |
|-------------------------------------|---------------------------------|------------------------------------|-------------------------------|----------------------------------|----------------------|
|                                     | Within<br>Three<br>Months<br>\$ | Three to<br>Twelve<br>Months<br>\$ | One to<br>Five<br>Years<br>\$ | No<br>Specific<br>Maturity<br>\$ | Total<br>\$          |
| <b>Interest bearing liabilities</b> |                                 |                                    |                               |                                  |                      |
| Member shares                       | -                               | -                                  | -                             | 1,484,399,156                    | 1,484,399,156        |
| Savings deposits                    | 120,873,669                     | 75,419,326                         | -                             | -                                | 196,292,995          |
| External credit                     | -                               | -                                  | 28,911,276                    | 4,880,491                        | 33,791,767           |
| Non-interest bearing liabilities    | -                               | -                                  | -                             | 24,375,747                       | 24,375,747           |
| <b>Total liabilities</b>            | <b>120,873,669</b>              | <b>75,419,326</b>                  | <b>28,911,276</b>             | <b>1,513,655,394</b>             | <b>1,738,856,665</b> |
|                                     | 2021                            |                                    |                               |                                  |                      |
|                                     | Within<br>Three<br>Months<br>\$ | Three to<br>Twelve<br>Months<br>\$ | One to<br>Five<br>Years<br>\$ | No<br>Specific<br>Maturity<br>\$ | Total<br>\$          |
| <b>Interest bearing liabilities</b> |                                 |                                    |                               |                                  |                      |
| 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           |
| <b>Total liabilities</b>            | <b>110,265,114</b>              | <b>83,292,814</b>                  | <b>29,434,509</b>             | <b>1,422,296,182</b>             | <b>1,645,268,619</b> |

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the date of the statement of financial position.

## Palisadoes Co-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

### 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-operative Credit Union Limited Financial Statements

Year ended December 31, 2022

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

**December 31, 2022**

| Assets                                | Level 1<br>\$      | Level 2<br>\$     | Level 3<br>\$      | Total<br>\$        |
|---------------------------------------|--------------------|-------------------|--------------------|--------------------|
| Quoted shares (a)                     | 104,146,632        | 41,465,630        | -                  | 145,612,262        |
| Fixed deposits and other deposits (c) | -                  | -                 | 643,728,437        | 643,728,437        |
| <b>Total</b>                          | <b>104,146,632</b> | <b>41,465,630</b> | <b>643,728,437</b> | <b>789,340,699</b> |

**December 31, 2021**

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

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

#### Measurement of fair value

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

#### (a) Quoted shares

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

#### (b) Unquoted shares

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

#### (c) Fixed deposit and other deposits

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

#### Level 3 fair value measurements

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

There were no transfers in the reporting period under review.

---

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

 Year ended December 31, 2022
 

---

**27. Capital management, policies and procedures**

The Credit Union's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- (i) to maintain the members' confidence in the safety and viability of the Credit Union
- (ii) to safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns and benefits for its members
- (iii) to continuously meet statutory and any other regulatory requirements as required by the Registrar of Co-operative and Friendly Societies, the Bank of Jamaica and the Jamaica Co-operative Credit Union League Limited and others
- (iv) to maintain a strong capital base to support planned expansion and the development of new lines of business.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management according to the guidelines in its Capital Adequacy Policy and Capital Management Plan. The computation is reported to the Board of Directors each month and the Credit Union's capital adequacy ratio currently exceeds the benchmarks set by the regulatory authorities.

The League currently requires member credit unions to maintain a minimum level of the institutional capital at 8% of total assets. The proposed Bank of Jamaica regulations require the League to ensure that member credit unions:

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.

