

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash on Hand	4	1,189,168	350,672
Cash at Bank	4	58,224,061	11,941,354
Fixed Deposits	4	166,556,859	151,774,128
Accounts Receivable & Prepayments	5	1,502,737	2,564,805
Interest Receivable	6	1,057,090	1,566,750
Members Loans	7	157,840,141	200,978,373
Investments	8	152,838,158	90,153,962
Fixed Assets	9	<u>9,555,071</u>	<u>9,906,367</u>
		<u>548,763,285</u>	<u>469,236,411</u>
<u>LIABILITIES</u>			
Due to Deceased Members		6,869,642	4,458,523
Special Deposit		11,562,356	12,617,661
Members Deposits		6,644,620	7,928,191
Accounts Payable & Accruals		54,557,485	1,781,659
Thrift Investment Account		<u>396,145</u>	<u>440,679</u>
		<u>80,030,248</u>	<u>27,226,713</u>
<u>MEMBERS' ACCOUNTS</u>			
Members' Share Balance	11	404,290,986	375,170,740
Retained Earnings		15,905,510	19,498,514
Reserve Fund		28,048,856	26,190,068
Education Fund		6,016,961	5,941,651
Special Reserve Fund		285,190	192,440
Investment Revaluation Reserve	12	13,374,925	14,463,440
Supplemental Special Reserve Fund		<u>810,610</u>	<u>552,845</u>
		<u>468,733,037</u>	<u>442,009,698</u>
LIABILITIES AND MEMBERS' ACCOUNTS		<u>\$548,763,285</u>	<u>\$469,236,411</u>

These financial statements were approved by the Board of Directors and authorized for use on March 10th 2019 and signed on their behalf by:

Alvin Stephenson
Festus Thomas
President
Committee Member

Neil Derrick
Treasurer

Supervisory

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
<u>REVENUE</u>			
Loan Interest		21,363,097	24,098,407
Interest on Fixed Deposit		5,534,091	5,842,529
Investment Income		2,659,241	1,488,323
Interest on Current & Savings Account		16,653	22,237
Fitness Centre Income	14	191,944	171,180
Other Income		<u>260,093</u>	<u>258,371</u>
TOTAL REVENUE		<u>30,025,120</u>	<u>31,881,047</u>
<u>EXPENSES</u>			
Depreciation		763,809	953,996
Administration and Other	15a	2,914,953	3,595,955
Officers	15b	480,404	503,828
Employee Cost	15c	5,942,541	5,679,152
Interest & Bank Charges	15d	<u>660,052</u>	<u>438,891</u>
TOTAL EXPENSES		<u>10,761,759</u>	<u>11,171,822</u>
Net Surplus		19,263,360	20,709,225
(Loss)/Gain on Foreign Exchange		4,398	(9,989)
Diminution in Value of Investments		(1,220,164)	---
Exceptional Item	13	<u>534,604</u>	<u>31,829</u>
INCOME BEFORE APPROPRIATION		<u>\$18,582,199</u>	<u>\$20,731,065</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
STATEMENT OF APPROPRIATED FUNDS AND UNDIVIDED SURPLUS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>RESERVE FUND</u>	<u>EDUCATION FUND</u>	<u>SPECIAL RESERVE FUND</u>	<u>SUPPLEMENTAL SPECIAL RESERVE</u>	<u>UNDIVIDED SURPLUS</u>
Balance as at January, 1 st 2018	26,190,064	5,941,651	192,440	552,845	19,498,517
<u>ADD</u> : Net Surplus for the Year	-	-	-	-	18,582,199
10% to Reserve Fund	1,858,220	-	-	-	(1,858,220)
5% of the Balance to Education Fund	-	836,199	-	-	(836,199)
Appropriation	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>150,000</u>	<u>(450,000)</u>
	28,048,284	6,777,850	492,440	702,845	34,936,297
Entrance Fees	572	-	-	-	-
Education Fund Expenses	-	(637,541)	-	-	-
Education Fund Receipts	-	47,803	-	-	-
70 th Anniversary	-	(171,150)	-	-	-
Supplemental Special Reserve Fund	-	-	-	(415,797)	-
Supplemental Special Reserve Fund	-	-	-	523,562	-
Deceased Members	-	-	(207,250)	-	-
Dividend Paid 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,030,787)</u>
Balance as at 31 st December, 2018	<u>\$28,048,856</u>	<u>\$6,016,961</u>	<u>\$285,190</u>	<u>\$810,610</u>	<u>\$15,905,510</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED
31ST DECEMBER, 2018

