ANNUAL REPORT 2017

Medium Credit Union of the Year!!!

Grace Co-operative Credit Union Limited

49th ANNUAL GENERAL MEETING

Vision

To be the trusted Financial Partner of choice for GraceKennedy employees and other members.

Mission

We are committed to assisting our members to meet their personal financial goals through the provision of superior Credit Union services delivered by great staff and volunteers, empowered with the right skills, necessary tools and shared vision.

We will offer personalized and friendly customer service, prudent financial advice and a safe and competitive opportunity for loans, savings and investments.

Contents

Five Year Statistics
for Period 2013 to 2017

	2017	2016	2015	2014	2013
PERMANENT SHARES	2,088,000	2,088,000	2,088,000	2,088,000	2,088,000
VOLUNTARY SHARES	360,333,588	342,242,992	322,601,777	310,220,233	297,847,326
% Increase over prior year	5.29%	6.09%	3.99%	4.15%	4.62%
INSTITUTIONAL CAPITAL	63,671,904	61,768,070	60,108,103	58,568,926	56,822,475
% Increase over prior year	3.08%	2.76%	2.63%	3.07%	4.50%
LOANS TO MEMBERS (Gross)	526,148,488	468,498,496	444,031,382	407,065,714	389,624,896
% Increase over prior year	12.31%	5.51%	9.08%	4.48%	5.50%
TOTAL ASSETS	674,549,435	620,891,525	566,485,794	531,968,539	511,343,859
% Increase over prior year	8.64%	9.60%	6.49%	4.03%	3.63%
CURRENT ASSETS ****	105,984,800	111,881,088	83,309,746	87,160,694	85,957,285
CURRENT LIABILITIES ****	598,878,068	550,770,305	498,573,471	465,934,589	443,778,714
INCOME AND SURPLUS					
INCOME	71,607,907	66,059,512	62,127,852	61,667,783	63,432,767
% Increase over prior year	8.40%	6.33%	0.75%	-2.78%	12.04%
EXPENSES	61,611,822	60,265,339	55,966,479	55,099,107	53,143,591
SURPLUS	9,414,731	5,548,192	5,426,285	4,513,197	8,446,115
% (Decrease)/Increase over prior year	69.69%	2.25%	20.23%	-46.56%	70.81%
UNDISTRIBUTED SURPLUS	8,644,020	4,891,707	4,348,777	4,083,581	7,373,527
RESERVES	58,507,953	56,710,119	55,044,152	53,430,975	51,672,224
DIVIDENDS PAID	0	0	0	0	0
RATIOS	**2017**	**2016**	**2015**	**2014**	**2013**
CURRENT ASSETS	0.18:1	0.20:1	0.17:1	0.19:1	0.19:1
SURPLUS TO INCOME	13.15%	8.40%	8.73%	7.32%	13.32%
EXPENSES TO INCOME	86.04%	91.23%	90.08%	89.35%	83.78%
INCOME TO TOTAL ASSETS	10.62%	10.64%	10.97%	11.59%	12.41%
SURPLUS TO TOTAL ASSETS	1.40%	0.89%	0.96%	0.85%	1.65%
UNDISTRIBUTED SURPLUS TO SHARE CAPITAL	1.28%	0.79%	0.77%	0.77%	1.44%
MEMBERSHIP	2090	2756	2698	2611	2712
BORROWERS	1192	1312	1287	1251	1273
BORROWERS TO MEMBERSHIP	57.03%	47.61%	47.70%	47.91%	46.94%

Notice of Annual General Meeting

Notice is hereby given that the

49TH ANNUAL GENERAL MEETING

of the

Grace Co-operative Credit Union Limited

will be held on

WEDNESDAY, JUNE 6, 2018

in the

LUNCH ROOM, GRACEKENNEDY LIMITED
at 73 HARBOUR STREET, KINGSTON.

The meeting will commence at 4:30 p.m.

Registration will begin at 4:00PM

Signed: **Mrs. Claudette Facey-Redwood,**
Secretary-Board of Directors

Agenda

1. Ascertainment of a quorum
2. National Anthem
3. Notice convening Annual General Meeting
4. Prayer
5. Welcome and apologies for absence
6. Confirmation of Minutes of the 48th Annual General Meeting
7. Reports of:
   a) Board of Directors
   b i) Auditor & Treasurer
     ii) Appropriation of Surplus
     iii) Fixing of Maximum Liability for Loans and Deposits
   c) Nomination of Auditors
   d) Credit Committee
   e) Supervisory Committee
8. Elections: See Report of Nominating Committee
   a) Board of Directors
   b) Credit Committee
   c) Supervisory Committee
   d) Delegates to the League's Annual General Meeting
9. Any other Business
10. Gate Prizes
11. Adjournment

MINUTES OF THE 48th ANNUAL GENERAL MEETING OF GRACE CO-OPERATIVE CREDIT UNION LIMITED HELD ON THURSDAY, JUNE 8, 2017 IN THE LUNCHROOM, GRACEKENNEDY LIMITED, 73 HARBOUR STREET, KINGSTON

ASCERTAINMENT OF QUORUM, CALL TO ORDER

Having ascertained that a quorum was present, Chairman Jerry Hamilton called the meeting to order at 4:45 p.m.

NATIONAL ANTHEM

Stanley Beckford led the meeting with the singing of the National Anthem.

PRAYER

Camille Cadogan led the meeting in the Prayer of St. Francis of Assisi.

ENTERTAINMENT

Entertainer Barbara Witter provided a lively entertainment package.

NOTICE CONVENING ANNUAL GENERAL MEETING

The Notice convening the Annual General Meeting was read by the Secretary, Claudette Facey-Redwood.

WELCOME & APOLOGIES FOR ABSENCE

All present were welcomed. Special welcome was extended to:

- Retirees
- First time attendees
- Regular members
- Specially invited guests
    - ♦ Mrs. Krista Taylor – Credit Info
    - ♦ Mrs. Janice Knight-Chung – Creditinfo
    - ♦ Mrs. Kleo-Ann Errar – Jamaica Cooperative Credit Union League
    - ♦ Mrs. Tanya Brown Granston – Jamaica Cooperative Credit Union League
    - ♦ Mrs. Sandra Hucey – Jamaica Cooperative Credit Union League
    - ♦ Mr. Zemmar Bennett – Jamaica Cooperative Credit Union League
    - ♦ Mr. Oswald Parkes – Cuna Caribbean Insurance Jamaica Ltd
    - ♦ Ms Peta-Gay Thompson – Cuna Caribbean Insurance Jamaica Ltd
    - ♦ Ms Kadian Milton – Cuna Caribbean Insurance Jamaica Ltd
    - ♦ Ms Nichole Bruce – Cuna Caribbean Insurance Jamaica Ltd
    - ♦ Mr. Victor Mills – Jamaica Co-op Credit Union League
    - ♦ Ms Tanesha Facey – Department of Co-operatives and Friendly Societies
    - ♦ Ms. Nadia Byfield – Department of Co-operatives and Friendly Societies
    - ♦ Mr. Cyrene Gilbert – Gilbert Thompson & Company (Auditors)
    - ♦ Mr. Howard Irons – Gilbert Thompson & Company (Auditors)

Apologies for absence were tendered on behalf of:

- Mr. Gilroy Graham – 1st Vice President, BOD
- Mr.U.Philip Alexander – Member
- Ms. Angela Lawrence – Chairperson, Supervisory Committee
- Ms.Troy-Marie McDonald – Supervisory Committee
- Ms. Arieta Henry – Supervisory Committee
- Mrs. Sherie Nash Seymour – Lascelles Co-op Credit Union
- Ms. Joydene Jarrett – JPS & Partners Credit Union
- Mr. Robert Carr – Jamaica Co-op Credit Union League
- Ms. Sonia Taylor – Correctional Services Credit Union

CONFIRMATION OF THE MINUTES OF THE
47th ANNUAL GENERAL MEETING AND MATTERS ARISING

The Secretary, Mrs. Claudettte Facey-Redwood, carried the meeting through the confirmation of the Minutes of the 47th Annual General Meeting held on June 8, 2016. It was taken as read on a motion by Maria Lewis and seconded by Odian Stewart.

There being no corrections, the Minutes were accepted on a motion by Antoinette Poyser and seconded by Jean Grant.

REPORTS

a) Report of the Board of Directors

The Report of the Board of Directors for the year 2016 was read by the President, Jerry Hamilton. The highlights were as follows:

The Credit Union continued to achieve positive results and showed growth over the prior year in most areas. This occurred in an aggressively competitive market environment where financial institutions jostled for business, especially in the personal loan arena.

Although the Credit Union could not match loan rates in some cases, it remained steadfast and continued to place increased emphasis on service delivery. Low or no fees in catering to the financial needs of members were maintained. Correspondingly, the scenario of low interest rates on investments remained relatively intact during the year. Despite those challenges, as well as increased operating expenses, the Credit Union made a net surplus of $5.5M compared to a budget of $5.2M.

Deposits

At the end of December 2016, members' savings stood at $184.7M, a 20.9% improvement over December 2015. That growth was the result of an increased marketing push to increase savings. Consequently, many members took advantage of the attractive interest rates offered on both the Fixed Deposits and Golden Harvest savings products.

Loans and Liquidity

Increasing loan disbursements continued to be one of the greatest challenges encountered in 2016. That was directly related to the increased competitive environment within which the Credit Union operated and especially with regards to motor vehicle loans. At the end of the year, the value of net loans to members was $468M, growing by approximately $24M or 5.5% over the previous year.

The Credit Union continued to cherish every opportunity it gets to assist members to meet their financial needs. The periodic review of interest rates and repayment periods on our loan products and adjusting them when necessary further strengthened the interaction and relationship between the credit union and its members.

Focus was also placed on service enhancement, including improvement in turn-around time and the provision of financial advice to members.

Maintaining the liquidity ratio above the PEARLS target of 20% continued to be an area of focus. At December 2016, the ratio was 19%, moving from 16% at the end of 2015.

Membership

Membership grew by 103 members, ending the year at 2162, moving from 2,059 at the end of 2016.

Delinquency

The rate of delinquency on loans continued to trend below the targeted 1% of the total loan portfolio, set by our Credit Union and ended the year at 0.52%.

Cooperative Social Responsibility

The Credit Union continued to provide grants to children of members with bursaries from a sum of $350,000. We awarded grants to seven students at the GSAT level, four from the secondary and two from the tertiary levels.

Attendance of Directors at Board Meetings

Seven meetings were held with the Board, joined once each quarter by members of the Supervisory and Credit Committees.

Human Resources and Training

In 2016, the Credit Union maintained its full staff complement who worked diligently to serve the members.

In order to ensure a service-oriented culture, training remained an integral focus. During the year, staff participated in several CPD Online training courses. These included Excellence in Customer Service, Teller training and Proceeds of Crime Act (POCA).

Our Senior Loan Officer, Camile Cadogan also participated in the GraceKennedy Supervisory Development Programme.

Compliance

For the period under review, the financial statements were prepared in accordance with the International Financial Reporting Standards and complied with the Co-operative Societies Act. The Credit Union also satisfied all the reporting requirements of the Jamaica Co-operative Credit Union League and the Bank of Jamaica.

Obituaries

During the year the following members passed:

- Ruby Green
- Hyacinth Garrison Garwood
- Albert Bartley
- Leroy Ennis
- Desrine Johnson
- Donovan Borrows
- Constantine Phipps

Condolences were extended to their families.

Future Plans

As the Credit Union Movement prepares for the impending Bank of Jamaica regulation, the Board has been looking at the requirements for licencing and initiating measures to enhance readiness.

Based on the implied regulatory and compliance costs or challenges that may arise, the Credit Union is working with the League on options that could be taken in the future. Regardless of the outcome, the Credit Union remains optimistic about the future and pledged its commitment to provide quality service to assist members to meet their personal financial needs.

Acknowledgements

The commitment and support of the Directors of the Board and other volunteers for providing oversight of the Credit Union were acknowledged. Special thanks were extended to Mr U. Philip Alexander and Mrs Stacey Smith who demitted office during the year.

Appreciation was also extended to the following persons and institutions:

- The Chairman and Directors of GraceKennedy Limited, its subsidiaries and associated companies.
- Members of the various committees
- Directors and staff of the Jamaica Co-operative Credit Union League
- The Department of Co-operatives and Friendly Societies
- Cuna Caribbean Insurance Jamaica Ltd.
- Credit Union Fund Management Company
- Our Auditors, Gilbert Thompson & Company
- Our contact persons and ambassadors at the various offices where our members are employed
- Our hardworking Credit Union Manager and staff
- Our valued members for your continued support

The Report of the Board was adopted on a motion by Claudette Facey Redwood and seconded by Samuel Shelton.

b) (i) Auditor and Treasurer's Reports

Auditor's Report

The Auditor's Report was read by Cyrene Gilbert.

On a motion by Simon Roberts and seconded by Odian Stewart, the Auditor's Report was adopted.