In determining the Credit Union's capital base, the institutional capital of Petroleum Industry Employees Co-operative Credit Union Limited which merged with Palisadoes Co-operative Credit Union on January 1, 2014 was included. As at the date of the merger, Petroleum Industry Employees Co-operative Credit Union Limited had institutional capital of \$25,753,537 (2021 - \$25,753,537) that comprised the following balances;

|                   | 2022              | 2021              |
|-------------------|-------------------|-------------------|
|                   | \$                | \$                |
| Statutory reserve | 16,429,227        | 16,429,227        |
| General reserve   | 9,324,310         | 9,324,310         |
| <b>Total</b>      | <b>25,753,537</b> | <b>25,753,537</b> |

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

All League and Bank of Jamaica regulatory capital requirements were met during the years ended December 31, 2022 and 2021.

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

---

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

 Year ended December 31, 2022
 

---

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

Effective June 1, 2021, the Development Bank of Jamaica (DBJ) accredited the Palisadoes Co-operative Credit Union Limited as an Approved Financial Institution (AFI). The Credit Union is now able to directly access DBJ wholesale funds for on-lending to Micro, Small and Medium-sized Enterprises (MSMEs) and large business entities.

The Institution is qualified to receive funding up to a maximum of 75% of its net worth. Under the arrangement, the maximum loan amount that can be on-lent to a single sub-borrower, group or entity is J\$15M. All such loans are subject to DBJ's approval prior to disbursement. As at the year-end, there was no access of the DBJ funds.



Report of the Credit Committee

For year ended 2022 December 31

The committee comprised of the following:

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

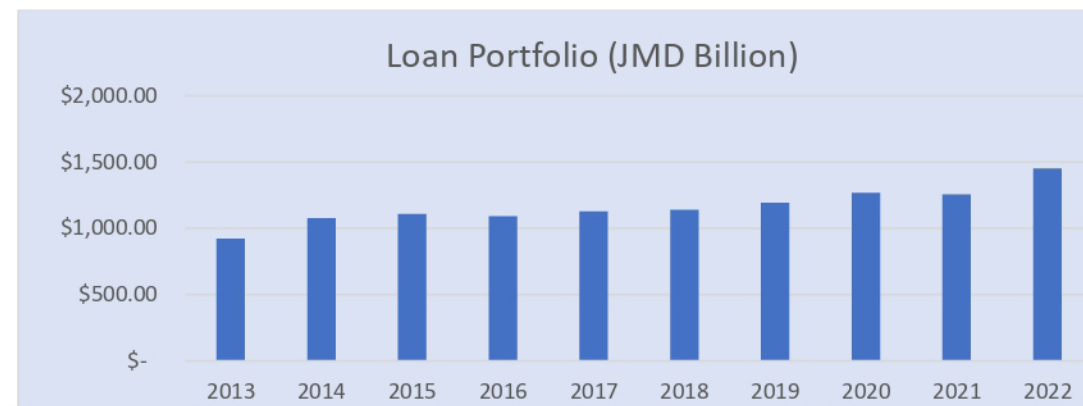
The committee met on thirty-eight (38) occasions to carry out its mandate as determined by the membership. The following tasks were undertaken:

- ✓ 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.

The year 2022, though challenging, saw a welcomed increase in the loan portfolio, as the credit union sought to rebound from the negative effects of the COVID-19 pandemic. Loans disbursed for the year amounted to \$548.15m compared to \$375.13m in 2021, an increase of \$173.02 m or 46.12%.