<u>OPERATING ACTIVITIES</u>	<u>2018</u>	<u>2017</u>
Net Surplus after Extra Ordinary Items	18,582,199	20,731,065
<u>Add/(Deduct) items not involving Cash:</u>		
Depreciation	<u>763,809</u>	<u>953,996</u>
Operating Profit after Working Capital Changes	<u>19,246,007</u>	<u>21,685,061</u>
<u>Changes in Operating In Non-Cash Working Capital Amounts:</u>		
(Increase)Decrease in Interest Receivable	509,660	(21,490)
(Increase)/Decrease in Accounts Receivable and Prepayments	1,062,067	(1,679,719)
(Decrease)/Increase in Accounts Payable and Accruals	52,765,826	(779,851)
Stale-dated cheque	10,000	
Increase/(Decrease) in Supplemental Special Reserve Fund	107,765	398,072
(Increase) in Education Fund	(760,888)	(582,585)
(Increase) in Special Reserve Fund	(207,250)	(148,696)
Increase in Investment Revaluation Reserve	(1,088,515)	6,736,281
Increase in Reserve Fund	572	3,852
(Decrease) in Thrift Investment	(44,534)	(87,838)
Increase in Amounts Due to Deceased Members	<u>2,411,119</u>	<u>278,743</u>
Net Cash Provided by Operating Activities	<u>74,011,829</u>	<u>25,801,830</u>
<u>INVESTING ACTIVITIES</u>		
Increase/(Decrease) in Members Loans	43,138,230	10,430,402
(Increase) in Fixed Assets	(412,513)	(496,334)
(Increase) in Long Term Investments	<u>(62,584,195)</u>	<u>(17,561,496)</u>
Cash used in Investing Activities	<u>(19,858,479)</u>	<u>(7,627,428)</u>
<u>FINANCING ACTIVITIES</u>		
Dividends Paid	(19,030,787)	(25,583,050)
Increase in Members Shares	29,120,247	34,084,236
Increase in Members' Deposits	<u>(2,338,875)</u>	<u>509,797</u>
Net Cash from Financing Activities	<u>7,750,585</u>	<u>9,010,983</u>
Net Increase in Cash and Cash Equivalents	61,903,934	27,185,385
Cash and Cash Equivalents at beginning of year	<u>164,066,154</u>	<u>136,880,769</u>
Cash and Cash Equivalents at end of year	<u>\$225,970,088</u>	<u>\$164,066,154</u>
<u>REPRESENTED BY:</u>		
Cash in Hand and at Bank	59,413,229	12,292,026
Short Term Investments	<u>166,556,859</u>	<u>151,774,128</u>
	<u>\$225,970,088</u>	<u>\$164,066,154</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

These notes are applicable to the Credit Union's Financial Statements.

1. REGISTRATION AND OBJECTIVES

The Society was registered under The Co-operative Society Act of Trinidad and Tobago on January 30, 1948. It operates as a Credit Union for the benefit of persons of good character who are residents of Los Bajos and environs, all employees of any industrial or commercial enterprise operating within the area of operation of the Society, permanent employees of the Society and other registered co-operative societies in the Republic of Trinidad and Tobago.

It is governed by the Laws of the Republic of Trinidad and Tobago and its Bye-laws as adopted by members by way of resolutions adopted, at annual general meetings.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in these financial statements have been applied consistently to all periods presented in the financial statements and are set out hereunder.

(a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board; and are presented in Trinidad and Tobago dollars, which is the functional currency, and rounded to the nearest whole dollar.

The financial statements are prepared on the historical cost basis modified for the inclusion of investments at fair value through profit and loss, revaluation of property, plant and equipment and available-for-sale investments at fair value.

(b) Revenue Recognition

Interest income is accounted for on the accrual basis for investments. Interest on loans is accounted for on a cash basis, at the rate prescribed by the Bye-Laws of this Credit Union.

(c) Foreign Currency

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Foreign monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Resulting translation differences and profits and losses from trading activities are included in the statement of income.

(d) Financial Assets and Liabilities

Financial instruments carried on the balance sheet include cash resources, investments, loans, deposits and other liabilities. The standard treatment for recognition, de-recognition, classification and measurement of this Credit Union's financial instruments are noted in notes (i) to (iv).

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(i) **Recognition**

The Credit Union initially recognizes loans, advances and deposits on the date they originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the transaction date on which this Credit Union becomes a party to the contractual provision of the instrument.

