Grace Co-operative
Credit Union Limited

ANNUAL REPORT 2018

50TH
Annual General Meeting

"People Helping People to Achieve"


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GCCU Vision

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

GCCU 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 2014 to 2018

	2018	2017	2016	2015	2014
PERMANENT SHARES	2,137,000	2,088,000	2,088,000	2,088,000	2,088,000
VOLUNTARY SHARES	372,655,582	360,333,588	342,242,992	322,601,777	310,220,233
% Increase over prior year	3.42%	5.29%	6.09%	3.99%	4.15%
INSTITUTIONAL CAPITAL	68,089,031	63,671,904	61,768,070	60,108,103	58,568,926
% Increase over prior year	6.94%	3.08%	2.76%	2.63%	3.07%
LOANS TO MEMBERS (Gross)	530,729,522	526,148,488	468,498,496	444,031,382	407,065,714
% Increase over prior year	0.87%	12.31%	5.51%	9.08%	4.48%
TOTAL ASSETS	750,577,302	674,549,435	620,891,525	566,485,794	531,968,539
% Increase over prior year	11.27%	8.64%	9.60%	6.49%	4.03%
CURRENT ASSETS ****	155,109,675	105,984,800	111,881,088	83,309,746	87,160,694
CURRENT LIABILITIES ****	674,671,875	598,878,068	550,770,305	498,573,471	465,934,589
INCOME AND SURPLUS					
INCOME	70,765,942	71,607,907	66,059,512	62,127,852	61,667,783
% Increase over prior year	-1.18%	8.40%	6.33%	0.75%	-2.78%
EXPENSES	67,975,423	61,611,822	60,265,339	55,966,479	55,099,107
SURPLUS	2,384,344	9,414,731	5,548,192	5,426,285	4,513,197
% (Decrease)/Increase over prior year	-74.67%	69.69%	2.25%	20.23%	-46.56%
UNDISTRIBUTED SURPLUS	3,428,991	8,644,020	4,891,707	4,348,777	4,083,581
RESERVES	63,908,042	58,507,953	56,710,119	55,044,152	53,430,975
DIVIDENDS PAID	0	0	0	0	0

RATIOS	**2018**	**2017**	**2016**	**2015**	**2014**
CURRENT ASSETS	0.23:1	0.18:1	0.20:1	0.17:1	0.19:1
SURPLUS TO INCOME	3.37%	13.15%	8.40%	8.73%	7.32%
EXPENSES TO INCOME	96.06%	86.04%	91.23%	90.08%	89.35%
INCOME TO TOTAL ASSETS	9.43%	10.62%	10.64%	10.97%	11.59%
SURPLUS TO TOTAL ASSETS	0.32%	1.40%	0.89%	0.96%	0.85%
UNDISTRIBUTED SURPLUS TO SHARE CAPITAL	0.46%	1.28%	0.79%	0.77%	0.77%
MEMBERSHIP	2127	2090	2756	2698	2611
BORROWERS	1174	1192	1312	1287	1251
BORROWERS TO MEMBERSHIP	55%	57.03%	47.61%	47.70%	47.91%

Notice of Annual General Meeting

Notice is hereby given that the

50TH ANNUAL GENERAL MEETING

of the

Grace Co-operative Credit Union Limited

will be held on

WEDNESDAY, JUNE 12, 2019

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 49th 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 49TH ANNUAL GENERAL MEETING OF GRACE CO-OPERATIVE CREDIT UNION LIMITED HELD ON WEDNESDAY, JUNE 6, 2018 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 5:15 p.m.

NATIONAL ANTHEM

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

NOTICE CONVENING ANNUAL GENERAL MEETING

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

PRAYER

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

WELCOME & APOLOGIES FOR ABSENCE

All present were welcomed. Special welcome was extended to:

- Retirees
- First time attendees
- Regular members
- Specially invited guests:

Mrs Patricia Tomlinson	–	JDF Cooperative Credit Union
Mrs Janice Knight-Chung	–	Creditinfo
Ms Tanesha Facey	–	Department of Cooperatives & Friendly Societies
Ms Nicola Scott	–	Department of Cooperatives & Friendly Societies
Ms Nichole Bruce	–	Cuna Caribbean Insurance Company
Mrs Georgia Morrison	–	CUFMC
Ms Vera Lindo	–	Jamaica Cooperative Credit Union League
Mr Owen Lawrence	–	Jamaica Cooperative Credit Union League
Mrs Kleo Ann Errar	–	Jamaica Cooperative Credit Union League
Mrs Sandra Hucey	–	Jamaica Cooperative Credit Union League
Mr Zemmar Bennett	–	Jamaica Cooperative Credit Union League
Mrs Katrina D'Aguilar	–	Jamaica Cooperative Credit Union League
Mr Howard Irons	–	Gilbert Thompson & Company (Auditors)
Mr Cyrene Gilbert	–	Gilbert Thompson & Company (Auditors)

Apologies for absence were tendered on behalf of:

Simon Roberts
Damion Lovelace
Gilroy Graham
Samuel Shelton
Carlene Cadogan

CONFIRMATION OF THE MINUTES OF THE 48th ANNUAL GENERAL MEETING AND MATTERS ARISING

The Secretary, Claudette Facey Redwood, carried the meeting through the confirmation of the Minutes of the 48th Annual General Meeting held on June 8, 2017. It was taken as read on a motion by Christopher Bond and seconded by Eric Mardner.

There being no corrections, the Minutes was accepted on a motion by Hortense Gregory Nelson and seconded by Jean Grant.

REPORTS

a) Report of the Board of Directors

The Report of the Board of Directors for the year 2017 was read by the President, Jerry Hamilton.

The highlights were as follows:

The Year was a rewarding one for the Credit Union with positive results and growth over the prior year, in relation to the key performance indicators. Despite the competitive environment within the financial market place, the Credit Union remained focused and resolute in serving the members to achieve their financial goals. Although the Credit Union could not match loan rates in many cases, several members were satisfied with the ease and timeliness of service delivery. The Credit Union also maintained relatively low or no fees in catering to the financial needs of the members. The result of that strategy and the tight management of expenses resulted in the achievement of a surplus of $9.4M, a 70% increase over the prior year.

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 and Golden Harvest savings products, which encouraged many members to increase their savings portfolio.

Loans and Total Assets

The loans portfolio also showed 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%.

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, the delinquency ratio exceeded the target of 1%, ending the year at 1.39%. Although that ratio was still one of the lowest in the industry, the Credit Union was determined to regain lost grounds. Delinquency in 2017 was impacted primarily by loans going into arrears due to members losing their jobs. However, the Credit Union staff and external Collectors were working closely with those 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, membership stood at 2,193 moving from 2,162 at the end of 2016.

Education grants

The Credit Union continued to provide grants to children of members with bursaries from a sum of $350,000. Grants were awarded 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*
Kevin Webster		
Rhoda Williams-Moore	–	*Secretary*
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 the Credit Union who worked diligently to serve the 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 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

Condolences were extended to their families.

Future Plans

The Board and Management continue on the 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, the Credit Union is focusing on cost savings and process improvements to remain viable. To improve efficiency and service delivery, the IT platform and operating processes were being assessed. The option of partnering with other credit unions in relation to shared services was being explored.

As the environment in which the Credit Union operates continues to change, the management will remain proactive and implement strategies that will be in the best interests of the members. The Credit Union is committed to continuing to assist members to achieve their personal financial goals by providing efficient and quality service.

Acknowledgements

In closing, the President acknowledged the commitment and support of the Board and other volunteers for providing oversight of the Credit Union.

Appreciation was also extended to the following individuals and institutions:

- The Chairman and Directors of Grace Kennedy 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 & 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.