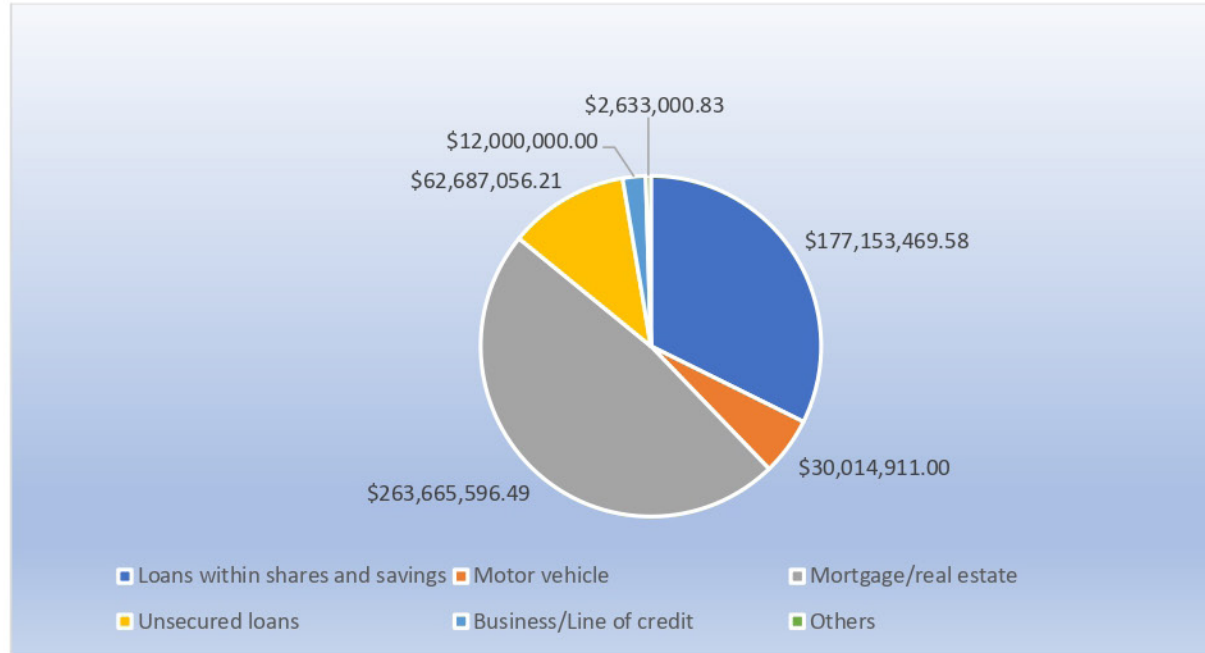
Repayments decreased by \$33.99m moving from \$386.97m to \$352.98m. Overall, the loan portfolio grew by \$195.46m. After the Expected Credit Loss amount of \$7.37m is applied, the **Net Loans Portfolio** amounted to **\$1,443.16m**, a **15.68%** increase over the **\$1,247.47m** in 2021.

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



| Loan type                       | Amount                  |                          | Variance                | % change     | % Allocation  |               |
|---------------------------------|-------------------------|--------------------------|-------------------------|--------------|---------------|---------------|
|                                 | 2022                    | 2021                     |                         |              | 2022          | 2021          |
| Loans within shares and savings | \$177,153,469.58        | \$128,680,852.28         | \$ 48,472,617.30        | 37.67        | 32.32         | 34.30         |
| Motor vehicle                   | \$ 30,014,911.00        | \$ 80,079,861.62         | -\$ 50,064,950.62       | -62.52       | 5.48          | 21.35         |
| Mortgage/real estate            | \$263,665,596.49        | \$ 87,474,393.52         | \$176,191,202.97        | 201.42       | 48.10         | 23.32         |
| Unsecured loans                 | \$ 62,687,056.21        | \$ 61,835,938.56         | \$ 851,117.65           | 1.38         | 11.44         | 16.48         |
| Business/Line of credit         | \$ 12,000,000.00        | \$ 16,800,000.00         | -\$ 4,800,000.00        | -28.57       | 2.19          | 4.48          |
| Others                          | \$ 2,633,000.83         | \$ 256,875.65            | \$ 2,376,125.18         | 925.01       | 0.48          | 0.07          |
| <b>Total Loans disbursed</b>    | <b>\$548,154,034.11</b> | <b>\$ 375,127,921.63</b> | <b>\$173,026,112.48</b> | <b>46.12</b> | <b>100.00</b> | <b>100.00</b> |
| <b>Number of Loans</b>          | <b>2752</b>             | <b>2867</b>              | <b>115</b>              | <b>-4.02</b> |               |               |

Loans Disbursed by Category



Analysis of the data above revealed the following:

Loans within Shares and Savings

Loans disbursed in this category during the year increased by \$48.47m or 37.67% when compared to 2021. The value of disbursements amounted to \$177.15m

Motor Vehicle Loans

An amount of \$30.01m was disbursed for the purchase of a motor vehicle. This reflected a \$50.06m or 62.52% decrease when compared to the previous year.