(ii) **De-recognition**

This Credit Union derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

This Credit Union derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(iii) **Classification**

This Credit Union classifies its financial assets into the following categories: financial assets at fair value through profit and loss; loans and receivables; held-to-maturity and available-for-sale assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the income statement

This category includes financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when this Credit Union provides money directly to its members with no intention of trading the receivable.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that this Credit Union's management has the positive intention and ability to hold to maturity. Were this Credit Union to sell other than a significant amount of held-to-maturity assets, the entire category would be compromised and re-classified as available-for-sale.

Available for sale

Available-or-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

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(iv) Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all financial assets at fair value through profit and loss and available-for-sale assets are measured at fair value, based on their quoted market price, at the balance sheet date, without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognized exchanges, fair value is determined using discounted cash flow analysis.

Any available-for-sale assets that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost, including transaction cost, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortized costs less impairment losses. Amortized cost is calculated on the effective interest method.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks and short term highly liquid investments with maturities of three months or less when purchased. These are shown at cost.

(f) Investment Securities

Debt investments that this Credit Union has the intent to hold to maturity are classified as held-to-maturity assets. All other investments are classified as available-for-sale.

On disposal or on maturity of an investment, the difference between the net proceeds and the carrying amount is included in the statement of income. When available-for-sale assets are sold, converted or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the statement of income.

(g) Loans

Loans and advances granted by this Credit Union are stated at cost (amortized cost).

A loan is classified as non-accrual when principal or interest is past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal or interest. Non-accrual loans may revert to performing status when all payments become fully current or when management has determined there is no reasonable doubt of ultimate collectability.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined.

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

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This Credit Union maintains a loan loss provision, which in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. The loan loss provision is calculated using a formula method taking into account recent loss experience.

The provision for the year, less recoveries of amounts previously written off and the reversal of provisions no longer required, is disclosed in the statement of income as loan loss expense.

(h) Fixed Assets

Fixed assets are stated at historical costs or valuation. Depreciation is provided at the following rates considered appropriate to write off the assets over their estimated useful lives:

Building	-	4 % straight line
Office Furniture & Equipment	-	27 ½ % in the first year thereafter 7½% on the reducing balance
Computer Hardware & Software	-	7 ½ % on the reducing balance

3. CREDIT UNION POLICIES

The governance policies of this Credit Union include the following.

(a) Reserve Fund

In accordance with Bye Law 19 of the Society and The Co-operative Society Act, 1971, Section 47 (2), at least 10 % of the net surplus of the Society for the year is to be transferred to a reserve fund. All losses on investments, which are beyond the control of the Society, are written off in the Reserved Fund.

(b) Education Fund

In accordance with Bye Law 19 of the Credit Union, an amount of not less than 5 % of the net surplus of the year, after making provision for the reserve fund may be credited to an education fund. This fund is to be used for educational purposes.

(c) Dividends

Dividends are recommended by the Board of Directors and confirmed by the members at the Annual General Meeting. The dividend is computed on the basis of the average number of shares in issue throughout the year, the average being determined on the basis of the number of shares in issue at the end of each month.

The Board of Directors has proposed a dividend of 4.25% - \$15,694,551 for the year ended December 31st, 2018 to be credited to the members share balances when approved and paid.

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

(d) Special Reserve Fund

This fund has been established in accordance with the authority given to the general meeting in accordance with Bye Law 19 (f) of the Credit Union and is being used a maximum of \$50,000 per member and increasing shares of deceased members to a maximum of \$25,000 per member in accordance with a specific ratio of shareholding at time of death/age.

(e) Stabilization Fund

The Credit Union is no longer a member of the Stabilization Fund with effect from 15th September, 2007.

(f) Supplemental Reserve Fund

This fund has been established in accordance with the authority given to the Annual General Meeting in accordance with Bye Law 7(d) of the Credit Union to increase the life savings and loan protection coverage of members to \$25,000 and \$50,000 respectively.

4. <u>CASH ON HAND AND AT BANK</u>	<u>2018</u>	<u>2017</u>
Cash in Hand	34,848	343,334
Cash in Transit – Gym	1,128,820	7,338
Cash in ATM	<u>25,200</u>	<u>---</u>
Cash on Hand	<u>1,189,168</u>	<u>350,671</u>
Current Account – Republic Bank	49,148,677	8,607,576
Multiplier Account	89	89
Current Account – RBTT Bank	2,948,398	1,832,653
U.S. Account	254,902	153,336
Current Account – First Citizens Bank	5,871,995	1,272,172
Current Account – First Citizens Bank-GYM	<u>---</u>	<u>75,528</u>
	<u>58,224,061</u>	<u>11,941,354</u>
	59,413,229	12,292,025
Fixed Deposits	<u>166,556,859</u>	<u>151,774,128</u>
Cash Resources	<u>\$225,970,088</u>	<u>\$164,066,153</u>