Treasurer's Report

The Treasurer's Report was read by Eric Mardner.

Grace Co-op Credit Union received $56.3M in interest on loans, $5.2M in investment income, and $4.6M in non-interest income, representing which represented fee income and commission. The total income of $66.1M represented an increase of $3.9M or 6% when compared with the previous year.

The assets were $621M at the year ended 2016 up from $566M in 2015, an increase of $54.4M. Loans grew from $449M in 2015 to $473M in 2016, an increase of $24.7M or 6% over the previous year. Liquid assets increased to $109.9M in 2016 from $81.0M in 2015.
The Treasurer closed the 2016 Treasurer's Report by stating that the Credit Union continued to be member focused, providing members with a wide range of loan and saving options. That was reflected in the growth in loans to members and member savings during the year. It is believed that the growth experienced in these fundamental areas will fuel growth in earnings in the future.

The Treasurer's Report was adopted on a motion by Rhoda Williams Moore and seconded by Kaydene DeSilva.

(ii) Appropriation of Surplus

Surplus as at December 31, 2016 was $5.5 million. After deducting the 20% Statutory Reserve, the amount available for distribution was $4.4 million. However, after deducting additional Statutory Reserve of 20%, dividend on Permanent Shares, additional interest and donations, the Undistributed Surplus was $163,049.

Motion for the adoption of the Declaration of Surplus was proposed by Everton Foster and seconded by Hope Mowatt.

The Motion was carried.

(iii) Fixing of Maximum Liability for Loans and Deposits

Motion for the maximum liability of the Credit Union to be capped at 12 times the Credit Union's Capital was proposed by Eric Mardner and seconded by Akilah Nangwaya.

The Motion was carried.

c) Nomination of Auditors

Motion for the appointment of the Auditors, Gilbert Thompson & Co. was proposed by Jean Grant and seconded by Samuel Shelton.

The Motion was carried.

d) Credit Committee Report

The Report of the Credit Committee was read presented by Samuel Shelton.

Highlights of the Report:

For the Financial Year 2016, the Credit Union faced major internal and external challenges. Within the external environment, interest rates remained relatively low for the better part of the year; however this served to heighten the competition significantly in the market and required the Credit Union to make changes to its rates and products in order to remain competitive. Despite these challenges, the Credit Union ended the year attaining 95% of the disbursement budget, having disbursed 2,472 loans valued at $252,705,902.36.That represented a decrease of 250 loans or approximately 10% less than the 2,722 loans disbursed over the same period in the previous year.

The total value of loans disbursed for the financial year 2016 was $252.71M, while for the same period last year the value of loans disbursed was approximately $262.58M. This reflected a decrease of approximately $9.87m or 3.76% less than the amount disbursed in 2015.

For the first six months of 2016, there was a monthly general increase in the value of loans approved by the Credit Union in comparison to the first six months of 2015. However, since July and up to November 2016 a reversal of this trend was seen, as there was an increase in competitive activity from other financial institutions. However, we experienced a sharp increase in December 2016 due to increased visibility through communication, which made our Portfolio of Loans more attractive to members and competitive in the market place. This was to be viewed in light of sharp competition from commercial banks.

Personal Needs, Motor Vehicle Purchases, Education Expenses, Home Improvement and Repairs, and Motor Vehicle Repairs & Maintenance loans continue to be the top loan categories.

Loans for Personal Needs topped the portfolio with disbursements valued at $95.8M YTD compared to $104.4M last year, an 8.2% decrease. This category represented 37.9% of the total loans disbursed.

Motor vehicle loans made up 25.1% of the year-end portfolio (25.03% - 2015); 45 motor vehicle loans valued at $63.4M were disbursed in 2016 in comparison to 62 loans totaling approximately $65.7M over the prior period.

Education Expenses loans ranked third with YTD disbursements totaling $19.1M in comparison to $20.3M last year, a 5.9% decline over last year.

The Loan Category with the most significant growth YTD was Investment Loans. A total of $3.33M was disbursed under this category, in comparison to $116K for 2015, reflecting a whopping increase of 2,766.41%.

General

While loans for personal needs, motor vehicle purchases, and educational needs were are top priorities for credit union members, Debt Consolidation was a secondary priority, as it represented 6.35% ($16.05M) of the total disbursements (2015 – 4.08%), showing a YTD increase of 49.70%.

As the economic conditions became harsher and members found it more difficult to make ends meet, the Credit Union must continue to find more creative ways to secure its income while at the same time attract more loans as well as investments from members.

The Credit Union continued to employ the following initiatives in an effort to secure business.

- Use of email and the Intranet - Cyber village to showcase available products
- Being proactive in discussing financial options and solutions with members
- Creating and reviewing products to ensure relevance to members' needs and making changes to address those needs.

Acknowledgement

The Credit Committee Chairman extended appreciation to the Board of Directors, the Management and Staff of the Credit Union and Committee members for their co-operation and assistance during the Financial Year 2016.

The Credit Committee Report was adopted on a motion by Tishan Riley and seconded by Claudette Facey-Redwood.

e) Supervisory Committee Report

The Report of the Supervisory Committee was presented read by Rhoda Williams Moore.

The mandate of the Supervisory Committee mandate is to ensure that the Management and Board undertake their respective functions in accordance with the policies and rules of the Credit Union and the Co-operative Societies Act.

In keeping with it's mandate, the Committee discharged its responsibilities to the general membership by examining the affairs of the Credit Union and ensuring that regular reviews of the Credit Union's operations were carried out and recommendations for improvements implemented in a timely manner. The Committee submitted monthly reports to the Board of Directors outlining all the outstanding audit recommendations and the implementation status of management's action plan.

During the period under review, recommendations made by the Jamaica Co-operative Credit Union League and GK Group Internal Audit in prior year audits, were monitored and implemented.

In addition, GK Group Internal Audit department performed an IT audit on the Credit Union's Emortelle operating software and provided recommendations for improvement.

The Committee was satisfied that the Credit Union had established practices and procedures sufficient to safeguard the members' assets. There was a general adherence to established policies, procedures and internal controls. Also,The related laws and regulations that govern the Credit Union's operations were also properly administered.

The Committee's Chairperson expressed gratitude to the Board of Directors, Credit Committee, Management and staff of the Credit Union for their support during the year in enabling the members of the Committee to fulfil its mandate.

The Supervisory Committee Report was adopted on a motion by Stanley Beckford and seconded by Samuel Shelton.

ELECTION OF OFFICERS

Ms Tanesha Facey of the Department of Co-operatives and Friendly Societies handled the election of Officers.

The meeting was reminded of the rules of the voting process.

The results were as follows:

Board of Directors

Simon Roberts, E. Christopher Bond, Eric Mardner, Malindo Wallace and Stanley Beckford were elected to the Board to serve for a two-year term. They join Jerry Hamilton, Gilroy Graham, Claudette Facey Redwood and Karen Walker.

Credit Committee

There being no other nominations, Damian Lovelace, Maria Lewis and Hortense Gregory Nelson were elected to serve for the next two years. They join Jean Grant and Samuel Shelton who have one year unexpired terms.

Supervisory Committee

There being no other nominations, Angela Lawrence, Rhoda Williams Moore and Kevin Webster, Ayen Crooks and Arieta Henry were elected to serve for one year.

Simon Roberts moved to allow the Board to select the delegates to the League and other Societies; this was seconded by Eric Mardner.

Ms. Facey reminded the elected Board and Committee members that they should convene a meeting within 10 days of the Annual General Meeting and select Officers, Chairman and Secretary. Names and contact information of those Officers should be communicated to the League, Bank of Jamaica, and the Department of Cooperatives and Friendly Societies.

TRIBUTES TO RETIRING VOLUNTEERS

A presentation was made to retiring volunteer, Troy-Marie McDonald for serving on the Supervisory Committee. Alicia Williams accepted the gift on her behalf.

General Manager of the Credit Union, Hope Mowatt introduced the team at the Credit Union.

They were:

Makeda Scott	–	*Accountant*
Camille Cadogan	–	*Senior Loans Officer*
Lorne Phillips	–	*Loans Officer*
Alicia Williams	–	*Accounting Officer*
Monique McLean	–	*Accounting Clerk*

An expression of appreciation for their hard work and commitment to encouraging team spirit and providing excellent service to the members of the Credit Union was extended to them.

PRESENTATION BY CUNA MUTUAL

Peta-Gay Thompson made the presentation on CUNA Caribbean Insurance (formerly CUNA Mutual Insurance). Highlights of the presentation are as follows:

a) CUNA Caribbean has been serving Credit Unions in Jamaica for over 60 years.

b) *Mission Statement:* Creating financial security

c) *Vision Statement:* To be a leading Caribbean insurance provider serving Credit Unions, their members, and affinity groups through a combination of products, service and support to meet their changing needs.

d) Products offered: Family Indemnity Plan (FIP); Golden Harvest, Loan Protection and Life Savings, Critical Illness Rider

e) Turnaround time for processing FIP claims is 48 hours

f) If a member lives up to age 75 and never made a claim under the Critical Illness Rider, then premiums are refunded. The member will no longer be covered.

ANY OTHER BUSINESS

PRIZES

Various prizes were won by attendees who enjoyed the excitement generated by emcee Suzette Pitter. Members Tishan Riley, Jasmine Farmer, Akilah Nangwaya and Kaydene D'Silva were winners of prizes.

TERMINATION

The meeting was terminated at 7:10 p.m.

REPORT OF THE BOARD OF DIRECTORS

FOR YEAR ENDED 31ST DECEMBER 2017

JERRY HAMILTON
President of the Board of Directors

OVERVIEW

Fellow members, it is with great pleasure that I present the Board of Directors'Report on the performance of the Grace Cooperative Credit Union Ltd for the year 2017. The financial year was a rewarding one for our Credit Union with positive results and growth over the prior year, in relation to our key performance indicators. Despite the competitive environment within the financial market place, our Credit Union remained focussed and resolute in serving our members to achieve their financial goals.

Although our Credit Union could not match loan rates in many cases,many of our members were satisfied with the ease and timeliness of our service delivery. We also maintained relatively low or no fees in catering to the financial needs of our members. The result of this strategy and the tight management of our expenses resulted in our Credit Union achieving surplus of $9.4M, a 70% increase over the prior year.

Financial Performance Highlights

	2017 J$000	2016 J$000	Annual Growth	CU Movement
Permanent Shares	2,088	2,088		
Voluntary Shares	360,334	342,243	5.3%	
Saving Deposits	207,456	184,730	12.3%	9.4%
Net Loans	526,148	468,498	12.3%	12.5%
Assets	674,549	620,892	8.6%	8.8%
Surplus	9,415	5,548	69.7%	

SAVINGS DEPOSITS

At the end of December 2017, members' savings stood at $207.5M, a 12.3% improvement over December 2016. In comparison, the credit union movement averaged savings growth rates of 9.4%.The Credit Union continued to offer attractive interest rates on Fixed Deposits & Golden Harvest savings products, which encouraged many members to increase their savings portfolio.

LOANS and TOTAL ASSETS

The loans portfolio also showed satisfactory growth during 2017. At the end of the year, the value of net loans to members was $526.1M, growing by approximately $58M or 12.3% over the prior year.In comparison,this performance was marginally below the credit union movement, which experienced average loan growth of 12.5% in 2017.

Overall, the Total Assets Portfolio increased by 8.6%, moving from $620.9M in 2016 to $674.5M at the end of December 2017.

DELINQUENCY

For the first time in many years, our delinquency ratio has exceeded our targeted 1%, ending the year at 1.39%. Although this ratio is still one of the lowest in the industry, we are determined to regain lost ground. Delinquency in 2017 was impacted primarily by loans going into arrears due to members losing their jobs. However, our Credit Union staff and External Collectors are working closely with these members in the debt recovery process.

LIQUIDITY

Maintaining the liquidity ratio above the PEARLS target of 20% was achieved for most of the year. However, at December 2017, the ratio fell to 16%, moving from 19% at December 2016. This performance was greatly influenced by the increased demand for loans during the last quarter of the year.

MEMBERSHIP

At the end of 2017, our membership stood at 2,090 moving from 2,756 at the end of 2016. The decline was the result of our updating the membership records by the removal of dormant members who had not satisfied the membership requirement.

EDUCATION GRANTS

Our Credit Union was again delighted to provide grants to children of members of our Credit Union from a sum of $350,000 set aside for this initiative. Grants were given to 13 students at the GSAT, secondary and tertiary levels.