Unsecured Loans

There was a \$0.85m increase in the value of unsecured loans disbursed when compared to 2021. The amount disbursed for this category was \$62.69m.

Mortgage and Real Estate

The credit union experienced an uptick in the demand for real estate loans which increased significantly during 2022, as members took advantage of the special offerings made available to them. The request for pre-qualification letters also increased significantly. The committee will continue to monitor the portfolio and make recommendations to the Board of Directors as it deems fit.

The value of real estate loans disbursed amounted to \$263.66m, an increase of 201.42% or \$176.19m when compared to \$87.47m in 2021. Disbursements for this category also accounted for 48% of total loan disbursements for the year.

In-house Approvals

The committee is generally pleased with the management and administration of credit extended by an authorized officer. The credit policies and procedures, including the timely registration of securities and necessary follow-ups are being done, and loans are approved within the prescribed limits as set out in the Loans Policy.

Acknowledgment

The committee thanks the Board of Directors, Management, and staff for their assistance to the committee during the year. With 38 meetings during the period, we knew much was required of the staff members of the credit department, to provide us with the necessities for us to perform our tasks.

To you our members, the confidence placed in us is appreciated, and it was an honour to have served you throughout the year, and an honour indeed for you to have chosen us to cater to your financial needs.

As we celebrate our credit union's 70<sup>th</sup> Anniversary, we use the opportunity to recommit ourselves to serving even more, as we play our part in ensuring your economic and social well-being.

**Attendance Record of Credit Committee Meeting 2022**

| Names                   | Scheduled Meetings | Attended | Excused |
|-------------------------|--------------------|----------|---------|
| Orrette Staple          | 24                 | 23       | 1       |
| Berthlyn Plummer        | 22                 | 20       | 2       |
| Carlington Miles        | 23                 | 20       | 3       |
| Michelle Mais-Cadenhead | 24                 | 23       | 1       |
| Gay Morgan              | 22                 | 20       | 2       |

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

Cooperatively Yours



Gay Morgan  
Chairman

**Report of the Supervisory Committee**

**For year ended 2022 December 31**

The Supervisory Committee is pleased to report on the operations of the Palisadoes Cooperative Credit Union (PCCUL) for the calendar year 2022.

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 2022, the Committee met on seven (7) 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
- Nicola Reid - Secretary
- Wayne Rowe - Member
- Elaine Walters - Member
- Donovan Dobson - Member

The following volunteers were duly elected at the Annual General Meeting held in April 2022 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   | 7                 | 7                 | -       |
| Nicola Reid, Secretary | 7                 | 5                 | 2       |
| Elaine Walters         | 7                 | 6                 | 1       |
| Donovan Dobson         | 7                 | 4                 | 3       |
| Wayne Rowe *           | 7                 | 3                 | 4       |

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

**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 & ATM Reconciliations:** The reconciliations for all bank accounts and ATMs 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. **Member Accounts:** The internal controls surrounding the management of member accounts specifically as it related to deceased members, the debit card issuance process and savings and deposits, were reviewed and the findings were satisfactory.
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 the same policies.
8. **Surprise Cash Count:** Cash counted was fairly stated and adequately secured.

9. **Other Areas:** Loans underwriting, the internal controls over the company credit card, internal audit reports, the external auditor's management letter, Family Indemnity Plan (FIP) commission process, General Consumption Tax (GCT) returns, compliance with Fit & Proper regulatory requirements as well as the adjusting journal entries from the annual audit exercise were reviewed and found to be generally operating in accordance with the credit union's established procedures.