5. <u>ACCOUNTS RECEIVABLES AND PREPAYMENTS</u>	<u>2018</u>	<u>2017</u>
Prepayment	179,801	105,521
Ministry of National Security	60,626	101,390
Ministry of Works & Transport	27,870	13,623
Ministry of Education	186,353	192,099
Ministry of Health	9,032	14,962
Trinmar Limited	<u>---</u>	<u>82,432</u>
Petrotrin	<u>---</u>	<u>1,355,261</u>
Other	<u>1,039,055</u>	<u>699,517</u>
	<u>\$1,502,737</u>	<u>\$2,564,805</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

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6. INTEREST RECEIVABLE **2018** **2017**

Interest receivable is stated at total amount of interest outstanding net of provision for possible uncollectible balances.

Outstanding interest receivable	2,153,700	2,663,360
Less: Provision for possible Uncollectible interest	(1,096,610)	(1,096,610)
	<u>\$1,057,090</u>	<u>\$1,545,260</u>

7. LOANS TO MEMBERS **2018** **2017**

Loans to members are stated at principal outstanding net of a provision for loan losses. The provision for loan losses is based on management's evaluation of the performance of the loan portfolio under current economic conditions and past loan loss experience.

Outstanding principal balances	163,901,375	207,039,607
Less: Provision for loan losses	(6,061,234)	(6,061,234)
	<u>\$157,840,141</u>	<u>\$200,978,373</u>

8. (i) INVESTMENTS **2018** **2017**

Held For Trading

Unit Trust First Unit Scheme	2,472,880	2,412,976
Unit Trust Second Unit Scheme	10,180,360	1,152,310
Unit Trust Money Market Fund	17,892	17,856
Unit Trust Chaconia Growth & Income	(1)	320,692
FCB El Tucuche Fixed Income Fund	3,496,770	8,350,521
Sheppard Securities (FCB)	---	1,612,704
AIC Energy 6.25% Note	4,237,505	4,237,505
Investment Wealth – Kijani (1)	1,384,181	2,100,830
Investment Wealth – Kijani (2)	605,629	1,126,567
KSBM Asset Management	<u>6,501,144</u>	<u>6,651,138</u>
	<u>\$28,896,360</u>	<u>27,983,099</u>

Available for Sale

	<u>2018</u>	<u>2017</u>
T.C.L. Shares	54,600	75,000
Republic Bank Shares	289,173	273,671
Scotia Bank Shares	2,738,464	1,023,022
Royal Bank Canada Shares	461,859	550,362
Massy Shares - JMMB	2,209,000	1,433,925
AIC Financial GRP Class D 5% Preference Shares	2,000,000	2,000,000
AIC Financial GRP 6.5% Preference Shares	3,047,399	3,047,399

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

Investments Continued.....

	<u>2018</u>	<u>2018</u>
Praetorian Property	152,500	152,500
National Commercial Bank Jamaica	4,462,043	627,000
CMMB Shares	3	3
Grace Kennedy	1,073,537	4,500
Guardian Holdings Limited	2,502,977	476,840
Bourse Brazil Latin Fund	564,200	526,500
Republic Caribbean Equity Fund	593,281	528,410
Jamaica Money Market Brokers	183,400	172,850
Sagicor Financial Corp	1,633,563	734,350
RFHL Shares (JMMB)	1,394,380	---
WITCO Shares (JMMB)	1,620,610	---
FCB Shares	678,755	---
TTNGL Shares	5,077,106	---
CLICO Investment Fund Shares	1,897,622	---
FCIB Ltd Shares (JMMB)	1,096,920	---
National Enterprises Limited	<u>296,000</u>	<u>196,000</u>
	<u>\$35,731,658</u>	<u>\$11,831,902</u>

Held to Maturity

	<u>2018</u>	<u>2017</u>
US Dollar Life	145,301	292,670
Guardian Global Fund Solution	1,348,057	1,338,683
AIC Energy Med T/Note	3,762,395	3,762,395
Guardian Life Evolution Series	7,125,560	6,824,154
NIPDEC 19 Year TT Bond	5,412,479	5,412,479
NIF 12 Yr TT Bonds	10,217,460	---
NIF 20 Yr TT Bonds	3,367,975	---
KCL Pref Shares 5.75% - \$1.9M	1,900,000	---
KCL Pref Shares 5.75% - \$1.052M	1,052,601	---
KCL Pref Shares 5.75% - \$2M	2,000,000	---
JGCL Pref Shares 12% - \$9.5M	9,535,136	---
JGCL Pref Shares 12% - \$3.5M	3,533,676	---
Agostini 8% Bonds – Sheppard’s Security	32,771,284	31,670,363
JMMB Investments	5,000,000	---
Sagicor Financial Ltd	<u>1,038,217</u>	<u>1,038,217</u>
	<u>\$88,210,141</u>	<u>\$50,338,961</u>
Total Investments	<u>\$152,838,158</u>	<u>\$90,153,962</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