ELECTION OF OFFICERS

At the statutory meeting held following the elections at last year's Annual General Meeting, the following officers were elected:

BOARD OF DIRECTORS

Jerry Hamilton	–	*President*
Gilroy Graham	–	*1st Vice President*
Christopher Bond	–	*2nd Vice President*
Eric Mardner	–	*Treasurer*
Karen Walker	–	*Assistant Treasurer*
Claudette Facey-Redwood	–	*Secretary*
Stanley Beckford	–	*Assistant Secretary*
Simon Roberts	–	*Director*
Malindo Wallace	–	*Director*

SUPERVISORY COMMITTEE

Angela Lawrence	–	*Chairperson*
Rhoda Williams-Moore	–	*Secretary*
Kevin Webster		
Ayen Crooks		
Arieta Henry		

CREDIT COMMITTEE

Samuel Shelton – *Chairperson*

Damian Lovelace – *Secretary*

Hortense Gregory-Nelson

Maria Lewis

Jean Grant

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Five meetings were held with the Board, joined each quarter by members of the Credit and Supervisory committees. Below is the record of attendance for Board members.

DIRECTORS	Max # possible	# at which present	# at which excused
Jerry Hamilton	5	5	0
Gilroy Graham	5	5	0
Christopher Bond	5	4	1
Eric Mardner	5	5	0
Karen Walker	5	4	1
Claudette Facey-Redwood	5	4	1
Stanley Beckford	5	5	0
Simon Roberts	5	4	1
Malindo Wallace	5	2	3

HUMAN RESOURCES AND TRAINING

The Directors would like to acknowledge the members of staff of our Credit Union who worked diligently to serve you, our members and in making 2017 a resounding success.Training remained a key focus for our Credit Union. During the year, staff participated in several CPD Online training courses. These included: Excellence in Customer Service and Proceeds of Crime Act (POCA).

OBITUARIES

We would like to take the opportunity to pay tribute to the following members who passed on during the year:

- Maurice Reddish,
- Lisa Martin,
- Myra Brooks,
- Glen Buckley,
- Cecil Ho,
- Carl Smith,
- Marjorie Barrett,
- Hyacinth Miller

We wish to extend our condolences to their family members.

FUTURE PLANS

The Board & Management of our Credit Union continue on our path of preparedness for the impending regulation by the Bank of Jamaica. Since increased regulatory and compliance costs are anticipated in this new environment, along with the possibility of increased provisioning for loan losses as a result of the recently introduced IFRS 9, our Credit Union is focusing on cost savings and process improvements to remain viable. Currently we are assessing our IT platform and operating processes to improve our efficiency and service delivery. We also continue to explore the option of partnering with other credit unions in relation to shared services.

Nonetheless, as the environment in which we operate continue to change, we will remain proactive and implement strategies that will be in the best interests of our members. Our commitment is to continue to assist our members to achieve their personal financial goals by providing efficient and quality service.

ACKNOWLEDGEMENTS

As I close, let me take this opportunity to acknowledge the commitment and support of my fellow Directors and other volunteers for providing oversight of our Credit Union. Appreciation must also be extended to the following persons and institutions who have contributed to our success:

- The Chairman and Directors of GraceKennedy Ltd, its subsidiaries and associated companies.
- Members of the various committees.
- Directors and staff of the Jamaica Co-operative Credit Union League.
- The Department of Co-operatives and Friendly Societies.
- Cuna Caribbean Insurance (Jamaica) Ltd.
- Credit Union Fund Management Company.
- Our Auditors, Gilbert Thompson & Co.
- Our contact persons and ambassadors at the various offices where our members are employed.
- Our hardworking Credit Union Manager and staff.
- And to you, our valued members for your continued support throughout the years.

Jerry Hamilton
President

BOARD OF DIRECTORS

Gilroy Graham
1st Vice President

Jerry Hamilton
President

E. Christopher Bond
2nd Vice President

Eric Mardner
Treasurer

Karen Walker
Assistant Treasurer

Claudette Facey-Redwood
Secretary

Stanley Beckford
Assistant Secretary

Simon Roberts

Malindo Wallace

REPORT OF THE TREASURER

FOR YEAR ENDED 31ST DECEMBER 2017

Grace Co-op Credit Union received $58.5M in interest on loans, $7.1M in investment income, and $6.1M non-interest income which represented fee income and commission. This total interest income of $65.6M represents an increase of $4M or 7% when compared with the previous year.

The assets were $675M at the year ended 2017 up from $621M in 2016, an increase of $54M. Loans grew from $473M in 2016 to $531M in 2017, an increase of $58M or 12% over the previous year.Liquid assets of $103M shows a slight decrease of 6% over the prior year.

STATEMENTS

The following is a summary of the detailed information contained in the audited financial statements. We, the members, altogether have:

		2017 $	2016 $
a)	Total Permanent Shares	2,088,000	2,088,000
We also own collectively as a society, the following:			
i)	Statutory Reserves to provide stability to the Credit Union	57,240,510	55,336,676
ii)	Education Fund	214,793	214,793
iii)	Capital Revaluation Reserve	6,431,394	6,431,394
iv)	Bad Debt Reserve	5,313,689	4,732,335
v)	Special Reserve	785,736	785,736
vi)	Donation Reserve	0	120,000
vii)	Unclaimed Share Reserve	169,914	169,914
viii)	Share Transfer Reserve	97,000	83,000
ix)	We have previous earnings that have not been returned to us as dividends. This amount is:	2,597	453,154
x)	This year our net earnings is	8,641,423	4,438,553
The total we own in reserves, provision and earnings is		**80,985,056**	**74,853,555**

	2017 $	2016 $
The grand total we have is	**80,985,056**	**74,853,555**
The money we have has been:		
a) Loaned to members	531,462,177	473,230,831
b) Used to purchase furniture and fixtures(net book value)	699,503	375,913
c) **Invested in:-**		
i) Shares in the Jamaica Cooperative Credit Union League	5,546,592	5,546,592
ii) Demand Deposit with Jamaica Cooperative Credit Union	66,324,874	80,700,245
iii) Mortgage Funds with Jamaica Cooperative Credit Union	17,884,944	17,146,375
iv) Jamaica Cooperative Credit Union - Cu Cash	13,486,672	22,204,966
d) Bank account, etc	23,233,609	6,996,393
e) But we owed: Depositors and external creditor	(207,456,160)	(184,729,839)
f) Members' voluntary shares	(360,333,588)	(342,242,992)
g) Others	(9,863,567)	(4,374,929)
The grand total of the loans and investment we have made is	**80,985,056**	**74,853,555**
Our Income has been earned from:-		
a) Interest on loans to members	58,480,510	56,294,498
b) Interest on Investments	5,197,666	3,317,447
c) Interest on investment with J.C.C.U.L.	1,877,228	1,893,900
d) Other sources	6,052,503	4,553,667
	71,607,907	**66,059,512**
The expenses for the year were:-		
Salaries and related expenses	26,637,889	27,201,285
Insurance – Loan Protection and Life Saving (L.P&L.S)	3,151,500	3,053,384
Facilities Fee	5,408,680	5,092,930
Interest Expense	14,911,873	13,812,562
Stationery	696,955	1,030,052
Dues and fees to J.C.C.U.L	2,458,413	2,301,397

	2017 $	2016 $
Advertising and promotion		
AGM, Seminars and other meetings	1,290,426	1,194,163
Audit fees	700,000	650,000
Provision for bad debts	581,381	245,981
Education Grant	397,596	350,004
Depreciation and amortization	206,957	222,596
General expenses	5,751,506	5,356,966
TOTAL EXPENSES	**62,193,176**	**60,511,320**
This leaves us a surplus of:-	9,414,731	5,548,192
We are setting aside Statutory Reserves as required by the Act	(773,308)	(1,109,638)
	8,641,423	4,438,553
Together with the undistributed earnings from previous year	2,597	453,154
UNDISTRIBUTED EARNINGS	**8,644,020**	**4,891,707**

CONCLUSION

The Bank of Jamaica will commence direct supervision of local credit unions in the near future. With change comes challenges; however, the Board and Management of the Credit Union have been implementing measures for the transition to be as seamless as possible.

We continue to rely on Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity and Signs of Growth (PEARLS) which is an international financial benchmark used by credit unions. At the end of 2017, we met all recommended standards except for liquidity, as we were 2% below.

Our Credit Union continues to positively impact our members by providing solutions to their financial needs in a meaningful way. Despite the number of alternatives that exist in the financial marketplace, we continue to remain relevant to our members resulting in growth in loans to members and member savings during the year.

I wish to extend thanks to the dedicated Management and Staff of the credit union for their efforts during the year. I would also like to acknowledge the support of my colleagues on the Board.

Finally, thanks to each member of the credit union for making Grace Co-op, the credit union of their choice.

Respectfully Submitted,
Eric Mardner
Treasurer

DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES
(An Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)

2 MUSGRAVE AVENUE
KINGSTON 10

TEL: 927-4912/927-6572
or 978-1946 Fax: 927-5832
E-mail: dcfs@cwjamaica.com

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

S1
R 376/-295/03/18

March 29, 2018

The Secretary
Grace Co-operative Credit Union Limited
73 Harbour Street,
KINGSTON

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2017.

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

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

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

Yours sincerely,

……………………………………

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League

PRODUCTS AND SERVICES OFFERED BY

GRACE CO- OP CREDIT LIMITED

The Golden Harvest Savings Plan

It is goal oriented and insured!

VOLUNTARY SHARES
FIXED DEPOSITS
PARTNER PLAN SAVINGS
DEPOSIT ACCOUNTS
GOLDEN HARVEST PLAN

GOLDEN HARVEST SAVINGS PLAN

Where you can watch your money grow!

Save towards owning your own home, your child's education, vacation, investment ,etc

The Family Indemnity Plan (FIP) is a death insurance benefit offered to members and their families with premiums as low as $422.40 per plan and maximum coverage up to $1,000,000.00 per person.

- Health insurance offered by Sagicor for family members with premiums starting at $6,478.57 monthly.
- Seasonal loan options are designed to satisfy all of our members and covers **BACK TO SCHOOL/VACATION/ SUMMER/ EASTER & CHRISTMAS** expenses among others.
- Our multi-purpose **RESCUE LOAN** is unsecured with affordable monthly repayments.
- **Wheels Express** loan – we will place in your motor vehicle of choice

GRACE CO-OP – The credit union where dreams do come true

" WE ARE ALWAYS HERE FOR YOU !!"

GRACE CO-OPERATIVE CREDIT UNION (1977) LTD.

Financial Statements

&

Notes to the Financial Statements

FINANCIAL STATEMENTS
31 DECEMBER 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		$	$
INTERST INCOME			
Interest on loans and advance to members	6	58,480,510	56,294,498
Interest on liquid assets		5,197,666	3,317,447
Interest on investment		1,562,973	1,572,038
Interest JCCUL – CuCash		314,255	321,862
		65,555,404	**61,505,845**
INTEREST EXPENSE			
Interest on saving deposits		(14,455,973)	(13,320,827)
Other financial cost		(455,927)	(491,735)
NET INTEREST INCOME		50,643,504	47,693,283
Increase on loans losses		(581,354)	(245,981)
		50,062,150	47,447,302
Other income	8	6,052,503	4,553,667
		56,114,653	52,000,969
OPERATING EXPENSES	9	46,492,965	46,230,181
OPERATING PROFIT		9,621,688	5,770,788
Depreciation		206,957	222,596
NET SURPLUS FOR THE YEAR		**9,414,731**	**5,548,192**

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	2017	2016
		$	$
ASSETS			
EARNING ASSETS			
Loans to members	10	526,148,488	468,498,496
Liquid Assets	11	103,045,155	109,901,604
Financial investments	12	41,715,644	40,136,028
NON EARNING ASSETS			
Other assets	13	2,939,645	1,979,484
Property, plant and equipment	14	699,503	375,913
Intangible property, plant and equipment	14a	1,000	1,000**
TOTAL ASSETS		**674,549,435**	**620,892,525**
LIABILITIES AND EQUITY			
LIABILTIES			
Interest bearing liabilities -			
Members' deposit	15a	207,456,160	184,729,839
Voluntary shares	15b	360,333,588	342,242,992
		567,789,748	526,972,831
Non-interest bearing liabilities-			
Payable and accruals	16	31,088,320	23,797,474
		598,878,068	550,770,305
EQUITY			
Members' share capital	17	2,088,000	2,088,000
Non-institutional capital			
Retained earnings and reserve	18	1,267,443	1,373,443
Undistributed surplus		8,644,020	4,892,707**
Institutional capital			
Statutory and legal reserve	19	57,240,510	55,336,676
Capital revaluation reserve	20	6,431,394	6,431,394
		75,671,367	70,122,220
TOTAL LIABILITIES AND EQUITY		**674,549,435**	**620,892,525**

Approved for issue by the Board of Directors on March 22, 2018 and signed on behalf by:

President – Jerry Hamilton   Treasurer Eric Mardner   Secretary Claudette Facey-Redwood