**GENERAL COMMENTS**

The examination and evaluation carried out by the Committee over the period would not necessarily unearth all 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, Data Protection Act 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**  
**CHAIRMAN**

## Report of the Delegates to the 81st Annual General Meeting of the Jamaica Co-op Credit Union League Ltd

The 81st Annual General Meeting and Convention of the Jamaica Co-op Credit Union League (JCCUL) took place at the Ocean Coral Spring Hotel in Trelawny during the period June 17-22, 2022. The convention was held jointly with the Caribbean Confederation of Credit Unions (CCCU) and attracted attendees from seventeen (17) Caribbean countries. The convention was held under the theme “Integration, Next Generational Leadership”.

JCCUL’s Annual General Meeting took place on June 18 under the theme “Developing Credit Unions Building Jamaica”. Approximately one hundred and forty delegates/alternate delegates/observers were in attendance.

President Lambert Johnson chaired the meeting and gave a summary of the Board of Directors’ Report for the year 2021, after which the Treasurer’s and Auditors, Supervisory and Nominating Committees reports were presented. Distribution of surplus in the amount of \$217.9m 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. Martin Blackwood – Portland
- Mrs. Andrea Wilson-Messam – Broadcast and Allied
- Mr. Alexander Bourne – Manchester
- Mr. Ryan Muir – Lascelles Employees and Partners
- Ms. Bornette Donaldson – C&WJ

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. Mary Dick – JTA
- Mr. Ricardo Jones - COK

### **Resolutions**

Three (3) congratulatory, two (2) Anniversary and two (2) Condolence Resolutions were passed at the meeting.

The meeting ended with the announcement of several credit union awards. for their performances in various categories as detailed hereunder:

- Large Credit Union Category: Winner: Educom  
Runner-up: First Heritage
- Medium: Winner: Portland  
Runner-up: **Palisadoes**
- Small: Winner: Lascelles Employee and Partners  
Runner-up: BJ Staff

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

- Lambert Johnson – President
- Andrea Messam – 1<sup>st</sup> Vice President
- O’Neil Grant – 2<sup>nd</sup> Vice President
- Norris Gilbert – Treasurer
- Ryan Muir – Assistant Treasurer
- Lt. Col. Michael Anglin – Secretary
- Alexander Bourne – Assistant Secretary



**Maxine Wilson**  
Delegate

**Management Discussions & Analyses to the  
71<sup>st</sup> Annual General Meeting**

Members, I am pleased to provide you with a synopsis of the credit union's operations for the year 2022.

It is often said that a well-run organisation is focused on long-term viability and sustainable returns. Our performance speaks for itself, and as we continue to rebound from the impact of COVID-19, we know that we will continue to grow from strength to strength, hurdling each challenge one at a time. Of course, our success is heavily dependent on you, our members, 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. The real test of commitment was demonstrated ever so often, especially during the onslaught of the pandemic.

Our financial performance for the year is outlined in the Treasurer's and Auditors' Report presented. Of note is the significant increase in the loan portfolio which is attributed mainly to the demand for real estate loans, a significant shift from the consumer-type loans which dominated our portfolio in previous years.

The Board of Directors has approved the payment of 10% dividend on Permanent Shares, 4.5% on Voluntary Shares and an interest rebate of 2.5% of loan interest paid in 2022.

Credit Union of the Year – Runner-up Award

Your credit union received this award for its performance in 2021 in the medium credit union category.

**Human Resources**

Several activities took place during the year, a very welcomed break, as during the pandemic these activities were either limited or non-existent. We hosted our staff luncheon in August at the AC Hotel in Kingston. It was a fun-filled occasion as members of staff displayed their various skills (or lack thereof) in songs, dance, deejaying, poetry and playing games.

Our "Kulcha Day" took place in February and again it was a great occasion as team members donned their cultural outfits and topped off the occasion with the playing of games, music, and enjoying refreshments.

Training

As we continue to work at empowering our team members and equipping them with the training required to offer exceptional service. staff members were exposed to various training sessions (both in-house and external) during the period to include Proceeds of Crime Act, Risk Management and Disaster Preparedness. One (1) business simulation exercise was conducted which highlighted several operational weaknesses in the event a disaster occurs. All weaknesses identified were addressed.