(ii) **INVESTMENTS** **2018** **2017**

At the date of the audit report on 11th March, 2019, the market value of the following investments decreased by the sum of \$6,196,026 as follows: -

HELD FOR TRADING

Unit Trust First Unit Scheme	2,472,880	2,412,976
Unit Trust Second Unit Scheme	10,180,360	1,152,310
Unit Trust Money Market Fund	17,892	17,856
Unit Trust Chaconia Growth & Income	---	320,692
FCB El Tucuche Fixed Income Fund	3,496,770	8,350,521
Sheppard Securities – Cash & Cash Equivalent		6,831,692
Sheppard Securities – (FCB)		1,612,704
Bourse Brazil Latin Fund	564,200	526,500
KSBM Asset Management	<u>6,501,144</u>	<u>6,651,138</u>
	<u>\$23,233,246</u>	<u>\$26,263,685</u>

Available for Sale

	<u>2018</u>	<u>2017</u>
T.C.L. Shares	51,600	75,000
Republic Bank Shares	323,520	273,671
Scotia Bank Shares	2,738,464	1,040,895
Royal Bank Canada Shares	461,859	578,605
Neal & Massy Shares	3,913,267	1,418,398
AIC Financial GRP Class D 5% Preference Shares	2,000,000	2,000,000
AIC Financial GRP 6.5% Preference Shares	3,047,339	3,047,339
Praetorian Property	152,500	152,500
National Commercial Bank Jamaica	4,462,043	660,000
CMMB Shares	3	3
Grace Kennedy	1,073,537	5,175
Guardian Holdings Limited	2,502,977	476,000
Republic Caribbean Equity Fund	593,281	542,615
Jamaica Money Market Brokers	183,400	189,688
RHFL Shares – JMMB	1,394,380	
Witco Shares – JMMB	1,620,610	
FCB Shares	678,755	
TTNGL Shares	5,077,106	
CLICO Investment Fund Shares	1,897,622	
FCIB Ltd Shares	1,096,920	
Sagicor Financial Corp	1,633,563	751,450
National Enterprises Limited	<u>296,000</u>	<u>193,400</u>
	<u>\$35,198,746</u>	<u>\$11,404,712</u>
Total Investments	<u>\$58,431,992</u>	<u>\$37,668,397</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

9. FIXED ASSETS

<u>COST</u>	<u>FURNITURE & EQUIPMENT</u>	<u>COMPUTERS</u>	<u>LAND & BUILDINGS</u>	<u>TOTAL</u>
AS AT 1 ST JANUARY, 2017	2,621,390	1,627,140	13,071,482	17,320,012
ADDITIONS	<u>14,722</u>	<u>237,133</u>	<u>160,658</u>	<u>717,013</u>
AS AT 31 ST DECEMBER, 2018	<u>2,636,112</u>	<u>1,864,273</u>	<u>13,232,140</u>	<u>18,037,025</u>
<u>ACCUMULATED DEPRECIATION</u>				
AS AT 1 ST JANUARY, 2018	1,945,172	1,030,553	4,437,920	7,413,645
DEPRECIATION 2018	<u>187,192</u>	<u>133,297</u>	<u>443,320</u>	<u>763,809</u>
AS AT 31 ST DECEMBER, 2018	<u>2,132,364</u>	<u>1,163,850</u>	<u>4,881,240</u>	<u>8,177,454</u>
<u>NET BOOK VALUE</u>				
AS AT 31 ST DECEMBER, 2018	<u>\$503,748</u>	<u>\$700,422</u>	<u>\$8,350,900</u>	<u>\$9,555,071</u>
AS AT 31 ST DECEMBER, 2017	<u>\$676,218</u>	<u>\$596,587</u>	<u>\$8,633,562</u>	<u>\$9,906,366</u>

10. DUE TO DECEASED MEMBERS

This represents amounts owing to beneficiaries of deceased members and includes the excess of their share balances over loan balances plus any benefit due to them as per Note 3 (d).