** restated

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Members' Permanent Share Capital	Institutional Capital	Non-Institutional Capital (Undistributed Net Surplus)	Total
	$	$	$	$
Balances at 31 December 2015	2,088,000	60,108,103	5,717,220	67,913,323
Net surplus	–	–	5,548,192	5,548,192
Transfer to statutory reserves	–	1,109,638	(1,109,638)	–
Additional transfer to statutory reserves	–	542,629	(542,629)	–
Appropriations				
Dividend – Permanent Shares	–	–	(835,200)	(835,200)
Interest – Voluntary Shares	–	–	(2,385,795)	(2,385,795)
Donation	–	–	(60,000)	(60,000)
Entrance fee	–	7,700	–	7,700
Share transfer account	–	–	(66,000)	(66,000)
Balance 31 December 2016	2,088,000	61,768,070	6,266,150	70,122,220
Net surplus	–	–	9,414,731	9,414,731
Adjustment of depreciation			(1,000)	(1,000)
Transfer to statutory reserves		1,882,946	(1,882,946)	–
Appropriations				
Dividend – Permanent Shares	–	–	(790,800)	(790,800)
Interest – Voluntary Shares	–	–	(2,988,672)	(2,988,672)
Donation	–	–	(120,000)	(120,000)
Entrance fee	–	20,888	–	20,888
Share transfer account	–	–	14,000	14,000
Balances at 31 December 2017	**2,088,000**	**63,671,904**	**9,911,463**	**75,671,367**

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	INSTITUTIONAL CAPITAL		
	Statutory Reserve	Capital Reserve	Total
	$	$	$
Balances at 31 December 2015	53,676,709	6,431,394	60,108,103
Transfer to statutory reserves	1,109,638	–	1,109,638
Additional transfer to statutory reserves	542,629	–	542,629
Entrance fee	7,700	–	7,700
Balance at 31 December 2016	55,336,676	6,431,394	61,768,070
Transfer to statutory reserves	1,882,946	–	1,882,946
Additional transfer to statutory reserves	–	–	–
Entrance fee	20,888	–	20,888
Balances at 31 December 2017	**57,240,510**	**6,431,394**	**63,671,904**

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	2017 $	2016 $
CASH FLOW FROM OPERATING ACTIVITIES:		
Surplus for the year	9,414,731	5,548,192
Adjustments to reconcile net profit to		
Cash provided by operating activities –		
Depreciation	206,957	222,596
Net cash provided by operating activities	9,621,688	5,770,788
Cash flow from investing activities -		
Property, plant and equipment	(531,547)	-
Investment	(1,579,616)	(1,589,871)
Members' loan	(57,649,992)	(24,467,114)
Other receivables	(960,161)	376,109
Net cash used in by investing activities	(60,721,316)	(25,680,876)
Cash flow from financing activities –		
Share capital voluntary	18,090,596	19,641,215
Entrance fee	20,888	7,700
Members' savings account	22,726,321	31,909,835
Payable and accruals	7,290,846	645,785
Dividends	(790,800)	(835,200)
Interest on voluntary shares	(2,988,672)	(2,385,795)
Reserve	14,000	(66,000)
Donation	(120,000)	(60,000)
Cash provided by financing activities	44,243,179	48,857,540
(Decrease)/increase in liquid assets	(6,856,449)	28,947,452
Liquid asset at beginning of the year	109,901,604	80,954,152
LIQUID ASSET AT END OF YEAR	**103,045,155**	**109,901,604**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

1. IDENTIFICATION AND ACTIVITY:

Grace Co-operative Credit Union Limited ("Co-operative") is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act ("Act"), and has its registered office at 73 Harbour Street, Kingston Jamaica.

The main activities of the Co-operative are to promote thrift among its members by affording them an opportunity to accumulate savings and to create for them a source of credit for provident or productive purposes at a reasonable rate of interest.

Membership in the Co-operative is obtained by the holding of members' permanent [note17 and voluntary shares 15(b)], which are deposits available for withdrawals on demand. Individual membership may not exceed 20% of the total of the members' shares of the co-operative.

2, REGULATION:

The Co-operative Societies Act requires that at least 20% of the net surplus of the Co-operative be transferred annually to a reserve fund. The Co-operative is exempt from Income Tax under section 59(i) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

The liabilities of the individual members are limited by shares. Individual membership liability may not exceed 20% of total share capital.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION:

(a) Statement of compliance

New and amended standards effective during the year

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Certain new, revised and amended standards and interpretations became effective for the current financial year. The Co-operative has assessed them and has adopted those which are relevant to its financial statements. The adoption of these amendments and improvements did not result in any changes to the amount recognized or disclosed in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D):

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective

Certain new amended standards which have been issued are not yet effective at the reporting date and the Co-operative has not early-adopted them, The Co-operative has assessed the relevance of all such new and amended standards with respect to its operations and has determined that the following may be relevant:

- **IFRS 9, Financial Instruments, (effective for annual periods beginning on or after 1 January 2018),** replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- **IFRS 15, 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 January 2018).** It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC–31 Revenue – Barter Transactions involving Advertising Services.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D):

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective (cont'd)

- **IFRS 15 (cont'd)**

  The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

- **IFRS 16, 'Leases' (effective for annual periods beginning on or after 1 January 2019),** eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases an off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognizing new assets and liabilities. The on-balance sheet will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lease exemption will apply to short term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, Revenue from contracts with Customers, is also adopted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D):

(a) Statement of compliance (cont'd)

New and amended standards that have been issued but not yet effective (cont'd)

- Amendments to IAS 7, Statement of Cash Flow, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both arising from cash flows and non-cash flows.

- Amendments to IAS 40, transfer of investment property, effective for annual reporting periods beginning on or after January 1, 2018, clarifies when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or cease to meet the definition of investment property and there is evidence of the change in use.

  The entity has a choice on transition to apply approach – i.e. apply the amendments to transfers that occurs after the date of initial application – and also reassess the classification of property assets held at that date, or apply the amendments retrospectively in accordance with IAS 8, but only if it does not involve the use of hindsight.

The Co-operative is assessing the impact that these new standards and amendments have on these financial statements when they are adopted

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the inclusion of certain investments at fair value. The methods used to measure fair values are set out below in note 7. Additionally, employees' benefits asset is recognized as plan assets, less the present value of the defined obligation and is limited as explained in note 4(w).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D):

(c) Functional and presentation currency

The financial statements of the Co-operative are measured using the currency of the primary economic environment in which the Co-operative operates (Jamaican Dollar). These financial statements are presented in Jamaican dollars, which is considered the Co-operative's functional and presentation currency.

(d) Comparative information

Where necessary, comparative information is restated to conform with the presentation adopted in the current year.

4. SIGNIFICANT ACCOUNTING POLICES:

(a) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument to another entity.

Financial instrument carries on the statements of financial position include loan to members, liquid assets, financial investments, other assets, members' deposits, members' voluntary shares and payable and accruals. The particular recognition methods adopted are disclosed in significant accounting policy associated with each item. The fair values of the Co-operative's financial instruments are in note 7.

Financial assets

The Co-operative classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired, Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(b) Financial instruments (cont'd)

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. loan), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried an amortised cost using the effective interest rate method, less provision for impairment.

The Co-operative's loans and receivables comprise loans, other assets, resale agreements and cash and bank balances.

Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an undetermined period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables. They are included in financial assets and liquid assets in the statement of financial position. They are carried at fair value which changes in fair value, other than those arising due to exchange rate fluctuation and impairment losses recognized, in other comprehensive income and included in fair value reserves. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest method is recognized in surplus or deficit. On disposal or impairment, the cumulative gain or loss recognized in other comprehensive income is reclassified from the fair value reserve to surplus or deficit.

Purchases and sales of available for sale financial assets are recognized on settlement date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(c) Financial instruments (cont'd)

Financial liabilities

Financial liabilities net of transaction costs, are initially measured at fair value, and are subsequently measured at amortised cost using the effective method. At the reporting date, the items classified as financial liabilities are members' deposits, members' voluntary shares, external credits, and other liabilities.

(d) Loans and provision for impairment losses

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Co-operative does not intend to sell immediately or in the near term.

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

An allowance for impairment is established if there is objective evidence that it is probable that all amounts due according to the original contractual terms will not be collected. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from collateral, discounted at the original effective interest rate of the loans.

A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If the payment on a loan is contractually three (3) months in arrears, the loan will be classified as impaired.When a loan is classified as impaired the accrual of interest income based on the original term of the loan is discontinued. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(e) Loans and provision for impairment losses (cont'd)

Write-offs are made when all or part of a loan is deemed uncollectible or when a debt is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full, of amounts previously written off, are credited to impairment losses in surplus or deficit.

The Co-operative's impairment loss provision requirements, as stipulated by the Jamaica Co-operative Credit Union League Limited ("JCCUL"), that exceed the IFRS impairment provision are dealt with in a non-distributable loan loss reserve as an appropriation of accumulated surplus.

(f) Resale agreements

Resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos are accounted for as short-term collateral lending.

The Co-operative enters into resale agreements to resell substantially identical investments at a certain date in the future at a fixed price. The amounts paid are recognized as "resale agreements" and are collateralised by the underlying securities.

The difference between the sale and repurchase consideration is recognized on the accrual basis over the period of the transaction and is included in interest income.

(g) Cash and cash equivalents

Cash and cash equivalents are shown at cost. The comprise cash and bank balances and short-term liquid deposits, where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments, rather than for investment purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(h) Cash and cash equivalent Cont'd

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and in bank and deposits not held to satisfy statutory requirements, net of bank overdraft, if any.

(i) Property, plant and equipment

(i) Measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part flow to the Co-operative and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(i) Property, plant and equipment

(iii) Depreciation

Depreciation is recognized in surplus or deficit on the straight line basis at rates estimated to write-down the relevant assets, over their expected useful life and residual value are reviewed at each reporting date and adjusted if appropriate with the effect of any changes in the estimate being accounted for on a prospective basis.

Furniture and fixtures	10%
Automated teller machine	10%
Data processing equipment	10% - 20%

(j) Intangible asset

ntangible asset represent software rights and is measured at cost, less accumulated amortization and impairment losses. Amortisation method, useful life and residual value are reviewed at each reporting date and adjusted if appropriate with the effect of any changes in the estimate being accounted for on a prospective basis.

Amortisation is charged to surplus or deficit on the straight line basis over the estimated useful life of the intangible asset, from the date it is available for use. The expected useful life of computer software is 10 years.

(k) Other assets

Other assets comprising sundry receivables and prepayments are measured at amortised cost less impairment losses. An impairment loss is established when there is no objective evidence that the Co-operative will not be able to collect all amounts due according to the original terms of the receivables. The amount of any provision is the difference between the carrying amount and the expected recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(l) Members' shares -

(i) Permanent shares

Permanent shares may be transferred by a member to another but are not available for withdrawal. Permanent shares are classified as equity and measured at amortised cost.

(ii) Voluntary shares

Members' voluntary shares represent deposit holdings of the Co-operative's member, to satisfy membership requirements and to facilitate eligibility for loans and other benefits. These shares are classified as financial liabilities. Dividends payable on these shares are determined at the discretion of the Co-operative and reported as interest in surplus or deficit in the period in which they are approved.

(m) Payables and accruals

Payables and accruals are initially recognised at fair value less any directly attributable transaction costs. Subsequently to initial recognition, they are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(n) Other liabilities

Other liabilities comprise other payables and are measured at amortised cost.

(o) Provisions

Provisions are recognised when the Co-operative has a present, legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(p) Revenue recognition

(i) Interest income

Interest income is recognised in surplus or deficit for all interest-bearing instruments on the accrual basis, using the effective interest method. Interest income includes coupons earned on fixed income investments.

Where collection of interest income is considered doubtful, the related financial instruments are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Fees and commission

Fees and commission income are recognised on the accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

(iii) Dividends

Dividend income from equity financial investments is recognised when the Co-operative's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(q) Institutional capital

Institutional capital includes retained earnings reserve and other statutory and legal reserves as set out in article XIV rule 66 of the Co-operative Societies Act. These are set aside in order to strengthen the capital base of the Co-operative and thereby protect the interest of the members. These amounts are not available for distribution.

(r) Statutory reserves

The statutory and legal reserves are maintained in accordance with the provisions of the Co-operative Societies Act, which require that a minimum of 20% of surplus before honoraria should be carried to a fund. A registered society may apply to the Registrar to allow the required percentage to be reduced. However, the reduction will not be granted below 10%.

(s) Impairment

The carrying amounts of the Co-operative's assets, other than loans to members [see note 4(b)], are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit. Any cumulative loss in respect of an available-for-sale investment recognised previously in other comprehensive income is transferred to surplus or deficit.

(i) Calculation of recoverable amount

The recoverable amount of the Co-operative's loans and receivables is calculated at the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. The recoverable amount in respect of an available-for-sale investment is its current fair value. Receivables with a short duration are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(t) Impairment (cont'd)

(i) Calculation of recoverable amount (cont'd)

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(ii) Reversals of impairment

In respect of loans and receivables, and receivables, the impairment loss is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Reversals are recognized in surplus or deficit, except for available-for-sale equity financial asset, that are recognized in other comprehensive income.

(u) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments under operating leases are charged as an expense in surplus or deficit on the straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(v) Foreign currency translation

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rates ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in surplus or deficit.