Departures

During the year we said goodbye to Miss Erica Coleman who migrated, and Miss Bianca Fagan who went elsewhere. We thank them wholeheartedly for their contribution to the credit union over the years. We wish them all the best in their endeavours.

**Deceased Members**

It is with deep regret that we note the death of the following members who passed during 2022.

|                  |          |                   |                  |                |
|------------------|----------|-------------------|------------------|----------------|
| Angelina Cousins | Catnott- | Carol Caseman     | Cleveland Wilson | Dorrett Muswah |
| Garfield Jones   |          | Jack Bogie        | Janice Knibbs    | Joslyn Hibbert |
| Leeroy Kerr      |          | Leslie Facey      | Lewis Thopson    | Narria Dobson  |
| Roger Vezina     |          | Shardene Williams |                  |                |

May their souls continue to rest in eternal peace.

**INSURANCE CLAIM SETTLEMENT RECORD**

|                         | 2022            | 2021            |
|-------------------------|-----------------|-----------------|
| <b>Life Savings</b>     | \$ 1,390,165.95 | \$ 1,688,086.54 |
| <b>Loan Protection</b>  | \$ 2,347,568.50 | \$ 3,703,264.22 |
| <b>Average Claim</b>    | \$ 467,216.80   | \$ 299,519.49   |
| <b>Total# of Claims</b> | 8               | 18              |

**REACHING FURTHER, DOING MORE**

We pride ourselves in being good corporate citizens, especially within the communities that we serve. Throughout the year, we were able to continue to reach out to several individuals and organization in various ways.

In August our 'Helping Hands' team staged a back-to-school treat at the Central Branch All-Age School in Kingston where we distributed hundreds of school supplies, groceries, care packages and refreshments to students and residents in the adjoining communities.

In December we made our usual annual visit to the Port Royal community where we shared with the "golden agers". We visited with them at their homes, providing them with groceries, care packages and refreshments, and spent time with them as they shared in songs, poems, and past experiences.

All these outreach activities would not have been possible without your kind generosity in approving each year, an amount to be set aside for these activities.

**Scholarship Awards-2022**

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

| Henley Johnson   | Roy Morrison  | W.A. Roberts                                     |
|--|---|--|
| <b>Tevianna Cadenhead</b><br>Parent – Michelle Mais-Cadehead (Airports Authority of Jamaica) | <b>Addison Morgan</b><br>Parent-Telroy Morgan (Petrojam)                | <b>Taliyah McKenzie</b><br>Parent – Ingrid Smith |
|  | <b>Makenzie Henry</b><br>Parent-Celia Russell-Henry (Jamaica Customs)   |  |
|  | <b>Paula-Gaye Clarke</b><br>Parent – Paul Clarke (Massy Gas Pro)        |  |
|  | <b>Satria McLean</b><br>Parent-Pearline Bryan (Petrojam)                |  |
|  | <b>Caveen Blagrove</b><br>Parent- Jacqueline Levine-Blagrove (Petrojam) |  |

Congratulations to all the awardees, we encourage you to continue to do well. We are however disappointed with the quality of applications received for the W.A. Roberts Scholarship. These scholarships are awarded at the primary/prep school level.

**Member Services**

Online Access

We continue to encourage our members to sign up for our mobile app and/or online access via our website @ [www.palisadoescreditunion.com](http://www.palisadoescreditunion.com). as it provides a convenient way of accessing your account “24/7”. This significantly reduces the need to call to check on your balances as detailed transaction activities are available. If you have not yet done so, we encourage you to sign up today.

Family Indemnity Plan

We use this medium to encourage members who do not yet have a FIP, to start one. We have seen the tremendous benefit of this plan and how it has assisted members to take care of the final expenses of their loved ones. For those who already have a Plan, this is an opportune time to revisit the benefits as CUNA Mutual has increased the number of Plans and the benefits available for each.