The Report of the Board was adopted on a motion by Rhoda Williams Moore and Makeda Scott.

The Motion was carried.

b) (i) Auditor and Treasurer's Reports

Auditor's Report

On a motion by Colleen Williams and seconded by Maria Lewis, the meeting agreed to take an abridged version of the Auditor's Report.

The Auditor's Report was read by Howard Irons.

On a motion by Tishan Riley and seconded by Helen Hayden, the Auditor's Report was adopted.

The Motion was carried.

Treasurer's Report

The Treasurer's Report was read by Eric Mardner.

The 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. The total interest income of $65.6M represented 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 showed a slight decrease of 6% over the prior year.

The Treasurer closed the 2017 Treasurer's Report by stating that the Credit Union continued to influence members positively by providing solutions to their financial needs. Despite the number of alternatives that exist in the financial marketplace, the Credit Union continued to remain relevant to the members resulting in growth in loans to members and member savings during the year.

The Treasurer's Report was adopted on a motion by Christopher Bond and seconded by Maria Lewis.

The Motion was carried.

(ii) Appropriation of Surplus

Surplus as at December 31, 2017 was $9.4 million. After the 20% Statutory Reserve, the amount available for Distribution was $8.6 million. However, after deducting additional Statutory Reserve of 20%, Dividend on Permanent Shares, Additional Interest and Donations, the Undistributed Surplus was $1.4 million.

Motion for the adoption of the Declaration of Surplus was proposed by Matthew Cole and seconded by Colleen Williams.

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 Rhoda Williams Moore and Matthew Cole.

The Motion was carried.

c) Nomination of Auditors

Motion for the appointment of the Auditors, Gilbert Thompson & Co. was proposed by Alicia Williams and seconded by Tishan Riley.

The Motion was carried.

d) Credit Committee Report

The Report of the Credit Committee was presented by Maria Lewis.

The report was taken as read on a motion by Colleen Williams and seconded by Eric Mardner.

Highlights of the Report:

For the Financial Year 2017 there was an overall monthly general increase in the value of loans in comparison to 2016. That was considered a good state of affairs in light of the results in the first three months of the year, and the competition from FGB and other commercial banks.

That showed 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.

The total value of loans disbursed for the financial year 2017 was $308.65m, while for the same period last year the value of loans disbursed was approximately $262.58m. This reflected a significant increase of approximately $55.94m or 22.14% more than the amount disbursed in 2016.

Motor Vehicle Purchases, 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.

Loans for Motor Vehicle Purchases topped the portfolio with disbursements valued at $121.59m compared to $63.4m last year, a 91.78% increase.

Personal Needs loans made up 18.17% of the current disbursement (37.9% - 2016). 1,091 Personal Needs loans valued at $56.07m were disbursed in 2017 in comparison to 1,597 loans totaling approximately $95.77m over the same period in the previous year.

Home Improvements and Repairs loans ranked third with 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 was Medical Expenses. A total of $3.91m was disbursed under that category, in comparison to $1.53M for 2016, reflecting an increase of 156%.

General

While loans for personal needs, motor vehicle purchase, and educational needs are top priorities for the credit union members, Debt Consolidation was a strong second priority as it represented 8.48% of the total disbursements (2016 – 6.35%), showing a growth of 63.02%.

As the economic conditions become 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 investment from members, in light of sharp competition from other related entities. Keen eyes and strong internal controls will be essential.

The Credit Union continued to employ the following initiatives in an effort to 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 addressing those needs.
- Ongoing member education & recruitment program
- Use of email and Cybervillage to showcase products
- Capturing information on system accurately
- Availability to discuss financial options and solutions with members

The Credit Committee Report was adopted on a motion by Lurline Cummings and seconded by Eric Mardner.

The Motion was carried.

e) Supervisory Committee Report

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

The report was taken as read on a motion by Christopher Bond and seconded by Maria Lewis.

The mandate of the Supervisory Committee 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 the mandate, the Committee discharged its 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. The 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.

Additionally, the Committee carried out self–audits. An independent audit was also conducted at the latter part of 2017 by Centralized Strategic Services, a member of the JCCUL Group.

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, related laws and regulations that govern the Credit Union's operations were properly administered.

Gratitude was expressed to the Board of Directors, Management, Credit Committee and the members of staff of the Credit Union for their support during the year in enabling the members of the Committee to fulfil its mandate.

The Chairman expressed thanks to the members of the Supervisory Committee for their commitment and dedication, and to the membership for the privilege to serve.

The Supervisory Committee Report was adopted on a motion by Eric Mardner and seconded by Jane Richards.

The Motion was carried.

ELECTION OF OFFICERS

Ms Nicola Scott of the Department of Co-operatives & 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

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

Credit Committee

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

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.

Colleen Williams moved to allow the Board to select the delegates to the League and other Societies; this was seconded by Monique McLean.

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

ANY OTHER BUSINESS

1) Expression of Appreciation

General Manager of the Credit Union, Hope Mowatt thanked all for attending the meeting.

She took the opportunity to applaud her team and stated that she felt humbled to lead them.

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

2) Annual Reports

President Jerry Hamilton advised the meeting that the Credit Union was looking at putting the Annual Reports on CD's or other media due to the increasing costs to produce them.

Those present at the meeting agreed with the use of the CD.

The meeting was advised that other opinions will be sought before reaching a final decision.

ADJOURNMENT

The meeting adjourned at 6:35 p.m.

REPORT OF THE BOARD OF DIRECTORS

FOR YEAR ENDED 31ST DECEMBER 2018

OVERVIEW

The financial year 2018, although challenging,has provided the Grace Co-operative Credit Union, as well as others in the movement, with opportunities to look closer at their operations and devise strategies to improve their efficiencies and service delivery. This has been influenced greatly by the competitive financial marketplace within which we operate and the low interest rate regime which dictates what is earned from loan and investment incomes.A great focus for credit unions in 2018 was the adoption of IFRS9 and exploring and implementing software models to satisfy the provisioning requirements and computation of the expected credit losses applicable to their respective businesses. Increased regulatory and compliance costs were also evident as credit unions prepare for the pending supervision by Bank of Jamaica (BOJ).

During the year, the strategic focus of the GCCU Board of Directors and Management centred around four main areas:

- Upgrading and improving our software technology.
- Assessing our processes and operational efficiencies in readiness for the pending BOJ regulations of credit unions.
- Improving our savings and loan product offerings to our members.
- Updating our membership records.

Despite the challenges, the financial year was a fair one for our Credit Union with positive results and growth over the prior year in most areas.In 2018, our Credit Union was faced with lower operating income and higher expenses. Nevertheless, we were pleased to generate a modest surplus of $2.4M, although this was 75% lower than that of 2017.

Financial Performance Highlights

	2018 J$000	2017 J$000	GCCU Annual Growth	Average Movement Growth
Permanent Shares	2,137	2,088		
Voluntary Shares	372,656	360,334	3%	
Saving Deposits	268,496	207,456	29%	10.7%
Net Loans	530,730	526,148	1%	11.4%
Assets	750,577	674,549	11%	0.5%
Surplus	2,384	9,415	-75%	

SAVINGS DEPOSITS

At the end of December 2018, members' savings stood at $268.5M, a 29% improvement over December 2017. In comparison, the credit union movement averaged savings growth rate was 10.7%.Although interest rates on Fixed Deposits & Golden Harvest savings products declined in 2018, they remained competitive and many members increased their savings portfolio.

LOANS and TOTAL ASSETS

One of the greatest areas of challenge faced by the Credit Union in 2018, was growing the loans portfolio. Loans growthremained flat in 2018, closing the year at $531M, compared to $526M in 2017. In comparison, this performance was not in line with the credit union movement, which experienced average loans growth of 11.4% in 2018. Our Credit Union, being an in-house credit union, is heavily influenced by what happens in the sponsor company. Despite having more money to lend in 2018, members' appetite for large and longer term loans was dampened as a result of the uncertainty regarding job security as our sponsor company underwent restructuring.