(w) Pension plan costs

The credit union participates in a defined benefit scheme operated by Grace Kennedy Limited. The pension scheme is generally funded by payments from employees of 5% or 10% and by Grace Kennedy limited of .05% of employee's taxable remuneration, taking into account the recommendations of independent qualified actuaries.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets liabilities, contingent assets and contingent liabilities at the reportingdate and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both currents and future periods.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS Cont'd:

(i) Impairment losses on loans to members

The determining amounts recorded for impairment losses on loan in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measureable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loans portfolio with similar characteristic, such as credit risks.

6. FINANCIAL RISK MANAGEMENT:

By its nature, the Co-operative's activities are principally related to the use of financial instruments, which involves analysis, evaluation and management of some degree of risk or combination of risks. The Co-operative manages risk through a framework of risk principles, organizational structures and risk management and monitoring processes that are closely aligned with the activities of the Co-operative. Risk management policies are designed to identify and analyze the risks faced by the Co-operative, to set appropriate risk limits and controls, and to monitor risks and adherence to limits by means of regularly generated reports. The Co-operative's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Co-operative's financial performance.

The Co-operative has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

The Board of Directors is ultimately responsible for the establishment and oversight of the Co-operative's risk management framework. The Board has established committees for managing and monitoring risks.

Three key committees for managing and monitoring risks are:

Supervisory Committee

The Supervisory Committee oversees the performance of personnel and systems within the Co-operative and ensures that internal procedures and controls are adhered to. The Supervisory Committee is assisted in its oversight role by Internal Audit undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Supervisory Committee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

Credit Committee

The Credit Committee oversees the approval of credit facilities and disbursements to members. It is also primarily responsible for monitoring the quality of the loan portfolio.

Finance Committee

The Finance Committee is responsible for managing the Co-operative's assets and liabilities and the overall financial structure. It is also primarily responsible for managing the funding and liquidity risks of the Co-operative.

(a) Credit risk

The Co-operative takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss by being unable to pay amounts in full when due. Credit exposure arises principally in lending and investment activities.

For loans, credit decisions are primarily made by the Board of Directors, with some delegation of credit approval authority to the Credit Committee and certain members of executive management. The Co-operative's credit policy forms the basis for all its lending operations. The policy aims at maintaining a high quality loan portfolio, as well as enhancing the Co-operative's mission and strategy. The policy has the basic criteria for acceptable risk and identifies risk areas that require special attention.

Additionally, the Co-operative is exposed to credit risk in its treasury activities, arising from financial assets that the Co-operative uses for investing in liquidity and managing currency and interest rate risks, as well as other market risks. There is also credit risk in off-statement of financial position, financial items, such as loan commitments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Credit risk (cont'd)

Credit review process

The Co-operative has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

Loans

The Co-operative assesses the probability of default of individual borrowers using internal ratings. The Co-operative assesses each borrower on four critical factors. These factors are the member's credit history, ability to pay linked to the industry benchmarked debt service ratio of 75%, character profile and the member's economic stability, based on employment and place of abode.

Borrowers are segmented into two rating classes: performing and non-performing

The credit quality review process allows the Co-operative to assess the potential loss as a result of the risk to which it is exposed and take corrective action. Exposure to credit risk is managed, in part, by obtaining collateral and personal guarantees.

Investments and resale agreements

The Co-operative limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

The Co-operative has documented policies which facilitate the management of credit risk on investment securities and reverse repurchase agreements. The Co-operative's exposure and credit ratings of its counterparties are continually monitored.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Credit risk (cont'd)

Credit review process (cont'd)

Liquid assets

Liquid assets and bank balances are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is constantly reviewed by the Finance Committee.

Credit limits

The Co-operative manages concentrations of credit risk by placing limits on the amount of risk accepted in relation to a single borrower or groups of related borrowers, and to product segments. Borrowing limits are established by the use of the system described above. Limits on the level of credit risk by product categories, and for investment categories, are reviewed and approved bi-annually by the Board of Directors.

Collateral

The most widely used practice for mitigating credit risk is the taking of security in the form of physical assets, netting agreements and guarantees. The amount and type of collateral required depend on an assessment of the credit risk of the borrower and guidelines are implemented regarding the acceptability of different types of collateral. The principal collateral types provided for loans and advances are charges over members' balances, real property and motor vehicles.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Credit risk (cont'd)

Credit review process (cont'd)

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days based on the established PEARLS grid recommended by the JCCUL or based on any known difficulties in the cash flows of counterparties, credit rating downgrades or breaches of the original terms of the contract.

The Co-operative addresses impairment assessment in two areas: individually assessed allowances and collectively assess allowances. The assessment applied to individually significant accounts normally encompasses collateral held and the anticipated receipts for that individual account. Collectively assessed allowances are determined through the application of PEARLS' prescribed percentages to the aging profiles of the loan portfolio.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria:

- Delinquency in contractual payments of principal and interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of revenue);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the statement of financial position at the reporting date ids derived from the two internal rating grades. However, the majority of the impairment comes from the non-performing rating class.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Credit risk (cont'd)

Exposure to credit risk

The maximum credit exposure, the total amount of loss that the Co-operative would suffer if every counterparty to the Co-operative's financial assets were to default at once, is represented by the carrying amount of the financial assets shown on the statement of financial position as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Credit risk (cont'd)

Exposure to credit risk (cont'd)

The credit quality of loans is summarized as follows;

	2017 $	2016 $
Performing		
Neither past due nor impaired	524,096,888	466,717,269
Non-performing		
Past due but not impaired	7,365,289	6,513,564
Provision for loan losses	(5,313,689)	(4,732,335)
	526,148,488	**468,498,498** **

Aged analysis of past due but not impaired loans:

	2017 $	2016 $
Less than 2 months	4,880,052	4,978,343
2 to 3 months	1,097,681	684,969
3 to 6 months	361,852	670,998
6 to 12 months	369,127	175,670
Over 12 months	656,577	3,584
	7,365,289	6,513,564 **

Collateral held for loans

	2017 $	2016 $
Personal	211,577,649	259,049,444
Motor vehicle	216,979,564	157,022,247
Residential	55,727,606	31,602,725
Debt refinancing	47,177,358	25,556,417
	531,462,177	**473,230,833** **

** Restated

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Liquidity risk

Liquidity risk is the risk that the Co-operative is unable to meet its payment obligations associated with its financial liabilities when they fall due and replace funds when they are withdrawn. The consequences may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Co-operative's approach to managing liquidity risk is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Co-operatives reputation.

Liquidity risk management process

The liquidity risk management process, as carried out within the Co-operative includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates anassessment of expected cash flows and availability of high grade collateral which could be used to secure funding, if required.

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

(ii) Optimizing cash returns on investments; and

Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of an analysis of the cash balances and expected investment maturity profiles 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) 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 Co-operative and its exposure to changes in interest rates and exchange rates.

The tables below present the undiscounted cash flows payable (both interest and principal cashflows) of the Co-operative's financial liabilities based on contractual repayment obligations.

	Within 1-3 months	3 to 12 months	1 to 5 years	Total Carrying amount
	$	$	$	$
December 31, 2017				
Members' deposits	124,473,696	47,714,917	35,267,547	207,456,160
Members' voluntary Shares	–	–	360,333,588	360,333,588
Payables and accruals	19,832,639	7,602,512	3,653,169	31,088,320
Total financial Liabilities	**144,306,335**	**55,317,429**	**399,254,304**	**598,878,068**
December 31, 2016				
Members' deposits	110,837,903	42,487,863	31,404,073	184,729,839
Members' voluntary Shares	–	–	342,242,992	342,242,992
Payables and accruals	14,242,484	5,459,619	4,095,371	23,797,474
Total financial Liabilities	**125,080,387**	**47,947,482**	**377,742,436**	**550,770,305**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk

The Co-operative takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Finance Committee which carries our extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

(i) Currency risk

Currency or foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currency giving rise to this risk is the US$.

The Co-operative's exposure to foreign currency risk at the reporting date was as nil

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates, and arises mainly from investments, loans and deposits.

Floating rate instruments expose the Co-operative to cash flow interest risk, whereas fixed interest rate instruments expose the Co-operative to fair value interest risk.

The Co-operative's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments as determined by the Finance Committee. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board set limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Finance Department.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk

	2017				
	Within 3 months $	3 - 12 months $	Over 1- 5 years $	Non-interest bearing $	Total $
Assets					
Cash and bank balances	13,940,165	3,485,041	5,808,402	-	23,233,608
Liquid assets	47,886,928	11,971,732	19,952,887	-	79,811,547
Financial investments	-	12,514,693	29,200,951	-	41,715,644
Loans	44,722,621	73,660,788	407,765,079	-	526,148,488
Other assets	-	881,894	2,057,751	-	2,939,645
Total assets	**106,549,714**	**102,514,148**	**464,785,070**	**-**	**673,848,932**
Liabilities					
Members' deposits	124,473,696	47,714,917	35,267,547	-	207,456,160
Members' voluntary Shares	-	-	-	360,333,588	360,333,588
Payables and accruals	19,832,639	7,602,512	3,653,169	-	31,088,320
Total liabilities	**144,306,335**	**53,317,429**	**38,920,716**	**360,333,588**	**598,878,068**
Total interest rate sensitivity gap	**(37,756,621)**	**47,196,719**	**425,864,354**	**(360,333,588)**	**74,970,864**
Cumulative interest rate sensitivity gap	**(37,756,621)**	**9,440,098**	**435,304,452**	**74,970,864**	**-**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk

	2016				
	Within 3 months $	**3 - 12 months $**	**Over 1- 5 years $**	**Non-interest bearing $**	**Total $**
Assets					
Cash and bank balances	4,197,836	1,049,459	1,749,098	-	6,996,393
Liquid assets	61,743,127	15,435,782	25,726,302	-	102,905,211
Financial investments	-	12,040,808	28,095,220	-	40,136,028
Loans	39,822,372	65,589,789	363,086,335	-	468,498,496
Other assets	-	593,845	1,385,639	-	1,979,484 *
Total assets	**105,763,335**	**94,709,683**	**420,042,594**	**-**	**620,515,612 ***
Liabilities					
Members' deposits	110,837,903	42,487,863	31,404,073	-	184,729,839
Members' voluntary Shares	-	-	-	342,242,992	342,242,992
Payables and accruals	14,242,484	5,459,619	4,095,371	-	23,797,474
Total liabilities	**125,080,387**	**47,947,482**	**35,499,444**	**342,242,992**	**550,770,305**
Total interest rate sensitivity gap	**(19,317,052)**	**46,762,201**	**384,543,150**	**(342,242,992)**	**69,745,307**
Cumulative interest rate sensitivity gap	**(19,317,052)**	**27,445,149**	**411,988,299**	**69,745,307**	**-**

* Restated

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate sensitivity

The flowing table indicates the sensitivity to a reasonable possible change of basis 101 points in interest rates, with all other variables being held constant.

The sensitivity of the surplus is the effect of the assumed changes in interest rate on net income based on the floating rate financial assets and financial liabilities. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effect of the assumed changes in interest rates. The correlation of variable will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, they have to be on an individual basis. It should be noted that movements in these variable are non-linear.

Change in basis points:

	2017		2016	
	Effect on surplus $	**Effect on equity $**	**Effect on surplus $**	**Effect on equity $**
- 101 (2016: 101)	(94,147)	(756,714)	(55,481)	(701,822)
+101 (2016: 101)	94,147	756,714	55,484	701,822

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Operational risk

Operational risk is the risk of direct or indirect loan arising from a wide variety of causes associated with the Co-operative's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Co-operative's operations.

The Co-operative's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Co-operative's 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 address operational risk is assigned to senior management within each department. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and producers;
- Requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of a contingency plan;
- Risk mitigation, including insurance where this is effective

Compliance with the Co-operative's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the department heads, with summaries submitted to senior management.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(e) Capital management

The Co-operative's objective when managing institutional capital, which is a broader concept that the "equity" on the face of statement of financial position are:

(i) To comply with the capital requirements set by the JCCUL and the Bank of Jamaica for the financial sector in which the Co-operative operates;

(ii) To safeguard the Co-operative's ability to continue as a going concern so that it can continue to provide returns and benefits for members;

(iii) To maintain an 8% ratio of institutional capital to total asset; and

(iv) To maintain a strong capital base to support the development of its business through the allocation of at least 20% of surplus to institutional capital.

The Co-operative's objectives when managing institutional capital, which is a broader concept than the "equity" on the face of statement of financial position are (cont'd):

Capital adequacy and the use of regulatory capital are monitored by management, based on the guidelines in its Capital Asset Management Policy. The JCCUL currently requires member co-operatives to maintain a minimum level of institutional capital at 8% of total assets. At reporting date, this ratio was 13% (2015: 13%) which is in compliance with the requirements.

The proposed Bank of Jamaica regulations require JCCUL to ensure that member co-operatives:

(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%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(a) Capital management

The table below summaries the composition of regulatory capital and the ratios of the co-operative as at the reporting date. During the year, the Co-operative complied with all externally imposed capital requirements to which it is subject.