11. MEMBERS' SHARE BALANCES

Members' shares consist of 80,858,197 shares of \$5 each.

12. INVESTMENT RESERVE FUND

This fund represents the increase in the fair value of the Credit Union's investments during the year.

13. EXCEPTIONAL ITEM

	<u>2018</u>	<u>2017</u>
Prior Year Adjustment	<u>\$534,604</u>	<u>\$31,829</u>

14. FITNESS CENTRE INCOME

	<u>2018</u>	<u>2017</u>
Registration Fees	3,750	3,025
Membership Fees	<u>183,862</u>	<u>165,451</u>
	<u>\$187,612</u>	<u>\$168,476</u>
Sales	12,755	13,830
Purchases	<u>(8,423)</u>	<u>(11,126)</u>
	<u>4,332</u>	<u>2,704</u>
TOTAL INCOME	<u>\$191,944</u>	<u>\$171,180</u>
TOTAL INCOME	<u>\$191,944</u>	<u>\$171,180</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
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FOR THE YEAR ENDED
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15. <u>EXPENSES</u>	<u>2018</u>	<u>2017</u>
a) <u>Administrative and Other</u>		
Advertising	247,084	178,987
AGM Expense	169,940	204,979
Audit Fees	60,000	50,000
Bad Debt Expenses	---	975,031
Building Repairs/Maintenance	82,350	81,712
Christmas Dinner	104,608	55,099
Cleaning & Janitorial Expenses	57,234	41,538
Consultant Fees	---	14,881
Donation	43,515	62,898
Electricity	103,495	108,281
Fumigation/Pest Control	26,086	27,099
Groceries & Toiletries	58,060	52,086
Hiking Association	1,400	9,000
Insurance – Fidelity	3,527	3,207
Insurance – Money	11,296	10,920
Insurance – Public Liability	1,691	1,537
Insurance on Building	20,289	28,621
Legal Fees	24,409	46,785
League Dues	1,250	48,516
MTS Contract	499,905	499,905
MTS Contract – GYM	147,825	147,825
Office Expense	212,860	203,363
Other	71,271	9,935
Other Repairs & Maintenance	440,758	229,912
Postage	60,979	71,554
Printing & Stationery	103,118	75,734
Professional Fees	45,166	53,113
Real Estate Taxes	---	172
Security	108,675	114,801
Stipend	26,600	2,650
Telephone	139,027	168,423
Transportation	40,283	14,569
Water Rates	<u>2,253</u>	<u>2,822</u>
	<u>\$2,914,953</u>	<u>\$3,595,955</u>
b) <u>Officers</u>		
Credit Committee Allowances	21,420	18,660
Honorarium	337,350	340,400
Other	42,300	36,650
Refreshments	47,961	43,502
Supervisory Committee	2,150	2,650
Group Life Insurance	12,480	23,097
Travelling	<u>16,744</u>	<u>38,869</u>
	<u>\$480,404</u>	<u>\$503,828</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
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a) <u>Employee Costs</u>	<u>2018</u>	<u>2017</u>
Acting	29,094	54,817
Back pay	277,830	601,157
Bonus & Incentives – GYM	13,450	4,800
Bonus & Incentives	87,479	42,300
COLA	430,080	423,806
Employee Computer Subsidy	445	1,539
Employee Group Life Insurance	960	---
Employee Mortgage Subsidy	3,489	3,489
Employee Vehicle Subsidy	3,772	5,060
Ex-Gratis	5,000	---
Group Health Plan	8,580	8,380
National Insurance – GYM	28,644	27,545
National Insurance	359,432	336,247
Overtime	190,240	143,996
Pension Plan	217,228	196,853
Salaries & Wages – GYM	298,431	293,909
Salaries & Wages	3,659,523	3,322,671
Savings Plan	40,461	23,621
Severance Benefits	67,423	---
Subsistence	12,150	450
Training & Development	146,544	81,154
Travelling Allowance	54,870	45,073
Uniforms	4,749	59,617
Workmen's Compensation	<u>2,668</u>	<u>2,668</u>
	<u>\$5,942,541</u>	<u>\$5,679,152</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

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16. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Society has not applied the following standard which became effective, as it does not apply to the activities of the Society:

- IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets)

The Society has applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Society or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 9 Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements Statements (effective for accounting periods beginning on or after 1 January 2013).
- IFRS 12 Disclosure of Interest in Other Entities Statements (effective for accounting periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013)
- IAS 1 Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012)
- IAS 19 Employee Benefits – Amended standard resulting from Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013)
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013)
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013)
- IAS 32 Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2016)
- IFRIC 2 Members Shares in Co-operative Entities and similar Instruments – The Credit Union did not adopt.