The Total Assets Portfolio increased by 11%, moving from $674.5M in 2017 to $750.6M at the end of December 2018.

DELINQUENCY

The delinquency ratioremained below the targeted 1% for most of the year, ending at0.51% at December 2018. This performance was more in line with what our Credit Union is accustomed. We have therefore regained the ground lost at December 2017 when the delinquency ratio was 1.39%. The service of an External Collector is also utilized in the debt recovery process.

LIQUIDITY

Maintaining the liquidity ratio above the PEARLS target of 20% was achieved for most of the year. At December 31, 2018, the ratio settledat25%, having reached as high as 27% earlier in the year. This was moving from 16% at December 31, 2017. This performance was influenced by the increased levels of savings and the lower demand for loans during the year.

General Manager Hope Mowatt accepts the John Sullivan Trophy for the Medium sized Credit Union of the Year for 2017 from Lambert Johnson, director of the JCCUL.

MEMBERSHIP

At the end of 2018, our membership stood at 2,219, moving from 2,193 at the end of 2017.

EDUCATION GRANTS

In 2018, our Credit Union continued the tradition of providing grants to children of members of our Credit Union. Sixteen students received bursaries, broken down as follows:

7 each at the GSAT and Secondary levels and 2 at the tertiary level.

Education Grant 2018

Education Grant 2018

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*
Kevin Webster		
Rhoda Williams-Moore		
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	4	1
Christopher Bond	5	3	2
Eric Mardner	5	5	0
Karen Walker	5	4	1
Claudette Facey-Redwood	5	3	2
Stanley Beckford	5	4	1
Simon Roberts	5	4	1
Malindo Wallace	5	2	3

HUMAN RESOURCES AND TRAINING

Our Credit Union staff continued to work diligently to assist our members to achieve their financial goals. Apart from participation in several CPD Online training courses, staff members were engaged in testing and learning the new features of the upgraded operating software utilised by the Credit Union. Staff members were also busy preparing for the IFRS 9 that came into effect in 2018.

OBITUARIES

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

- **Milton Scott**
- **Hubert Leslie**
- **Florence Duncan**
- **Avril Harding**
- **Martella Henry**
- **Kenlock DaCosta**
- **Anthony Walker**
- **Valda Anderson**
- **Reginald Campbell**

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. We will continue to explore the option of partnering with other credit unions in relation to shared services.

Nonetheless, as the environment in which we operate continues to change, we will remain proactive and implement strategies that will be in the best interest 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.Appreciationmust 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.
- Membersof the variouscommittees.
- 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.

BOARD OF DIRECTORS

Jerry Hamilton
President

Gilroy Graham
1st Vice 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

TREASURER'S REPORT

FOR YEAR ENDED 31ST DECEMBER 2018

Grace Co-op Credit Union received $58.8M in interest on loans, $5.5M in investment income, and $6.4M non-interest income which represented fee income and commission. This total interest income of $64.3M represents a reduction of $1.2M or 2% when compared with the previous year (65.6M).

The assets were $751M at the year ended 2018 up from $675M in 2017, an increase of $76M. Loans increased by $5M from $526M in 2017 to $531M in 2018.Liquid assets increased from $103M to $151M in 2018 an increase of 47% 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:

		2018 $	2017 $
a)	Total Permanent Shares	2,137,000	2,088,000
We also own collectively as a society, the following:			
i)	Statutory Reserves to provide stability to the Credit Union	61,657,637	57,240,510
ii)	Education Fund	214,793	214,793
iii)	Capital Revaluation Reserve	6,431,394	6,431,394
iv)	Bad Debt Reserve	4,164,454	5,313,689
v)	Special Reserve	785,736	785,736
vi)	Non-Distributable Reserve and Special Reserve-IFRS 9	993,962	0
vii)	Unclaimed Share Reserve	169,914	169,914
viii)	Share Transfer Reserve	86,000	97,000
ix)	We have previous earnings that have not been returned to us as dividends. This amount is:	1,521,516	2,597
x)	This year our net earnings is	1,907,475	8,641,423
The total we own in reserves, provision and earnings is		**80,069,881**	**80,985,056**

		2018 $	2017 $
The grand total we have is		80,069,881	80,985,056
The money we have has been:			
a)	Loaned to members	534,893,976	531,462,177
b)	Used to Tangible and Intangible Assets (net book value)	1,702,312	700,503
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
iii)	First Heritage Co-operative Credit Union	20,000,000	
iii)	Mortgage Funds with Jamaica Cooperative Credit Union	18,548,395	17,844,944
iv)	Jamaica Cooperative Credit Union - Cu Max	134,911,220	13,486,672
v)	Cu Premium, CUET & Qnet*	18,940,806	18,324,108
d)	Bank account, etc	16,067,967	22,199,593
e)	But we owed Depositors and external creditors	(268,495,737)	(207,456,160)
f)	Members' voluntary shares	(372,655,582)	(360,333,588)
g)	Others (Receivables, Payable and Accruals)*	(29,390,068)	(27,114,659)
The grand total of the loans and investments we have made is		**80,069,881**	**80,985,056**

Our Income has been earned from:-

		2018 $	2017 $
a)	Interest on loans to members	58,807,058	58,480,510
b)	Interest on Investments	2,654,930	5,197,666
c)	Interest on investment with J.C.C.U.L	2,857,887	1,877,228
d)	Other sources	6,446,067	6,052,503
		70,765,942	**71,607,907**

	2018 $	2017 $
The expenses for the year were:-		
Salaries and related expenses	29,465,066	26,637,889
Insurance – Loan Protection and Life Saving (L.P&L.S)	3,682,701	3,151,500
Facilities Fee	5,148,732	5,408,680
Interest Expense	18,313,234	14,911,873
Stationery	825,113	696,955
Dues and fees to J.C.C.U.L	2,330,090	2,458,413
GCT	2,159,903	2,244,799
AGM, Seminars and other meetings	1,074,036	1,290,426
Professional Fees	1,081,500	1,254,773
Audit fees	700,000	700,000
Provision for bad debts	406,175	581,381
Education Grant	439,800	397,596
Depreciation and amortization	435,032	206,957
General expenses	2,320,216	2,251,934
TOTAL EXPENSES	**68,381,598**	**62,193,176**
This leaves us a surplus of:-	**2,384,344**	**9,414,731**
We are setting aside Statutory Reserves as required by the Act	(476,869)	(773,308)
	1,907,475	8,641,423
Together with the undistributed earnings from previous year	1,521,516	2,597
Undistributed earnings	**3,428,991**	**8,644,020**