	2017		2016	
	Actual	**Required**	**Actual**	**Required**
	$	**$**	**$**	**$**
Total regulatory capital	75,671	67,454	70,122	62,089
Total capital ratio	11%	10%	11%	10%

7. FAIR VALUE FINANCAL INSTRUMENTS:

Fair value amounts represents estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Many of the Co-operative's financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and the values may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. In addition, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

The fair values of liquid assets, sale agreements, cash and bank balances, other assets and other liabilities are assumed to approximate their carrying values, due to their short-term nature.

The fair value of financial investments is based on quoted market bid prices, when available. Where quoted market bid prices are not available, other valuation techniques are used.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. FAIR VALUE FINANCAL INSTRUMENTS (CONT'D):

Loans are carried at amortised cost, which is deemed to approximate the fair value.

The fair value of deposits which are payable on demand or notice are assumed to be equal to their carrying value due to their short term nature.

Payables and accruals, members' voluntary shares and members' deposits are carried at amortized cost, which is deemed to approximate their fair values, as these balances attract rates and terms comparable to market rates and terms for similar transactions.

No fair value is available for the Co-operative's investment in unquoted equities. These are held in JCCUL and its related entities. There is no available market for these instruments. The Co-operative has no intention to dispose of these investments.

Financial instruments that are measured at fair value at the reporting date are grouped into Levels 1,2 and 3, based on the degree to which the fair value is observable as follows:

(i) Level 1: Fair values are quoted prices (adjustment) in active markets for identical instruments;

(ii) Level 2: Fair value measurements are those derived from valuation techniques based on inputs other than quoted market prices included within level 1, that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Fair value measurements are those derived from valuation techniques using significant inputs for the instrument that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

7. FAIR VALUE FINANCAL INSTRUMENTS (CONT'D):

The following table set out the fair value of financial instruments of the credit union using the valuation method and assumptions described. The fair value disclosed do not reflect the value of assets and liabilities that are not considered financial instruments, such as property, plant and equipment.

	2017		2016	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
	$	**$**	**$**	**$**
ASSETS –				
Earning assets				
Loans	526,148,488	526,148,488	468,498,496	468,498,496
Liquid assets	103,045,155	103,045,155	109,901,604	109,901,604
Financial investments	41,715,644	41,715,644	40,136,028	40,136,028
Non-earning assets				
Other assets	2,939,645	2,939,645	1,979,484	1,979,484
LIABILITIES –				
Interest bearing liabilities				
Members savings' deposit	207,456,160	207,456,160	184,729,839	184,729,839
Voluntary Shares	360,333,588	360,333,588	342,242,992	342,242,992
Non-interest bearing liabilities				
Accounts payable	**31,088,320**	**31,088,320**	**23,797,474**	**23,797,474**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

8. NON-INTEREST INCOME:

	2017	2016
	$	$
Commission	1,092,090	850,292
Service charge	4,836,578	3,439,312
Other	123,835	264,063
	6,052,503	**4,553,667**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

9 OPERATING EXPENSES:

	2017	2016
	$	$
PERSONNEL-		
Employee's salaries and statutory contribution	20,524,216	21,673,182
Employee's cost	5,623,936	4,941,440
Education and training	489,737	586,663
	26,637,889	**27,201,285**
ADMINITRATIVE -		
Facilities fees	5,408,680	5,092,930
Depreciation and amortisation	206,957	222,596
Auditing and accounting	700,000	650,000
Office repairs and maintenance	17,600	65,113
Telecommunication	194,453	184,833
Printing, stationery and supplies	696,955	1,030,052
Insurance premium	3,151,500	3,053,384
Professional and consulting fees	1,254,773	717,283
Other administrative expenses	1,488,697	1,791,813
Unrecoverable GCT	2,244,799	2,322,376
	15,364,414	**15,130,380**
MARKETING -		
Publicity and promotion	165,000	15,000
Education grant	397,596	350,004
	562,596	**365,004**
REPRESENTATION & AFFILLIATION		
League and other dues	2,458,413	2,301,397
Seminars and meetings	113,340	167,500
Annual general meetings	1,177,086	1,026,663
Miscellaneous	386,184	260,548
	4,135,023	**3,756,108**
	46,699,922	**46,452,777**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. LOANS:

	2017	2016
	$	$
Balance at beginning of year	473,230,833	485,694,349
Add: disbursements and transfer	307,887,795	240,188,497
	781,118,628	725,882,846
Less: repayment and transfers	(249,656,451)	(252,652,013)
	531,462,177	473,230,833
Less: allowance for impairment losses	(5,313,689)	(4,732,335)
	526,148,488	**468,498,498**

Included in the loan balances are loans to six (6) staff members totaling $13,982,178.44 (2016 – four (4) with loan totaling of $9,347,038.45) and twenty-five (25) related party totaling $29,570,118.71 (2016 – seventeen (17) with loans totaling $32,315,928.36)

The amounts are expected to be recovered as follows:

	2017	2016
	$	$
Within 12 months	118,383,409	105,412,163
Over 12 months	407,765,079	363,086,335
	526,148,488	**468,498,498**

(a) The aging of the loan at the reporting date was as follows:

	2017	2016
	$	$
Neither past due nor impaired	524,096,888	466,717,269
Past due but not impaired:		
Less than 2 months	4,880,052	4,978,343
2 to 3 months	1,097,681	684,969
3 to 6 months	361,852	670,998
6 to 12 months	369,127	175,670
Over 12 months	656,577	3,584
	7,365,289	6,513,564
	531,462,177	473,230,833
Less provision for loan losses	(5,313,689)	(4,732,335)
	526,148,488	**468,498,498**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. LOANS (CONT'D):

(b) Delinquent loans

The total loan loss provision derived below as at the reporting date is consistent with the loan loss provisioning rules of the JCCUL:

		2017		
Months in arrears	**Number Of accounts in arrears**	**Delinquent Loans**	**Statutory Provision Rate**	**Loan Loss Provision**
Less than 2 months	7	4,880,052	-	-
2 – 3 months	7	1,097,681	10	109,768
4 – 6 months	10	361,852	30	108,556
7 – 12 months	8	369,127	60	221,476
13 months and over	5	656,577	100	656,577
	37	7,365,289		1,096,377

		2016		
Months in arrears	**Number Of accounts in arrears**	**Delinquent Loans**	**Statutory Provision Rate**	**Loan Loss Provision**
Less than 2 months	5	575,453	-	-
2 – 3 months	4	229,817	10	22,982
4 – 6 months	7	346,261	30	103,878
7 – 12 months	5	600,955	60	360,573
13 months and over	2	722,268	100	722,268
	23	2,474,754		1,209,701

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

10. LOANS (CONT'D):

(c) Provision for loan losses is as follows:

	2017 $	2016 $
Balance at beginning of year	4,732,335	4,486,327
Increase in provision for current year	581,354	246,008
	5,313,689	**4,732,335**

The allowance for loan losses determined under JCCUL, regulatory requirement is as follows:

	2017 $'000	2016 $'000
General provision	4,105,312	3,522,634
Specific loan losses provision JCCUL	1,207,377	1,209,701
	5,313,689	**4,732,335**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

11. LIQUID ASSETS:

	2017	2016
	$	$
Earning:		
Jamaica Co-operative Credit Union League Limited		
Fixed deposit	66,324,874	80,700,245
Cu Cash	13,486,672	22,204,966
Imprest	250,000	250,000
Current account	21,949,593	5,712,377
ATM float	1,034,016	1,034,016
	103,045,155	**109,901,604**

12. FINANCIAL INVESTMENTS:

	2017	2016
	$	$
Available-for-sale measured at fair value		
Jamaica Co-operative Credit Union Limited		
Cu Premium	17,205,589	16,341,185
CUETS settlement fund	848,196	831,553
Jamaica Co-operative Credit Union Limited shares:	5,546,592	5,546,592
Mortgage funds	17,844,944	17,146,375
Qnet	270,323	270,323
	41,715,644	**40,136,028**

The amounts are due to be recovered as follows:

	2017	2016
	$	$
Within 12 months	-	-
Over 12 months	41,715,644	40,136,028
	41,715,644	**40,136,028**

These are carried at cost

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

13. OTHER ASSETS:

	2017	2016
	$	$
Prepayments (i)	664,924	606,487
Interest receivable - League	97,867	72,824
Interest receivable - Mortgage	1,987,947	1,111,266
Withholding tax	188,907	188,907
	2,939,645	**1,979,484**

(i) Prepayments include the sum of $371,788.52 (2016: $266,896.69) which represents deposits on software maintenance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

14. Property, plant and equipment:

	Furniture & Equipment	Computer	Total
	$	$	$
Cost -			
Balance at December 2015	449,724	1,896,590	2,346,314
Addition	-	-	-
Balance at December 2016	449,724	1,896,590	2,346,314
Addition	-	531,547	531,547
Balance at December 2017	449,724	2,428,137	2,877,861
Depreciation and impairment losses-			
1 January 2016	156,494	1,591,311	1,747,805
Charge for the year	40,133	182,463	222,596
Balance at December 2016	196,627	1,773,774	1,970,401
Charge for the year	40,845	167,112	207,957
Balance at December 2017	237,472	1,940,886	2,178,358
Carrying amount -			
31 December 2017	**212,252**	**487,251**	**699,503**
31 December 2016	**253,097**	**122,816**	**375,913**
31 December 2015	**293,230**	**305,279**	**598,509**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

14a. Intangible Property, plant and equipment:

	Software $
Cost -	
Balance at December 2015	2,145,292
Addition	-
Balance at December 2016	2,145,292
Addition	-
Balance at December 2017	2,145,292
Depreciation and impairment losses-	
1 January 2016	2,144,292
Charge for the year	-
Balance at December 2016	2,144,292
Charge for the year	-
Balance at December 2017	2,144,292
Carrying amount -	
31 December 2017	**1,000**
31 December 2016	**1,000**
31 December 2015	**1,000**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

15. INTEREST BEARING LIABILITIES:

		2017	2016
		$	$
(a)	**Members' savings deposit-**		
	Balance at beginning of year	184,729,839	152,820,004
	Add: Deposit and transfer	1,801,427,153	1,796,060,183
		1,986,156,992	1,948,880,187
	Less: Withdrawal and transfers	1,778,700,832	1,764,150,348
		207,456,160	184,729,839
(b)	**Voluntary shares-**		
	Balance at beginning of year	342,242,992	322,601,777
	Add: Deposit and transfer	132,509,170	135,625,578
		474,752,162	458,227,355
	Less: Withdrawal and transfers	114,418,574	115,984,363
		360,333,588	342,242,992
		567,789,748	**526,972,831**

16. ACCOUNTS PAYABLE:

	2017	2016
	$	$
Accruals (i)	16,998,523	9,303,133
Payables (ii)	13,285,841	13,808,240
Other	803,956	686,101
	31,088,320	**23,797,474**

(i) Included in accruals is a provisional amount for 50th anniversary of $1,234,293.64, staff incentive of $4,267,314.99 and interest on voluntary shares of $7,362,183.18

(ii) Included in payable is an amount for unclaimed shares of $3,839,144.15, GFS loan fund of $1,866,946.55, TTECH fund of $3,000,000.00, fixed deposit Accruals of $1,306,090.82 and World Brand Loan fund of $991,696.00.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

17. MEMBERS' SHARE CAPITAL:

	2017	2016
	$	$
Members' share capital	**2,088,000**	**2,088,000**

Permanent shares are paid in cash and are not redeemable but may be transferred or sold to another member.

18. NON-INSTITUTIONAL CAPITAL:

	2017	2016
	$	$
Special reserve	785,736	785,736
Education reserve	214,793	214,793
Donation reserve	-	120,000
Share transfer reserve	97,000	83,000
Unclaimed share reserve	169,914	169,914
	1,267,443	**1,373,443**

19. INSTITUTIONAL CAPITAL:

	2017	2016
	$	$
Statutory reserve-		
Balance at beginning of year	55,336,676	53,676,709
Current year transfer	1,882,946	1,652,267
Entrance fees	20,888	7,700
	57,240,510	**55,336,676**

20. Capital revaluation reserve	**6,431,394**	**6,431,394**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

21. RELATED PARTY TRANSACTIONS AND BALANCES:

At December 2017 nine (9) members of the credit union Board of Directors and fifteen (15) Committee Members and connected Parties had shares and savings of $15,764,472 (2016 - $28,764,204) and loans excluding interest totaling $29,570,118 (2016 - $32,315,929).

Loans excluding interest due from members of staff totaling $13,982,178 (2016 - $9,347,038).

During the year no Director or Committee Members received any loan which necessitated waiver of the loan policy. At December 2017, all loans owing by Directors, Committee Members and staff were being repaid in accordance with their loan agreement

Directors are appointed on a voluntary basis and are not remunerated.