**Happy Birthday Palisadoes!**

On April 21<sup>st</sup> we celebrate 70 years! A wonderful achievement. We pause to remember the pioneers, the stalwarts of this credit union. As Warren Buffet states “Someone is sitting in the shade today because someone planted a tree a long time ago”. They planted the tree 70 years ago, they nurtured it throughout the years, and today we are indeed sitting in the shade of a strong tree, one which was planted and nurtured to last.

Thanks to all the Directors and Committee members who have served, to all staff members past and present, all our stakeholders who have assisted us throughout the years. We give thanks to the Almighty for his favour and benefits to this institution.

To you our members, special thanks for always being there, your continued confidence and trust in us is demonstrated every day, even when we do not get it right. We are forever grateful that you have chosen us to be your financial partner.

I am indeed very happy to have been a part of the journey for 27 years, and wish for the credit union continued growth and success. Together we can! Together we will!



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

GENERAL MANGER

Proposal for the Fixing of Maximum Liability  
For year ended 2023 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 2023 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 2022 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 2022 December 31 amounted to \$635.65m (2021: \$610.34m).

Our Assets grossed \$2,374.51 (2021: \$2,252.75m). This means that before distribution of Net Surplus, our *Capital Sufficiency* as at 2022 December 31 was 26.76 (2021: 27.09%).

The undistributed surplus amounted to \$71.77m. After the proposed distribution (appropriation and expenses) below, the *Capital* (inclusive of the proposed additional amount of \$1.5m to statutory reserves) decreases to \$410.26m or **17.27%** of Assets.

In view of the above, your Board proposes the following surplus distribution to 2022 December 31, noting that the proposed transfer to *Statutory Reserve* is towards the building of the internal capital sufficiency discussed earlier.

| <u>APPROPRIATIONS</u>                  | <u>2022</u>         | <u>2021</u>          |
|--|---------------------|----------------------|
| Additional Amount to Statutory Reserve | \$ 1,500,000        | \$ 6,000,000         |
| 10% dividend on Permanent Shares       | \$ 2,882,000        | \$ 2,420,000         |
| Education & Outreach                   | \$ 1,200,000        | \$ 1,500,000         |
| Honoraria                              | \$ 1,250,000        | \$ 1,800,000         |
| <b>Sub Total</b>                       | <b>\$ 6,832,000</b> | <b>\$ 11,720,000</b> |

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

| <u>EXPENSES</u>                                  |                     |                     |
|--|---------------------|---------------------|
| Dividends  | \$61,500,000        | \$52,805,000        |
| 2.5% rebate on Loan int. paid (patronage refund) | \$ 3,434,000        | \$ 3,402,000        |
| <b>GRAND TOTAL</b>                               | <b>\$71,766,000</b> | <b>\$67,927,000</b> |



For and on behalf of the Board of Directors



Samuel Manning  
**TREASURER**

Report of the Nominating Committee

The Nominating Committee comprises the following:

|                       |               |
|-----------------------|---------------|
| Mrs. Sheryll Hamilton | Chair         |
| Mrs. Sharon McEachron | Member        |
| Mrs. 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 2022. We are indeed very 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 2023-2024:

**BOARD OF DIRECTORS**

**Retiring at this AGM    Recommended    Term in office    Serving to 2024 AGM**

|                     |                     |         |                 |
|---------------------|---------------------|---------|-----------------|
| **                  | Nicola Reid         | 1 year  | Audley Deidrick |
| Celay Harwood-Gayle | Celay Harwood-Gayle | 2 years | Sheryl Hamilton |
| Samuel Manning      | Samuel Manning      | 2 years | Robert Thelwell |
| Margareth Antoine   | Margareth Antoine   | 2 years |                 |

\*\*Miss Reid to serve unexpired term of Dervin Aiken

**CREDIT COMMITTEE**

**Retiring at this AGM    Recommended    Term in office    Serving to 2024 AGM**

|                         |                         |         |                  |
|-------------------------|-------------------------|---------|------------------|
| Orrette Staple          | Orrette Staple          | 2 years | Gay Morgan       |
| Michelle Mais-Cadenhead | Michelle Mais Cadenhead | 2 years | Berthlyn Plummer |
|                         |                         |         | Carlington Miles |