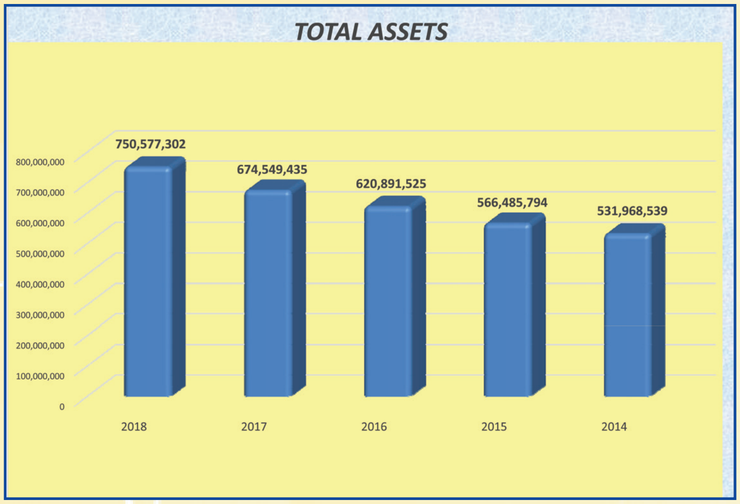
CONCLUSION

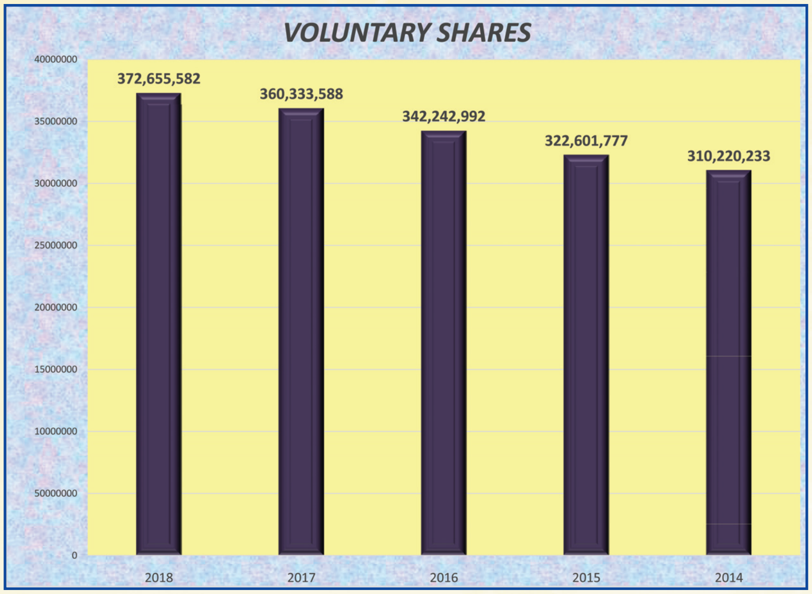
The Bank of Jamaica will assume the role of direct supervisor of local Credit Unions in the near future. With change comes challenges;however, the board and management of the Credit Union have been implementing measures for the transition to be as seamless as possible.

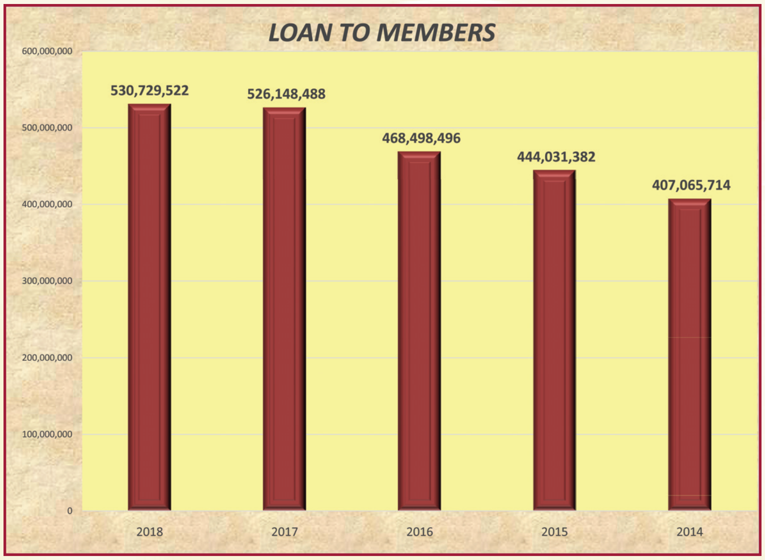
The Credit Union continues to positively impact its members by providing solutions to their financial needs in a meaningful way. Despite the number of alternatives that exist in the financial market place, the Credit Union continues to remain relevant to its members resulting in growth in loans to members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

I wish to extend thanks to the hard working management and staff of the Credit Union for their efforts and dedication during the year. I would also like to acknowledge the effort and support of my colleagues on the Board. Finally, thanks to the -members of the credit union for making Grace Co-operative, the credit union of their choice.

Respectively Submitted,
Eric Mardner
Treasurer







Respectively Submitted,
Eric Mardner
Treasurer

DEPARTMENT OF CO-OPERATIVES
& FRIENDLY SOCIETIES
(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

JAMAICA 56
One Love... One Family

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

S1
R 376/-676/03/19 March 29, 2019

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, 2018.

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 truly,

....

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League

FINANCIAL STATEMENTS
as at December 31, 2018

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Gilbert Thompson & Company 2017
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Registrar of Co-operatives Societies
GRACE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Grace Co-operative Credit Union Limited set out on pages 5 to 79, which comprise the statement of financial position as at 31 December 2018, and the statements of surplus and deficit and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Co-operative as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Co-operative Societies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Co-operative in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Gilbert Thompson & Company 2017
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operatives Societies
GRACE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

Report on the Audit of the Financial Statements

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Co-operative Societies Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Gilbert Thompson & Company 2017
Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operatives Societies
GRACE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Gilbert Thompson & Company 2017
Chartered Accountants

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Registrar of Co-operatives Societies
GRACE CO-OPERATIVE CREDIT UNION LIMITED
(A Society Registered Under the Co-operative Societies Act)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on additional matters as required by the Co-operative Societies

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act.

Gilbert Thompson & Co 2017
Chartered Accountants
Kingston, Jamaica

March 18, 2019

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $	2017 $
INTERST INCOME			
Interest on loans and advance to members		58,807,058	58,480,510
Interest on liquid assets		2,654,930	5,197,666
Interest on investment		2,506,167	1,562,973
Interest JCCUL – Cu Cash		351,720	314,255
		64,319,875	65,555,404
INTEREST EXPENSE			
Interest on saving deposits		(17,909,719)	(14,455,973)
Other financial cost		(403,515)	(455,927)
NET INTEREST INCOME		46,006,641	50,643,504
Impairment losses on financial assets		(406,175)	(581,354)
		45,600,466	50,062,150
Other income	8	6,446,067	6,052,503
NET INTEREST AND OTHER INCOME		52,046,533	56,114,653
OPERATING EXPENSES	9	(49,662,189)	(46,699,922)
SURPLUS FOR YEAR, BEING TOTAL COMPREHENSIVE INCOME		2,384,344	9,414,731

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Note	2018 $	2017 $
ASSETS			
EARNING ASSETS			
Liquid Assets	10a	134,911,220	79,811,546
Financial investments	11	63,035,793	41,715,644
Loans to members	12	530,729,522	526,148,488
NON EARNING ASSETS			
Cash in hand and at Bank	10b	16,067,967	22,199,593
Other assets	13	4,130,488	3,973,661
Property, plant and equipment	14	464,032	699,503
Intangible property, plant and equipment	14a	1,238,280	1,000
TOTAL ASSETS		**750,577,302**	**674,549,435**
LIABILITIES AND EQUITY			
LIABILTIES			
Interest bearing liabilities -			
Members' deposit	15a	268,495,737	207,456,160
Voluntary shares	15b	372,655,582	360,333,588
		641,151,319	567,789,748
Non-interest bearing liabilities-			
Payable and accruals	16	33,520,556	31,088,320
		674,671,875	598,878,068
EQUITY			
Members' share capital	17	2,137,000	2,088,000
Non-institutional capital			
Retained earnings and reserve	18	2,250,405	1,267,443
Undistributed surplus		3,428,991	8,644,020
Institutional capital			
Statutory and legal reserve	19	61,657,637	57,240,510
Capital revaluation reserve	20	6,431,394	6,431,394
		75,905,427	75,671,367
TOTAL LIABILITIES AND EQUITY		**750,577,302**	**674,549,435**

Approved for issue by the Board of Directors on March 18, 2019 and signed on behalf by:

President – Jerry Hamilton   Treasurer - Eric Mardner   Assistant Secretary – Stanley Beckford

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Members' Permanent Share Capital $	Institutional Capital $	Non-Institutional Capital (Undistributed Net Surplus) $	Total $
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
Impact on initial application of IFRS 9	-		993,962	993,962
Restated balances at January 1, 2018	2,088,000	63,671,904	10,905,425	76,665,329
Net surplus	-	-	2,384,344	2,384,344
Adjustment of depreciation				
Transfer to statutory reserves	-	476,869	(476,869)	-
Transfer to statutory reserves 2017	-	3,934,058	(3,934,058)	-
Share Transfer Account	-	-	(11,000)	(11,000)
Appropriations				
Dividend – Permanent Shares	-	-	(827,200)	(827,200)
Interest – Voluntary Shares	-	-	(2,226,746)	(2,226,746)
CCU Huricane Relief			(14,500)	(14,500)
Donation	-	-	(120,000)	(120,000)
Entrance fee	-	6,200	-	6,200
Share transfer account	49,000	-	-	49,000
Balances at 31 December 2018	**2,137,000**	**68,089,031**	**5,679,396**	**75,905,427**

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	Non- Institutional Capital		
	Retained Earnings and Reserves	Undistributed Surplus	Total
	$	$	$
Balance 31 December 2016	4,892,707	1,373,443	6,266,150
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)
Share transfer account	-	14,000	14,000
Balances at 31 December 2017	8,644,020	1,267,443	9,911,463
Impact on initial application of IFRS 9	-	993,962	993,962
Restated balances at January 1, 2018	8,644,020	2,261,405	10,905,425
Net surplus	2,384,344	-	2,384,344
Adjustment of depreciation			
Transfer to statutory reserves	(476,869)	-	(476,869)
Transfer to statutory reserves 2017	(3,934,058)	-	(3,934,058)
Share Transfer Account	-	(11,000)	(11,000)
Appropriations			
Dividend – Permanent Shares	(827,200)	-	(827,200)
Interest – Voluntary Shares	(2,226,746)	-	(2,226,746)
CCU Hurricane Relief	(14,500)	-	(14,500)
Donation	(120,000)	-	(120,000)
Balances at 31 December 2018	3,428,991	2,250,405	5,679,396

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

	INSTITUTIONAL CAPITAL		
	Statutory Reserve $	Capital Reserve $	Total $
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
Transfer to statutory reserves 2018	476,869	-	476,869
Transfer to statutory reserves 2017	3,934,058	-	3,934,058
Additional transfer to statutory reserves	-	-	-
Entrance fee	6,200	-	6,200
Balances at 31 December 2018	**61,657,637**	**6,431,394**	**68,089,031**

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	2018 $	2017 $
CASH FLOW FROM OPERATING ACTIVITIES:		
Surplus for the year	2,384,344	9,414,731
Adjustments to reconcile net profit to		
Cash provided by operating activities –		
Depreciation	435,032	206,957
Net cash provided by operating activities	2,819,376	9,621,688
Cash flow from investing activities -		
Property, plant and equipment	(1,436,841)	(531,547)
Investment	(21,320,149)	(1,579,616)
Members' loan	(4,581,034)	(57,649,992)
Other receivables	(156,827)	(960,161)
Net cash used in investing activities	(27,494,851)	(60,721,316)
Cash flow from financing activities –		
Share capital voluntary	12,321,994	18,090,596
Entrance fee	6,200	20,888
Members' savings account	61,039,577	22,726,321
Payable and accruals	2,432,236	7,290,846
Dividends	(827,200)	(790,800)
Interest on voluntary shares	(2,226,746)	(2,988,672)
CCU Hurricane Relief	(14,500)	-
Special Reserve IFRS	993,962	-
Share transfer account	49,000	-
Reserve	(11,000)	14,000
Donation	(120,000)	(120,000)
Cash provided by financing activities	73,643,523	44,243,179
Increase/(decrease) in liquid assets	48,968,048	(6,856,449)
Liquid asset at beginning of the year	102,011,139	108,867,588 **
LIQUID ASSET AT END OF YEAR	**150,979,187**	**102,011,139**

**** Restated**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 [note 17 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.

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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION:

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the relevant provisions of the Jamaican Companies Act.

This is the first set of the Co-operative's annual financial statements in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

2. **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, 2019, 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following:

(i) Debt instruments at fair value through other comprehensive income (FVOCI) measured at fair value (applicable from January 1, 2018).

(ii) Available-for-sale securities measured at fair value (applicable before January 1, 2018).

(iii) Equity securities measured at fair value through profit or loss.

(iv) Certain equity securities designated as at FVOCI measured at fair value.

(v) 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 2018

2. 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) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, as well as estimates, based on assumptions, that affect the application of accounting policies, and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts may differ from these estimates.

The estimates, and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Critical accounting judgments in applying the co-operatives's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgment refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) **Use of estimates and judgments (cont'd)**

(i) Critical accounting judgments in applying the Co-operative's accounting policies (continued)

Applicable for 2018 only:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgments on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgment. applicable for 2017:

Classification of financial assets:

In designation financial assets as at fair value through profit or loss, the Co-operative has determined that they have met the criteria for this designation set out in accounting policy [note 4(a)(ii)].

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) **Use of estimates and judgments (cont'd)**

(ii) Key assumptions and other sources of estimation uncertainty

(1) Employee benefit obligation

The amounts recognised in the statement of financial position, income statement and statement of profit or loss and other comprehensive income for employee benefits are determined actuarially using several assumptions. The primary assumption used in determining the amounts recognised is the discount rate used to determine the present value of post-employment medical benefits obligation.

The discount rate is determined based on the estimated yield on long-term government securities that have maturity dates approximating the terms of the Co-operative's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate of discount by extrapolating from the longest tenure security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors.

Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) **Use of estimates and judgments (cont'd)**

(ii) Key assumptions and other sources of estimation uncertainty (continued)

(2) Allowance for impairment losses on financial assets under IFRS 9 and IAS 39

Measurement of the expected credit loss allowance under IFRS 9 from January 1, 2018

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4 and 27, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Co-operatives of similar financial assets for the purposes of measuring ECL.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) Use of estimates and judgments (cont'd)

Detailed information about the judgments and estimates made by the Co-operative in the above areas is set out in notes 4 and 27.

Measurement of the expected credit loss allowance under IAS 39 before January 1, 2018

In determining amounts, if any, to be recorded for impairment of securities and receivables in the financial statements for 2017, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the likely estimated future cash flows from balances determined to be impaired, as well as the timing of such cash flows. If the balances are individually significant the amount and timing of cash flows are estimated for each receivable individually.

Where indicators of impairment are not observable on individually significant receivables, or on a group or portfolio of receivables that are not individually significant, management estimates the impairment by classifying each receivable or group of receivables according to their characteristics, such as credit risks and applying appropriate factors, such as historical loss experience, to each class with similar characteristics. The use of assumptions makes uncertainty inherent in such estimates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

(a) Use of estimates and judgments (cont'd)

(3) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Co-operative's financial assets and liabilities. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach which is categorised as a Level 2 fair value. Some other fair values are estimated based on quotes published by a broker/dealer, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be different from the actual price of the instrument in an actual arm's length transaction [notes 11 and 12].

(b) Comparative information

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

3. CHANGES IN ACCOUNTING POLICES:

The co-operative initially applied IFRS 9 and IFRS 15 from January 1, 2018. A number of other new standards are also effective from January 1, 2018, but they do not have a material effect on the Co-operative's financial statements.