22. LIFE SAVINGS AND LOAN PROTECTION INSURANCE:

During the year the credit union had life savings and loan protection with Cuna Mutual Insurance Company Limited. The total premium for the year was $1,674,682 (2016 - $1,366,459)

23. BONDING INSURANCE:

Bonding insurance was in force for the year under review.

24. TRANSFER AND APPROPRIATION:

	2017	2016
	$	$
Statutory appropriation	1,882,946	1,109,638
Dividend on shares and deposits	790,800	835,200
	2,673,746	**1,944,838**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

25. COMPARINSON OF LEDGER BALANCES:

	Voluntary Shares $	Permanent Shares $	Deposits $	Loans $
Balance as per general ledger	360,333,588	2,088,000	207,456,160	526,148,488
Balance as per members' ledger	360,333,588	2,088,000	207,456,160	526,148,488
Accounts payable	-	-	-	-

26. SUBSEQUENT EVENTS:

No significant event has occurred since the statement of financial position date, which would materially affect the financial statements.

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 DECEMBER 2017

I

	2017	**2016**
	$	**$**
INTREST INCOME	65,555,404	61,505,845
INTEREST EXPENSES	14,911,900	13,812,562
	50,643,504	47,693,283
Recoverable on loans	(581,354)	(245,981)
	50,062,150	47,447,302
Other income	6,052,503	4,553,667
	56,114,653	52,000,969
ADMINISTRATIVE EXPENSES (II)	46,699,922	46,452,777
OPERATING SURPLUS	**9,414,731**	**5,548,192**

ADMINISTRATIVE EXPENSES

YEAR ENDED 31 DECEMBER 2017

II

	2017	2016
	$	$
OPERATING EXPENSES:		
PERSONNEL-		
Employee's salaries and statutory contribution	20,524,216	21,673,182
Employee's cost	5,623,936	4,941,440
Education and training	489,737	586,663
	26,637,889	**27,201,285**
ADMINITRATIVE -		
Facilities fees	5,408,680	5,092,930
Depreciation and amortisation	206,957	222,596
Auditing and accounting	700,000	650,000
Office repairs and maintenance	17,600	65,113
Telecommunication	194,453	184,833
Printing, stationery and supplies	696,955	1,030,052
Insurance premium	3,151,500	3,053,384
Professional and consulting fees	1,254,773	717,283
Other administrative expenses	1,488,697	1,791,813
Unrecoverable GCT	2,244,799	2,322,376
	15,364,414	**15,130,380**
MARKETING -		
Publicity and promotion	165,000	15,000
Education grant	397,596	350,004
	562,596	**365,004**
REPRESENTATION & AFFILLIATION		
League and other dues	2,458,413	2,301,397
Seminars and meetings	113,340	167,500
Annual general meetings	1,177,086	1,026,663
Miscellaneous	386,184	260,548
	4,135,023	**3,756,108**
	46,699,922	**46,452,777**

APPROPRIATION OF SURPLUS

Recommendation

		2018	
	$		***$***
Surplus December 31, 2017			*9,414,731*
Less: Statutory Reserve booked in 2017	*773,308*		
			(773,308)
Surplus			*8,641,423*
Add:			
Add: Undistributed Surplus 1st January 2017		*163,049*	
Additional projected for distribution 2016	*4,728,656*		
Actual distribution 2016	*(4,889,108)*		
		(160,452)	
			2,597
Available for Distribution			***8,644,020***
Less:			
Additional 50% Statutory Reserves	*3,934,057.30*		
Dividend on Permanent Shares @ 40% *# of shares 2,088,000*	*835,200*		
Additional Interest to be distributed	*2,309,626*		
Donations for 2016	*60,000*		
Donations	*60,000*		
			7,198,883
Undistributed Surplus Carried Forward			***1,445,137***

FIXING OF MAXIMUM LIABILITY

BE IT RESOLVED THAT Article XVI Rule 72 be amended to read:

The Board of Directors may incur a liability in Voluntary Shares, deposits and/or loans from any source on such terms of payment and/or security as they think fit; provided that the total liability shall not exceed a ratio of twelve (12) times the Credit Union's Capital and provided that the members in the Annual General Meeting by resolution have fixed the maximum liability that the Board of Directors may incur.

For and on behalf of the Board of Directors:

Eric Mardner
Treasurer

Staff

Hope Mowatt
General Manager

Makeda Scott
Accountant

Camille Cadogan
Senior Loan Officer

Lorne Phillips
Loan Officer

Alicia Williams
Accounting Officer

Monique McLean
Accounting Clerk

REPORT OF THE CREDIT COMMITTEE

FOR THE PERIOD ENDING: DECEMBER 2017

CREDIT COMMITTEE

Samuel Shelton
Chairperson

Damian Lovelace
Secretary

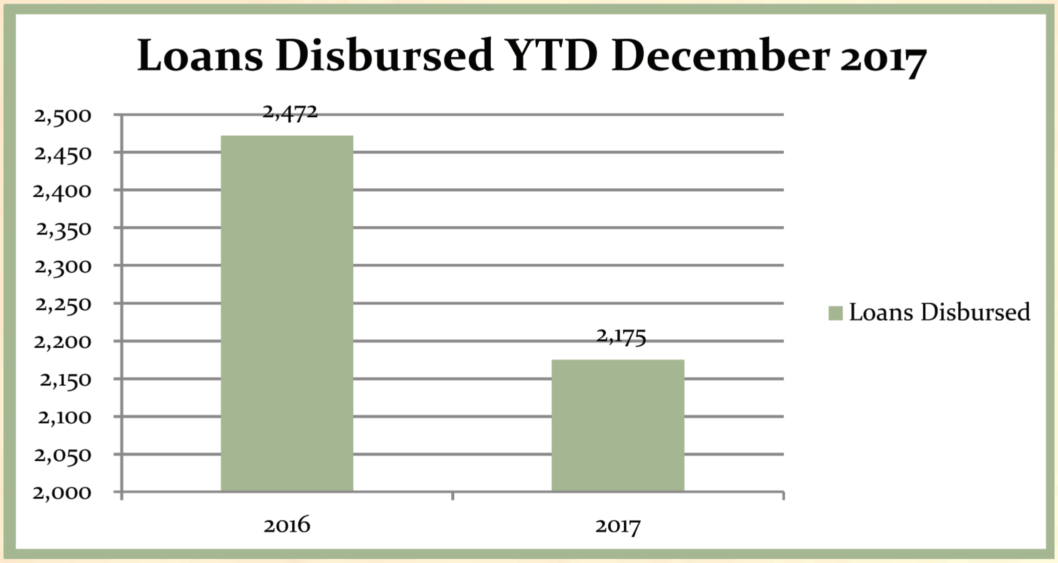
Jean Grant

Hortense Gregory-Nelson

Maria Lewis

LOAN DISBURSEMENTS – YTD (#):

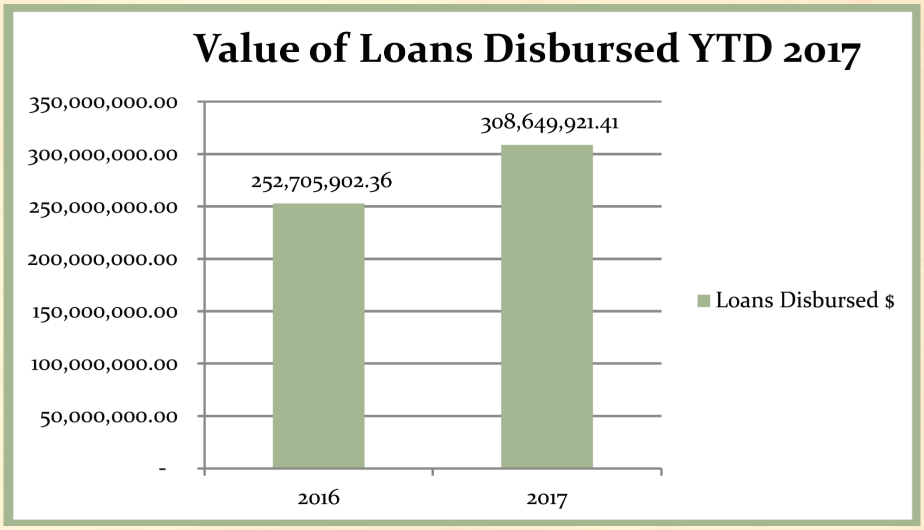
A total of 2,175 loans were disbursed year to date ending December 2017. This represents a decrease of 297 new loans or a reduction of 12% less than that disbursed over the same period in the previous year 2016 which was 2,472 loans.



For the month of December 2017, a total of $41.42M was disbursed for 171 new loans. This represents a 57% increase over December 2016 when $26.32M were disbursed for 204 new loans.

LOAN DISBURSEMENTS – YTD ($):

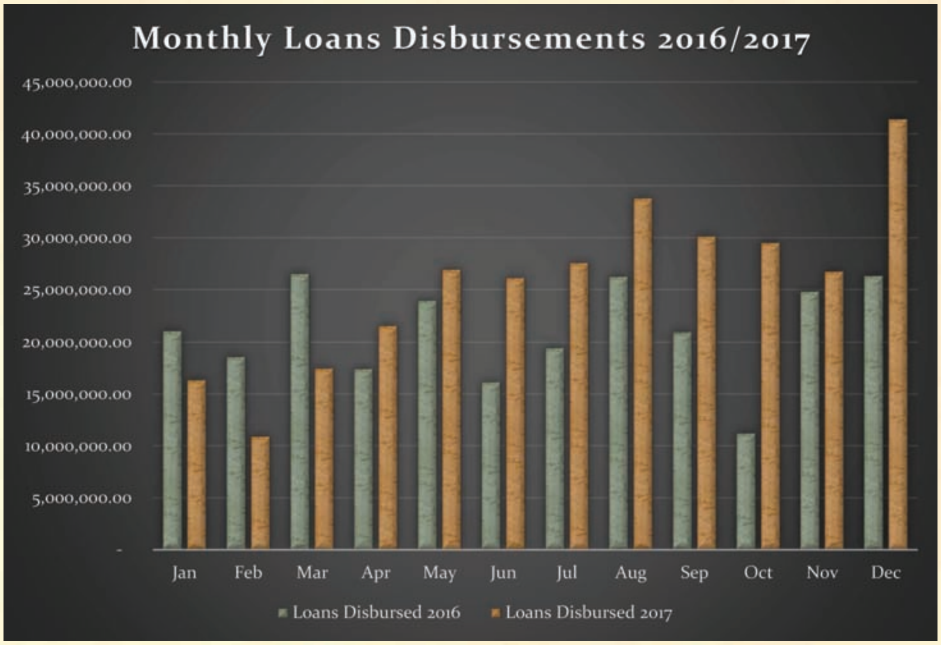
The total value of loans disbursed YTD amounted to $308.65m, while for the same period last year the value of loans disbursed was approximately $252.71m. This reflects a significant increase of approximately $55.94m or 22.14% more than the amount disbursed in 2016.



LOAN DISBURSEMENTS (month by month):

For the Financial Year 2017 there was an overall monthly general increase in the value of loans approved by the Credit Union in comparison to 2016. This is a good state of affairs in light of the results in the first three months of the year and also the sharp competition from FGB and other commercial banks in competing for our customers' attention.

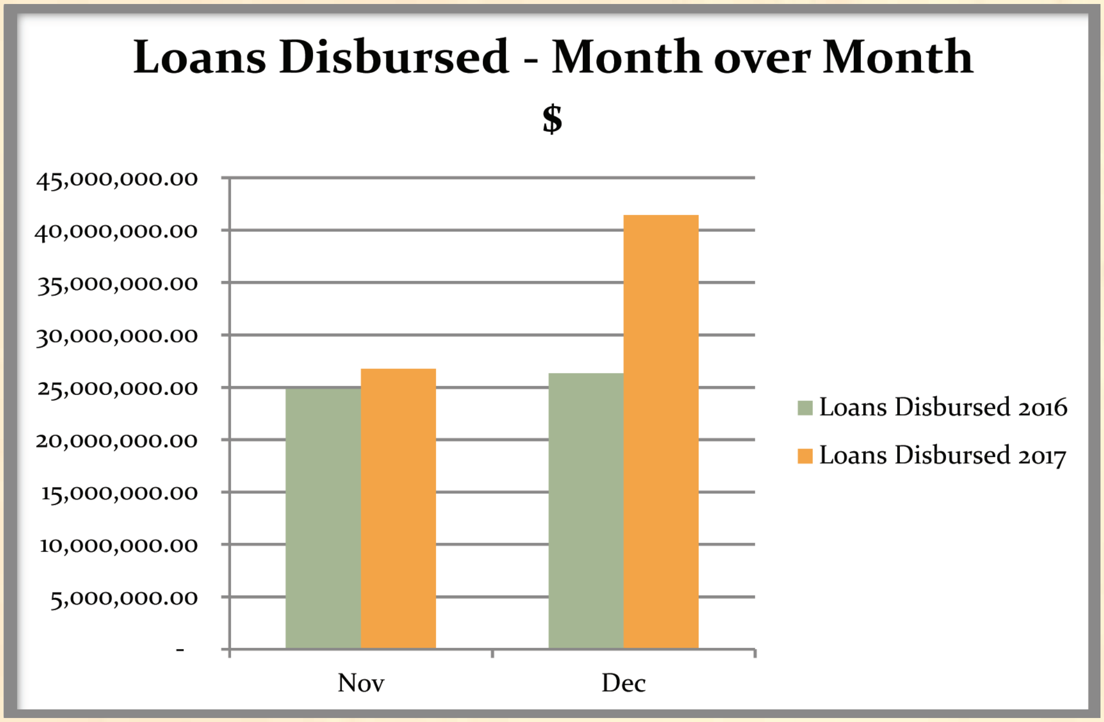
This general trend is shown in the diagram below:



This shows that the stimulation package designed from April 2017 to ensure that the interest income of the Credit Union remains stable and supports future growth, have had the desired effect. We need to continue monitoring our position and adjust accordingly to ensure our continued viability in supporting our members.