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
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17. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Society.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market prices.

Balances and transactions with related parties and key management personnel during the year were as follows:

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Loans to directors and key management persons and related persons	<u>\$1,986,259</u>	<u>\$1,898,812</u>
<u>Deposits and other liabilities</u>		
Deposits held by directors and key management and related parties	<u>\$220,374</u>	<u>\$257,406</u>
<u>Shares</u>		
Shares held by directors and key management and related parties	<u>\$9,245,414</u>	<u>\$7,475,764</u>
<u>Income</u>		
Directors and key management personnel and related parties	<u>\$235,100</u>	<u>\$398,360</u>
<u>Interest/dividends and other expenses</u>		
Dividends – Directors and key management personnel and related parties	<u>\$431,034</u>	<u>\$467,819</u>
Key management compensation	<u>\$375,780</u>	<u>\$198,000</u>

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

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18. FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow and interest rate risk. Risk management is carried out in line with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

(a) Market Risk

The company monitors its exposure to fluctuations in foreign currencies. If it is determined that there is a need to hedge this exposure, the appropriate instrument is used.

(b) Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers. The company has a significant concentration of credit risk. However, the company has policies in place to ensure that services rendered are made to customers with an appropriate credit history. The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance from counterparties.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the company aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash flow and Fair Value Interest Rate Risk

As the company have no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market rates.

(e) Capital Risk Management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED
31ST DECEMBER, 2018

RECEIPTS

Cash in ATM	58,200
Personal Loans	29,332,869
Mortgage Loans	2,539,816
Special Computer Loans	155,973
Insurance Payments	32,733
Vehicle Loan (MBOS)	3,657,426
I.O.C	655,966
FCB El Tucuche Fixed Income	5,000,000
NIF 12 Yr TT Bonds	56,000
NIF 20 Yr TT Bonds	6,867,000
AIC Fin Grp Class D 5% Pref. Share	25,205
AIC Fin GRP 6.5% Pref Share	49,928
US Dollar Life	10,145
Freehold Land Acc	304,500
Accrued Interest Receivable	554,081
Sundries – Debtors	1,562,149
Due from TECU	18,600
Due from PLIPDECO	30,800
Due from Group TT Post	57,936
Due from Petrotrin	20,292,858
Due from Min of Health – NIHE	2,326,037
Payroll Receivables	11,989,564
Ordinary Deposit Account	7,419,042
Thrift Investment Account	106,335
Holding Deposit Account	1,769,010
FIP Deposit	1,976,802
Employees TIA	255
Payment Protector	5,658
Sagicor Medical Deposit	411,074
Suspense/Other	1,370,704
Bank Remittance	3,700
Sundry Creditors	52,525,000
Accounts Pay Deceased Members	200
Unpresented Cheques	4,457,143
Returned Cheques	12,250
Other Special Holding	54,500
Shares	131,415,772
Entrance Fee	572
Investment Revaluation Reserve	2,665,224
Interest on Loans	9,054,484
Interest on Mortgage Loans	777,531
Interest on Computer Loans	2,054
Interest on Loans	1,870
Interest on MBOS (Vehicle)	850,412
Interest on Instrument of Charge	390,793
Savings Account Interest	16,653
Fixed Deposit Interest	6,320,194

PAYMENTS

Cash in ATM	1,452,000
Personal Loans	30,588,111
Mortgage loans	670,601
Special Computer Loans	163,925
Insurance Payments	61,426
Vehicle Loan (MBOS)	1,427,581
I.O.C	736,133
GHL Shares JMMB	1,039,500
Massy Shares JMMB	2,232,500
RFHL Shares JMMB	1,319,500
SBIT Shares JMMB	1,584,640
WITCO Shares JMMB	1,505,350
UTC TT\$ Income Fund 2 nd Sch	11,000,000
NIF 12 Yr TT Bonds	10,000,000
NIF 20 Yr TT Bonds	10,000,000
GKC Shares Bourse	1,235,095
GHL Shares Bourse	780,219
US Dollar Life	20,498
Nat'l Comm Bank J'ca Shares	2,762,843
Sagicor Financial Corp	676,485
National Enterprise Ltd Bourse	164,050
TTNGL Shares	4,729,909
FCB Shares Bourse	641,590
CLICO Invest Fund Shares Bourse	647,250
Neal & Massy Holdings Ltd	304,000
CLICO Invest Fund Shares JMMB	1,225,740
FCIB Ltd Shares JMMB	1,227,600
Boardroom & Centre	18,027
Office & Auditorium Bldg	25,979
Building Tobago	109,583
Freehold Land Account	309,000
Land – Building Tobago	7,070
Office Furniture & Eqpt	13,523
Computer Hardware Software	287,528
Prepaid Expenses	58,005
Sundries Debtors	1,687,405
Payroll Receivables	22,327
Ordinary Deposit Account	10,544,796
Holding Deposit Account	437,067
FIP Deposit	30,290
Employees TIA	29,000
Interest on Special Dep Pay	32,500
Suspense/Other	609,668
NIS Payable	177,310
Employee Medical Plan	8,580
PAYE	517,096
Health Surcharge	16,195