Due to the transition methods chosen by the Co-operative in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Co-operative.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. CHANGES IN ACCOUNTING POLICES (CONT'D):

IFRS 9 *Financial Instruments* (continued)

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- reclassification of fair value measurement of investment securities; and - additional disclosures related to IFRS 9 (see notes 11 and 12).

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Co-operative has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income (OCI) of interest revenue calculated using the effective interest method.

Additionally, the Co-operative has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures that* are applied to disclosures about 2018, but have not been applied to the comparative information.

As permitted by the transitional provisions of IFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. CHANGES IN ACCOUNTING POLICES (CONT'D):

IFRS 9 *Financial Instruments* (continued)

The impact of transition to IFRS 9 on the opening retained earnings and investment revaluation reserve is as follows:

Retained earnings:

Balance as at December 31, 2017	9,911,463
Recognition of expected credit losses Under IFRS 9 loan	993,962
Opening balance under IFRS 9 at January 1, 2018	**10,905,425**

(i) Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Co-operative's accounting policies related to financial liabilities.

For an explanation on how the Co-operative classifies and measures financial instruments under IFRS 9, see note 4(a).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. **CHANGES IN ACCOUNTING POLICES (CONT'D):**

IFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement of financial instruments (continued)

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories and amounts under IFRS 9 for each class of the Co-operative's financial assets and financial liabilities as at January 1, 2018.

	Note	Original Classification Under IAS 39	New Classification under IFRS 9	IAS 39 Carrying amount at December 31, 2017	Fair Value Measurement	Impairment adjustment	IFRS 9 Carrying amount January 1, 2018
Financial Assets							
Loans to members		Loan & receivable	Amortised	526,148,488	-	993,962	527,142,450
Liquid assets		Available –for-sale	FVOCI	103,045,155	-	-	103,045,155
Financial instruments		Available-for-sale	FVOCI	41,715,644	-	-	41,715,644
Other assets		Loan & receivable	Amortised	3,096,472	-	-	3,096,472
Total financial assets				674,005,759	-	993,962	674,999,721
Financial liabilities							
Members' deposit		Amortised cost	Amortised	207,456,160	-	-	207,456,160
Voluntary shares		Amortised cost	Amortised	360,333,588	-	-	360,333,588
Accounts payable		Amortised cost	Amortised	31,088,320	-	-	31,088,320
Total financial liabilities				598,878,068	-	-	598,878,068

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

3. CHANGES IN ACCOUNTING POLICES (CONT'D):

IFRS 9 *Financial Instruments* (continued)

(i) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES:

Except for the changes described in note 3, the Co-operative has consistently applied the accounting policies as set out below to all periods presented in these financial statements.

(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 carried on the statements of financial position include loan to members, liquid assets, financial investments, other assets, members' deposits, members' voluntary shares and payables 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 instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

(i) Recognition and initial measurement

The Co-operative recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Co-operative initially recognises accounts receivable on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES:

(a) Financial instruments (cont'd)

(i) Recognition and initial measurement (cont'd)

At initial recognition, the Co-operative measures a financial asset or financial liability at its fair value, plus or minus; the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(ii) Classification and subsequent re-measurement
Policy applicable from January 1, 2018

From January 1, 2018, the Co-operative has applied IFRS 9 and classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

Financial assets

Debt instruments

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. receivable on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at (vi). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

Policy applicable from January 1, 2018 (continued)

(a) Debt instruments (continued)

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL are measured at fair value through other comprehensive income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

Financial assets (cont'd)
Classification, recognition, derecognition and measurement (continued)

Policy applicable from January 1, 2018 (continued)

- *Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within. 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

  Business model: the business model reflects how the Co-operative manages the assets in order to generate cash flows. That is, whether the Co-operative's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Co-operative in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

Financial assets (cont'd)

Financial instruments – Classification, recognition, derecognition and measurement (continued)

Policy applicable from January 1, 2018 (continued)

(a) Debt instruments (continued)

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Co-operative assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Co-operative considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES:

(a) Financial instruments – Classification, recognition, derecognition and measurement (continued)
(ii) Classification and subsequent re-measurement (continued)

Policy applicable from January 1, 2018 (continued)

The Co-operative reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(b) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Co-operative subsequently measures all equity investments at fair value through profit or loss, except where the Co-operative's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Gains from investment activities' caption in the statement of profit or loss.

Policy applicable under IAS 39 before January 1, 2018

Management determines the appropriate classification of investments at the time of purchase, taking into account the purpose for which the instruments were purchased.
The Co-operative classifies non-derivative financial assets into the following categories:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES:

Financial instruments –
Classification, recognition, derecognition and measurement (continued)
(ii) Classification and subsequent re-measurement (continued)
Policy applicable from January 1, 2018 (continued)

(a) Equity instruments

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 at 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 2018

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 2018

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 2018

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 2018

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

Intangible 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 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 2018

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. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

Revenue is income that arises in the course of the ordinary activities of the Co-operative. Accordingly, revenue comprises interest income, fees and commissions, and income and gains from trading and holding financial instruments.

(i) Interest income under IFRS 9

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become creditimpaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(p) Revenue recognition (cont'd)

(ii) Interest income under IAS 39

Interest income is recognised in profit or loss over the tenure of the instrument for all interest earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount.

The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, interest is taken into account on the cash basis. IFRS requires that when receivables become doubtful of collection, they 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.

There has been no doubtful interest payment for the period under review.

(i) Fees and commission

Fee and commission income are recognised on the accrual basis when the service has been provided. Fee and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportioned basis as the service is provided. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(p) Revenue recognition (cont'd)

(i) Dividends

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(t) Impairment (cont'd)

(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.

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(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.

(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 co-operative 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 reporting date 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:

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(a) Introduction and overview

The Co-operative activities are principally related to the use of financial instruments. The Co-operative therefore has exposure to the following risks from its use of financial instruments in the ordinary course of business:

- credit risk
- liquidity risk
- market risk

The Board of Directors of the Co-operative has overall responsibility for the establishment and oversight of the Co-operative's risk management framework. Senior management of the Co-operative report to the respective Board of Directors on their activities. The Co-operative's risk management policies are designed to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits risk management.

The Co-operative regularly reviews its risk management policies and systems to reflect changes in market conditions and product and service offerings. The respective Audit, Risk and Conduct Review Committees of the Co-operative and the subsidiary Co-operative are responsible for monitoring compliance with the group's risk management policies and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group.

The Audit, Risk and Conduct Review Committees are assisted in these functions by the Co-operative's Internal Audit Unit and the Group Risk Management Unit, which undertakes periodic reviews of risk management controls and procedures, the results of which are reported to the Audit, Risk and Conduct Review Committees.

The key risks to which the Co-operative is exposed and the manners in which it measures and manages them are as follows:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk

Credit risk is the risk of financial loss to the Co-operative if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from stock broking activities, investing activities, collateralised lending and deposits with other institutions. Balances arising from these activities include debt securities, resale agreements, cash and cash equivalents and accounts receivable.

(i) Management of credit risk

Credit risk is the single largest risk for the Co-operative's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the Co-operative's Finance and Risk Management Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Co-operative measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 **FINANCIAL INSTRUMENTS-RISK MANAGEMENT**

(b) Credit risk (cont'd)

(i) Management of credit risk (continued)

The Co-operative manages the credit risk on items exposed to such risk as follows:

Cash and cash equivalents

These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong.

Resale agreements

Collateral is held for all resale agreements.

Investment securities

In relation to its holding of investment securities, the Co-operative manages the level of risk it undertakes by investing substantially in short term Government of Jamaica, Bank of Jamaica and foreign Government debt securities; such securities are generally unsecured.

Accounts receivable

Exposure to credit risk is managed by regular analysis of the ability of the customers and other counter parties to meet repayment obligations.