LOAN DISBURSEMENTS (month over month):

The value of loans approved in the month of December 2017 was significantly more than the amount approved in November 2017, approximately 54.85% or $14.67M more. The month of December 2016 was only marginally better last year in comparison to the previous month, with the value approved being 9.25% or $1.5M more than November 2016.



The increase in the overall loans portfolio during December 2017 were due to the increased demand for Motor Vehicle Purchases (approximately 77.04%), Personal Needs (approximately 9.77%), Home Improvement and Repairs (approximately 4.01%), and Consolidation of debt (approximately 1.86%). These were the major categories which contributed to the increases seen.

PORTFOLIO CATEGORIES

Motor Vehicle Purchase, Personal Needs, Home Improvement and Repairs, Consolidation of Debt, and Education Expenses, Motor Vehicle Repairs and Maintenance loans continue to be the top loan portfolios of the credit union.

The Credit Committee Report for December 2017 shows that loans for Motor Vehicle Purchases topped the portfolio with disbursements valued at $121.59m YTD compared to $63.4m last year, a 91.78% increase.

Personal Needs loans makes up 18.17% of the current disbursement YTD (37.9% - 2016). 1,091 Personal Needs loans valued at $56.07m have been disbursed this year in comparison to 1,597 loans totaling approximately $95.77m over the same period last year.

Home Improvements and Repairs loans ranked third with YTD disbursements totaling $ 31.2m in comparison to $18.33m last year, an increase of 70.19% over last year.

The Loan Category with the most significant growth YTD was Medical Expenses. A total of $3.91M was disbursed under this category, in comparison to $1.53M for 2016, reflecting a whopping increase of 156%.

GENERAL

While loans for personal needs, motor vehicle purchase, and educational needs are top priorities for the credit union members, consolidation of debts at this time is a very strong second priority as it currently represents 8.48% of the total disbursements (2016 – 6.35%), showing a growth of 63.02% YTD.

As the economic conditions become harsher and members find it more difficult to make ends meet, the credit union must continue to find more creative ways to secure its income while at the same time, attract more loans as well as investment from members, in light of sharp competition from other related entities. Keen eyes and strong internal controls will be essential.

It is evident, however, that the credit union continues to employ the following initiatives in an effort secure business:

- Constant monitoring of the competitive environment to ensure that we keep abreast of market conditions
- Creating and reviewing products to ensure relevance to members' needs and making changes to address those needs.
- Ongoing member education & recruitment program
- Use of email and Cyber village to showcase products
- Capturing information on system accurately i.e. loan purpose
- Being available to discussing financial options and solutions with members

Samuel Shelton
Chairperson

REPORT OF THE SUPERVISORY COMMITTEE

FOR YEAR ENDED 31ST DECEMBER 2017

Rhoda Williams-Moore
Secretary

SUPERVISORY COMMITTEE

MISSING FROM PICTURE **Mrs. Angela Lawrence –** *Chairperson*
Miss Ayen Crooks
Mr. Kevin Webster
Mrs. Arieta Henry

The Supervisory Committee's mandate is to ensure that the Management and Board undertake their respective functions in accordance with the policies and rules of the Credit Union and the Co-operative Societies Act.

Members of the Supervisory Committee were:-

- Miss Angela Lawrence – *Chairperson*
- Mrs. Rhoda Williams-Moore – *Secretary*
- Miss Ayen Crooks
- Mr. Kevin Webster
- Mrs. Arieta Henry

In keeping with the Committee's mandate, we discharged our responsibility to the general membership by examining the affairs of the Credit Union and ensuring that regular reviews of the Credit Union's operations were carried out and recommendations for improvements implemented in a timely manner. Our Committee submitted quarterly reports to the Credit Union's Board of Directors outlining all the outstanding audit recommendations and the implementation status of management's action plan.

During the period under review, recommendations made by the Jamaica Co-operative Credit Union League Ltd and GK Group Internal Audit in prior year audits, were monitored and implemented.

In addition the supervisory committee carried out self –audits, an independent audit was also conducted at the latter part of 2017 by Centralized Strategic Services Ltd, a member of the JCCUL Group.

We are satisfied that the Credit Union has established practices and procedures sufficient to safeguard the members' assets. There was a general adherence to established policies, procedures and internal controls. Also, related laws and regulations that govern the Credit Union's operations were properly administered.

We wish to sincerely thank the Board of Directors, Management, Credit Committee and the members of staff of the Credit Union for their support during the year in enabling us to carry out our task.

I would also like to thank the members of this Committee for their commitment and dedication and to thank the membership for the privilege of serving during the year.

Angela Lawrence
Chairperson

REPORT OF THE NOMINATING COMMITTEE
TO THE 49TH ANNUAL GENERAL MEETING

In accordance with Article11 Rule #63 (i) the Board of Directors of Grace Co-operative Credit Union Limited appointed a Nominating Committee which comprised the following persons:

Simon Roberts – ***Chairperson***
Ms. Karlene Burgess – ***Secretary***
Ms. Hope Mowatt – ***General Manager***

The Nominating Committee reports as follows:

BOARD OF DIRECTORS

Not Retiring	Unexpired Term	
Mr. Simon Roberts	1 year	
Mr. E. Christopher Bond	1 year	
Mr. Eric Mardner	1 year	
Mrs. Malindo Wallace	1 year	
Mr. Stanley Beckford	1 year	

Retiring	Recommended	Term
Mrs. Claudette Redwood-Facey	Mrs. Claudette Redwood-Facey	2 years
Mr. Gilroy Graham	Mr. Gilroy Graham	2 years
Mr. Jerry Hamilton	Mr. Jerry Hamilton	2 years
Mrs. Karen Walker	Mrs. Karen Walker	2 years

CREDIT COMMITTEE

Not Retiring	Unexpired Term	
Mr. Damian Lovelace	1 year	
Ms. Maria Lewis	1year	
Mrs. Hortense Gregory- Nelson	1 year	

Retiring	Recommended	Term
Samuel Shelton	Mr. Samuel Shelton	2 years
Mrs. Jean Grant	Mrs. Jean Grant	2 years

Supervisory Committee

Retiring	Recommended	Term
Ms Angela Lawrence	Angela Lawrence	1 year
Mrs. Rhoda Williams-Moore	Rhoda Williams-Moore	1 year
Mr. Kevin Webster	Kevin Webster	1 year
Ms. Ayen Crooks	Ayen Crooks	1 year
Mrs. Arieta Henry	Arieta Henry	1 year

Delegates to the League and other societies
To be determined by the Board and Manager

Karlene Burgess (Ms.)
Secretary

48th Annual General Meeting June 6, 2017

ATTENDANCE REGISTER

1	Ishia Higgins
2	Monique Alsol
3	Clover Nelson
4	Angella Powell-Gayle
5	Estella Brown
6	Charlene Campbell
7	Veronica Ralliford
8	Samuel Shelton
9	Simon Roberts
10	Malindo Wallace
11	Veronica Williams
12	Michelle Mason
13	Vynter Lothian
14	Antionette Poyser
15	Sebert Thompson
16	Natalee Tullonge
17	Crystal-Gayle Williams
18	Ingrid Medwinter
19	Monique Morgan-Thomas
20	Shauna Isaacs
21	Fitzroy Blake
22	Latoya Adjetey
23	Ayesha Cooke
24	Clare Wilson
25	Ayen Crooks
26	Marcia Wilson
27	Judith McGowan
28	Helen Hayden
29	Colvenette Brown
30	Sabrina Watson
31	Joan Cummings
32	Kimberley Williams
33	Christopher Bond
34	Tishan Riley
35	Carlene Holness
36	Dorothy Turner
37	Melissa Grey
38	Erica Hayden
39	Kaydian Williams
40	Travon Harriot
41	Dahlia Wright
42	Hortense Gregory-Nelson
43	Odian Stewart
44	Horace Wright
45	Kerian Nepaul
46	Alex O'gilvie
47	Queenie Munroe
48	Christine Thomas
49	David Reid
50	Rosemarie Williams
51	Delton Mckenzie
52	Lance Bailey
53	Kadene Desilva
54	Karen Willis-Mussington
55	Donald Umraugh
56	Brodrick Bowes
57	Charmaine Crearey
58	Audrey Solomon
59	Aggrey Palmer
60	Arlene Davis
61	Ian Carlyle
62	Eric Mardner
63	Randy Anderson
64	Rhoda Williams-Moore
65	Jean Grant
66	Kerri-Ann Smith-Berrick
67	Claudette Taylor
68	David Dean
69	Damion Lovelace
70	Klao Bell-Lewis
71	Befekadu Russell
72	Alicia Williams
73	Janette Taylor
74	Sachel Rodney
75	Besitah Level
76	Cover Hanna
77	Claudette Facey-Redwood
78	Elmore Dwyer
79	Jerry Hamilton
80	Landell Harrison
81	Anicee Gray-Brown
82	Lorne Phillips
83	Shawn Thompson-Powell
84	Hope Mowatt
85	Dale Beckford
86	Maria Lewis
87	Deighton Christian
88	Konica Fullerton
89	Sean Ennis
90	Karlene Burgess
91	Stanley Beckford
92	Lisa Bryan
93	Miguel Asher
94	Makeda Scott
95	Monique McLean
96	Lurline Cummings
97	Camille Cadogan
98	Veronica Wade
99	Rene Wynter
100	Mizan Mitchell
101	Marlon Walker
102	Jasmin Farmer
103	Garfield Mckenzie
104	Nikesha Henry
105	Marsha Lindsay
106	Patrick Lyn
107	Michael Harris
108	Ermin Lim Sang
109	Dionne Rhoden
110	Christine Davidson
111	Beverley Wright
112	Orville Levene
113	Terrian Fraser
114	Karen Walker
115	Lorna Reynolds-Minott
116	Gracian Grant
117	Michelle Peters-Mullings
118	Tameica Lewis
119	Christine Francis
120	Akilah Nangwaya
121	Everton Foster
122	Kevin Webster
123	Alexis Cornwall
124	Stephanie Thomas-Bartley
125	Aden Whittaker
126	Corine Notice-Parkes
127	Corey Cunningham
128	Simone Ramsay-Knight
129	Matthew Allen
130	Gary Murphy
131	Shereen D'Aguilar

CONTACT PERSONS LIST

COMPANY	NAME
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GFP MEAT	MS. GILLIAN ROBINSON
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NATIONAL PROCESSORS LTD	MRS. DENISE RAMSAY
KINGSTON FREEPORT TERMINAL LTD	MS. DIANNE GOBAN
CORPORATE AFFAIRS	MS. DIONNE RHODEN
CORPORATE FINANCE & ACCOUNTS	MS. SHAUNA ISAACS
CORPORATE H R DEPT	MRS. JEAN GRANT
CUSTOMER SERVICE / CREDIT	MRS. COLVENETTE BROWN
FACILITIES MANAGEMENT	MRS. SHAWN THOMPSON-POWELL
GRACE FOOD & SERVICES	MRS. WAYNETTE BROWN-CAMPBELL
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GROUP SECRETARIAT	MRS. LAVERN LLEWELLYN
INTERNAL AUDIT	MS. ARIETA HENRY
PEREZ Y CIA (JA) LTD	MS. KEISHA BISNOTT
TTECH LTD	MRS. HORTENSE GREGORY-NELSON
LOGISTICAL DISTRIBTION & SERVICES LTD	MS. JANET SMITH

Notes

Prayer of Saint Francis Of Assisi

Lord, make me an instrument of your peace,
Where there is hatred, let me sow love;
Where there is injury, pardon;
Where there is doubt, faith;
Where there is despair, hope;
Where there is darkness, light;
Where there is sadness, joy;

O Divine Master, grant that I may not
So much seek to be consoled as to console;
To be understood as to understand;
To be loved as to love.

For it is in giving that we receive;
It is in pardoning that we are pardoned;
And it is in dying that we are born to eternal life.


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