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

RECEIPTS

Dividends on Bond – Investment	4,440,092
Investment Income	3,637
Gain/Loss on Exchange	4,398
Overage/Shortage	2,891
Rent Income	17,500
Rule Book and Pass Book	579
Sundries – Receipts	658,291
Nomination Fees	575
Commission – FIP	252,172
Registration Fee	3,750
Membership Fee	183,862
Sales – Towel Water Sports DRI	12,755
Prior Year Adjustments	403,202

PAYMENTS

Salary Clearing	418,738
Employees Pension Plan	106,294
A/cs Payable – Union Dues	10,757
Credit Union Payments	1,072,608
Insurance Payments	1,211
Bank Remittance	491,122
NIS Payable - GYM	13,248
Health Surcharge - GYM	3,399
Sundry Creditors	14,936
A/cs Payable – Deceased Members	971,767
Provision Bond Invest Co-op	9,628
Unpresented Cheques	3,710,884
Accrued Expenses	165,195
Returned Cheques	1,004,340
Sagicor Payable	456,788
FIP Payable	2,424,760
DIB Payable	16,606
Other Special Holding	98,168
Accrued Expenses – GYM	24,951
Shares	102,528,917
Investment Revaluation Reserve	5,590,785
Interest on Mortgage Loans	3,812
Interest on Loans	239
Fixed Deposit Interest	1,192,668
Overage /Shortage	22,602
Rent Income	6,000
Sundries Receipts	2,840
Workmen Compensation	2,668
Travelling Allowance	2,550
Uniforms	4,749
Training & Development	146,544
Pension Plan	202,999
Group Health Plan	7,150
National Insurance	331,125
Bonus & Incentives	33,479
Severance Benefit	67,423
Ex-Gratia Payment	5,000
Employee Medical Expenses	1,430
Employee Group Life Insurance	960
National Insurance - GYM	26,496
Bank Charges	32,358
Prior Year Adjustment	11,058
Advertising	221,462
AGM Expenses	157,940
Christmas Dinner	98,908
Cleaning and Janitorial Service	20,011
Credit Union Expenses	86,295

PALO SECO CREDIT UNION CO-OPERATIVE SOCIETY LIMITED
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED
31ST DECEMBER, 2018

continued.....

RECEIPTS

PAYMENTS

Donation	37,990
Groceries and Toiletries	52,890
Insurance – Fidelity	3,527
Insurance – Public Liability	1,691
Insurance – Money	11,296
Other	315,095
League Dues	1,250
Meetings & Conferences	245,496
Newspapers & Periodicals	2,994
Office Expense	190,568
Printing & Stationery	102,398
Other Repairs & Maintenance	214,130
Telephone	128,221
Transportation	39,449
Postage	60,871
Education Fund Expenses	282,918
70 th Anniversary	158,910
Cleaning & Janitorial Service	34,800
Groceries & Toiletries	4,593
Other – Cost of Sales	7,923
Office Expense	15,630
Printing & Stationery	600
Other Repairs & Maintenance	103,489
Telephone	9,985
Legal Fees	19,909
Stipend	26,600
Professional Fees	45,166
MTS Contract	499,905
MTS Contract – GYM	147,825
Credit Committee Allow	19,980
Supervisory Committee	1,470
Honorarium	61,500
Refreshments	32,512
Travelling	17,044
Officers Group Insurance	12,480
Insurance on Building & COM	20,289
Security Services	2,700
Fumigation/Pest Control	14,142
Electricity	67,422
Water Rates	923
Building Rep & Maintenance	58,100
Premises Maintenance Office	4,500
Hiking Association Expense	1,400
Security Services	103,343
Fumigation/Pest Control	11,944

RECEIPTS AND PAYMENTS SUMMARY

Opening Balances	164,066,153
Receipts	313,168,722
Payments	<u>(228,268,875)</u>
CLOSING BALANCE	<u>248,966,000</u>