**SUPERVISORY COMMITTEE**

**Retiring at this AGM    Recommended    Term in office**

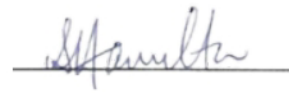
|                 |                     |        |
|-----------------|---------------------|--------|
| Maria Chen      | Zonia Foster-Forbes | 1 year |
| Wayne Rowe      | Wayne Rowe          | 1 year |
| Nicola Reid     | Andrew Thomas       | 1 year |
| Elaine Walters  | Elaine Walters      | 1 year |
| Donnovan Dobson | Donnovan Dobson     | 1 year |

Please note that the Board has appointed the following persons as Delegates/Alternate Delegates to the JACCUL Group of Companies:

| Name                 | Position           |
|----------------------|--------------------|
| Celay Hardwood-Gayle | Delegate           |
| Maxine Wilson        | Delegate           |
| Audley Deidrick      | Alternate Delegate |
| Robert Thelwell      | Alternate Delegate |

The committee wishes to thank the members named above for making themselves available for nomination. Special thanks to Mr. Dervin Aiken and Mrs. Maria Chen for their invaluable service to the credit union.

**For and on behalf of the Committee**



**Sheryll Hamilton (Mrs)**

**CHAIR**

**Profile of New Nominees**

Mrs. Zonia Foster-Forbes

Mrs. Foster-Forbes is an attorney-at-law and has been employed as General Manager of the Golden Age Home Limited since 2018. She previously worked at the Transport Authority for 20 years, her last position being General Manager – HR & Admin.

Mrs. Foster-Forbes is the holder of a BSc in Business Management and a MSc in Human Resources Management, both from Nova Southeastern University. She is also the holder of a LLB degree from the University of Technology Jamaica. She has been an active member of the credit union since 2014.

Mr. Andrew Thomas

Mr. Thomas has been employed to Carib Cement for the past twenty-eight (28) years. He presently holds the position of Treasurer. He is a member of the Association of Chartered Certified Accountants (ACCA) as well as the Association of Accounting Technician (AAT).

Mr. Thomas has been a member of Carib Cement/Palisadoes credit union since 1995, and previously served in various positions as an elected officer at the former Carib Cement Co-op Credit Union prior to its merger with Palisadoes.

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

**LOANS POLICY**

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

- c. Real Estate purchase (and affiliated costs) (for members primary residence) – Where a member is offering a first (1<sup>st</sup>) mortgage on property or a pari passu arrangement with NHT or a Building Society, the Credit Union may extend loan for a period not exceeding thirty (30) years.
- d. Other loans for which the Credit Union will hold first mortgage on property – 15 years
- e. Home improvement – 15 years
- f. Loans for motor vehicles 0-1 year – 8 years
- g. Loans for motor vehicles 2-3 years – 7 years
- h. Loans for motor vehicles 4-5 years – 5 years
- i. Loans for motor vehicles 6-8 years – 3 years

**SECURITY**

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

|             |   |     |
|-------------|---|-----|
| New vehicle | - | 90% |
| 1 year      | - | 80% |
| 2 – 3 years | - | 75% |
| 4 years     | - | 70% |
| 5 years     | - | 60% |
| 6 years     | - | 55% |
| 7-8 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 (1<sup>st</sup>), pari passu or second (2<sup>nd</sup>) mortgage on property.

**Approval Limits:**

Credit Officer: Loans up to \$500,000 above shares, deposits, and savings

## PALISADOES CO-OP CREDIT UNION LTD

## LIST OF ACCEPTABLE SECURITIES

|                          |   |
|--------------------------|---|
| 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*

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**

# 'FLYING TO NEW HORIZONS'



PALISADOES  
CO-OP  
CREDIT UNION  
LIMITED