(ii) Concentration of credit risk

There is significant concentration of credit risk in that the Co-operative holds substantial amounts of debt securities issued by the Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

Loan at amortise cost:

	2018				Available for-sale 2017
	Stage 1 12-months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total Total	
	$	$	$	$	$
Impaired Loan losses	1,966,281	-	2,198,173	4,164,454	4,209,308

Resale agreements, loans receivable and debt securities at amortised cost:

Loans recoverable and debit securities at amortised cost:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

Financial instruments-risk management (continued)

(b) Credit risk

(iv) Impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Co-operative.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to below for a description of how the Co-operative determines when a significant increase in credit risk has occurred.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

Financial instruments-risk management (continued)

(b) Credit risk

(iv) Impairment (continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Please see below which includes an explanation of how the Co-operative has incorporated this in its ECL models.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgments and assumptions adopted by the Co-operative in addressing the requirements of the standard are discussed below:

(a) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Co-operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Co-operative's historical experience and third party policies including forward-looking information.

The Co-operative uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(a) Significant increase in credit risk (continued)

(b) Credit risk

(iv) Impairment

Credit risk grades:

The Co-operative uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Co-operative use internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

Determining whether credit risk has been increased significantly:

The Co-operative assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(a) Significant increase in credit risk (continued)

Credit risk grades (continued):

Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points.
As a backstop, the Co-operative considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Co-operative determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk (continued)

(iv) Impairment (continued)

(a) Significant increase in credit risk (continued)

Definition of default (continued):

In assessing whether a borrower is in default, the Co-operative considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Co-operative; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk (continued)

(iv) Impairment (continued)

(b) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Co-operative has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Co-operative's Finance team on an annual basis and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Co-operative considers other possible scenarios and scenario weightings. At January 1, 2018 and December 31, 2018, the Co-operative concluded that three scenarios appropriately captured nonlinearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario is representative of.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk (continued)

(iv) Impairment (continued)

(b) Incorporation of forward-looking information (continued)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Co-operative considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Co-operative's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) Measurement of the expected credit loss (ECL)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.
For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) *Measurement of the expected credit loss (ECL)* (continued)

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. There were no credit losses recognised in 2017 under IAS 39 measurement basis.

Debt securities at FVOCI:

Resale agreements, loans receivable and debt securities at amortised cost:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 an assessment 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 2018

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 cash flows) 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, 2018				
Members' deposits	161,097,442	61,754,020	45,644,275	268,495,737
Members' voluntary Shares	-	-	372,655,582	372,655,582
Payables and accruals	13,035,183	18,296,008	2,189,365	33,520,556
Total financial Liabilities	**174,132,625**	**80,050,028**	**420,489,222**	**674,671,875**
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**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 out 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 2018

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 2018

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk

	2018				
	Within 3 months $	3 - 12 months $	Over 1- 5 years $	Non-interest bearing $	Total $
Assets					
Cash and bank balances	16,067,967	-	-	-	16,067,967
Liquid assets	134,911,220	-	-	-	134,911,220
Financial investments	-	20,000,000	43,035,793	-	63,035,793
Loans	33,082,883	101,412,721	396,233,918	-	530,729,522
Other assets	-	1,245,435	2,885,053	-	4,130,488
Total assets	**184,062,070**	**122,658,156**	**442,154,764**	**-**	**748,874,990**
Liabilities					
Members' deposits	94,473,696	101,093,226	72,928,815	-	268,495,737
Members' voluntary Shares	-	-	372,655,582	-	372,655,582
Payables and accruals	10,832,639	17,604,642	5,083,275	-	33,520,556
Total liabilities	**105,306,335**	**118,697,868**	**450,667,672**	**-**	**674,671,875**
Total interest rate sensitivity gap	**78,755,735**	**3,960,288**	**(8,512,908)**	**-**	**74,203,115**
Cumulative interest rate sensitivity gap	**78,755,735**	**82,716,023**	**74,203,115**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

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	4,774,387	-	22,199,593
Liquid assets	47,886,928	11,971,732	19,952,886	-	79,811,546
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	3,091,767	-	3,973,661
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**	**55,317,429**	**399,254,304**	**-**	**598,878,068**
Total interest rate sensitivity gap	**(37,756,621)**	**47,196,719**	**65,530,766**	**-**	**74,970,864**
Cumulative interest rate sensitivity gap	**(37,756,621)**	**9,440,098**	**74,970,864**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

6. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate sensitivity

The following 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 of 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:

	2018		2017	
	Effect on surplus $000	Effect on equity $000	Effect on surplus $000	Effect on equity $000
- 101 (2017: 101)	(2,184)	(78,916)	(9,413)	(75,663)
+101 (2017: 101)	2,185	78,932	9,415	75,678

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 2018

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.

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 11% (2015: 11%) 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 2018

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.

	2018		2017	
	Actual	Required	Actual	Required
	$,000	$,000	$,000	$,000
Total regulatory capital	78,928	75,057	75,671	67,454
Total capital ratio	11%	10%	11%	10%

7. FAIR VALUE FINANCIAL 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 2018

7. FAIR VALUE FINANCIAL 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 2018

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

The following table set out the fair value of financial instruments of the Co-operative 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.

	2018 Carrying Value $	2018 Fair Value $	2017 Carrying Value $	2017 Fair Value
ASSETS –				
Earning assets				
Liquid assets	152,013,202	152,013,202	103,045,155	103,045,155
Financial investments	63,035,792	63,035,792	41,715,644	41,715,644
Loans	530,729,521	530,729,521	531,462,175	526,148,488
Non-earning assets				
Cash in hand and at Bank	16,067,967	16,067,967	22,199,593	22,199,593
Other assets	4,130,488	4,130,488	3,973,661	3,973,661
LIABILITIES –				
Interest bearing liabilities				
Members savings' deposit	268,495,737	268,495,737	207,456,160	207,456,160
Voluntary Shares	372,655,582	372,655,582	360,333,588	360,333,588
Non-interest bearing liabilities				
Accounts payable	33,520,556	33,520,556	31,088,320	31,088,320

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. NON-INTEREST INCOME:

	2018 $	2017 $
Commission	1,626,920	1,092,090
Service charge	4,534,839	4,836,578
Matching Grant	199,561	-
Other	84,747	123,835
	6,446,067	6,052,503

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

		2018	2017
		$	$
9	**OPERATING EXPENSES:**		
	PERSONNEL-		
	Employee's salaries and statutory contribution	23,603,997	20,524,216
	Employee's cost	5,531,244	5,623,936
	Education and training	329,825	489,737
		29,465,066	**26,637,889**
	ADMINISTRATIVE -		
	Facilities fees	5,148,732	5,408,680
	Depreciation and amortisation	435,032	206,957
	Auditing and accounting	700,000	700,000
	Office repairs and maintenance	8,750	17,600
	Telecommunication	120,979	194,453
	Printing, stationery and supplies	825,113	696,955
	Insurance premium	3,682,701	3,151,500
	Professional and consulting fees	1,081,500	1,254,773
	Other administrative expenses	1,921,304	1,488,697
	Unrecoverable GCT	2,159,903	2,244,799
		16,084,014	**15,364,414**
	MARKETING -		
	Publicity and promotion	105,000	165,000
	Education grant	439,800	397,596
		544,800	**562,596**
	REPRESENTATION & AFFILLIATION		
	League and other dues	2,330,090	2,458,413
	Seminars and meetings	81,700	113,340
	Annual general meetings	992,336	1,177,086
	Miscellaneous	164,183	386,184
		3,568,309	**4,135,023**
		49,662,189	**46,699,922**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

10a. LIQUID ASSETS:

	2018 $	2017 $
Earning:		
Jamaica Co-operative Credit Union League Limited		
Fixed deposit	-	66,324,874
Cu Cash	134,911,220	13,486,672
	134,911,220	79,811,546

10b. CASH IN HAND AND CASH AT BANK:

Imprest	250,000	250,000
Current account	15,817,967	21,949,593
	16,067,967	22,199,593
	150,979,187	**102,011,139**

11. FINANCIAL INVESTMENTS:

	2018 $	2017 $
Available-for-sale measured at fair value		
Jamaica Co-operative Credit Union Limited		
Cu Premium	17,810,806	17,205,589
CUETS settlement fund	859,677	848,196
Jamaica Co-operative Credit Union Limited shares:	5,546,592	5,546,592
Mortgage funds	18,548,395	17,844,944
First Heritage Co-operative Credit Union	20,000,000	-
Qnet	270,323	270,323
	63,035,793	**41,715,644**

The amounts are due to be recovered as follows:

	2018 $	2017 $
Within 12 months	20,000,000	12,514,693
Over 12 months	43,035,793	29,200,951
	63,035,793	**41,715,644**

These are carried at cost

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

12. LOANS:

	2018 $	2017 $
Balance at beginning of year	531,462,177	473,230,833
Add: disbursements and transfer	287,443,450	307,887,795
	818,905,627	781,118,628
Less: repayment and transfers	(284,011,651)	(249,656,451)
	534,893,976	531,462,177
Less: allowance for impairment losses	(4,164,454)	(5,313,689)
	530,729,522	526,148,488

Included in the loan balances are loans to seven (7) staff members totaling $10,278,655.16 (2017 – six (6) with loan totaling of $13,982,178.44) and eighteen (18) related party totaling $29,455,029.56 (2017 – twenty-five (25) with loans totaling $29,570,118.71)

The amounts are expected to be recovered as follows:

	2018 $	2017 $
Within 12 months	134,495,604	118,383,409
Over 12 months	396,233,918	407,765,079
	530,729,522	526,148,488

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

	2018 $	2017 $
Neither past due nor impaired	532,153,266	524,096,888
Past due but not impaired:		
Less than 2 months	726,798	4,880,052
2 to 3 months	-	1,097,681
3 to 6 months	464,357	361,852
6 to 12 months	994,600	369,127
Over 12 months	554,955	656,577
	2,740,710	7,365,289
	534,893,976	531,462,177
Less provision for loan losses	(4,164,454)	(5,313,689)
	530,729,522	526,148,488

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

12. **LOANS (CONT'D):**

(a) 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:

	2018			
Months in arrears	Number of accounts in arrears	Delinquent loans	Provision Rate	Statutory loan loss provision
Less than 2 months	6	726,798	-	-
2 – 3 months	0	-	10	-
4 – 6 months	6	464,357	30	139,307
7 – 12 months	7	994,600	60	596,760
13 months and over	2	554,955	100	554,955
	21	2,740,710		1,291,022

	2017			
Months in arrears	Number of accounts in arrears	Delinquent loans	Provision Rate	Statutory 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

12. **LOANS (CONT'D):**

(a) Delinquent loans (cont'd)

The impaired loan losses are $3,068,077 (2017 - $3,223,350) greater than the loan loss provisioning rules of the JCCUL and does not require an additional provision for loan losses to Reserve:

	2018 $	2017 $
Impaired loan losses IFRS 9	4,164,454	4,319,727
Loan loss provision rule of the JCCUL	1,096,377	1,096,377
	3,068,077	**3,223,350**

13. **OTHER ASSETS:**

	2018 $	2017 $
Prepayments (i)	1,016,280	664,924
Interest receivable - League	40,250	97,867
ATM float receivable	1,034,016	1,034,016
Interest receivable - Mortgage	1,851,035	1,987,947
Withholding tax	188,907	188,907
	4,130,488	**3,973,661**

(i) Prepayments include the sum of $441,746.28 (2017: $371,788.57) which represents deposits on software maintenance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

14. Property, plant and equipment:

	Furniture & Equipment $	Computer $	Total $
Cost -			
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
Disposal	-	(676,506)	(676,506)
Balance at December 2018	449,724	1,751,631	2,201,355
Depreciation and impairment losses-			
1 January 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
Adjustment	(1,123)	1,123	-
Elimination	-	(676,506)	(676,506)
Charge for the year	112,625	122,846	235,471
Balance at December 2018	348,974	1,388,349	1,737,323
Carrying amount -			
31 December 2018	**100,750**	**363,282**	**464,032**
31 December 2017	**212,252**	**487,251**	**699,503**
31 December 2016	**253,097**	**122,816**	**375,913**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

14a. Intangible Property, plant and equipment:

	Software $
Cost -	
Balance at December 2016	2,145,292
Addition	-
Balance at December 2017	2,145,292
Addition	1,436,841
Balance at December 2018	3,582,133
Depreciation and impairment losses-	
1 January 2016	2,144,292
Charge for the year	-
Balance at December 2017	2,144,292
Charge for the year	199,561
Balance at December 2018	2,343,853
Carrying amount -	
31 December 2018	**1,238,280**
31 December 2017	**1,000**
31 December 2016	**1,000**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

15. INTEREST BEARING LIABILITIES:

		2018 $	2017 $
(a)	**Members' savings deposit-**		
	Balance at beginning of year	207,456,160	184,729,839
	Add: Deposit and transfer	2,193,659,695	1,801,427,153
		2,401,115,855	1,986,156,992
	Less: Withdrawal and transfers	2,132,620,118	1,778,700,832
		268,495,737	207,456,160
(b)	**Voluntary shares-**		
	Balance at beginning of year	360,333,588	342,242,992
	Add: Deposit and transfer	128,405,925	132,509,170
		488,739,513	474,752,162
	Less: Withdrawal and transfers	116,083,931	114,418,574
		372,655,582	360,333,588
		641,151,319	**567,789,748**

16. ACCOUNTS PAYABLE:

	2018 $	2017 $
Accruals (i)	16,320,442	16,998,523
Payables (ii)	13,416,609	13,285,841
Other	3,783,505	803,956
	33,520,556	**31,088,320**

(i) Included in accruals is a provisional amount for 50th anniversary of $2,189,365.56, staff incentive of $4,472,851.77 and interest on voluntary shares of $7,342,574.42

(ii) Included in payable is an amount for unclaimed shares of $3,543,844.4, GFS loan fund of $1,276,278.94, GK loan fund of $566,946.55, TTECH fund of $3,022,500.00, fixed deposit accruals of $1,903,800.55 and World Brand Loan fund of $991,696.00.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

17. MEMBERS' SHARE CAPITAL:

	2018 $	2017 $
Members' share capital	**2,137,000**	**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:

	2018 $	2017 $
Special reserve	785,736	785,736
Education reserve	214,793	214,793
Special reserve – IFRS 9	993,962	-
Share transfer reserve	86,000	97,000
Unclaimed share reserve	169,914	169,914
	2,250,405	**1,267,443**

19. INSTITUTIONAL CAPITAL:

	2018 $	2017 $
Statutory Reserve balance at beginning of year	57,219,622	55,336,676
Current year transfers	4,410,927	1,882,946
	61,630,549	57,219,622
Entrance fees balance at beginning of year	20,888	-
Additions	6,200	20,888
Entrance fees	27,088	20,888
	61,657,637	**57,240,510**

		2018	2017
20	Capital revaluation reserve	**6,431,394**	**6,431,394**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

21. RELATED PARTY TRANSACTIONS AND BALANCES:

At December 2018 eight (8) members of the Co-operative Board of Directors and ten (10) Committee Members and connected Parties had shares and savings of $29,455,029.56 (2017 - $15,764,472) and loans excluding interest totaling $21,627,446.69 (2017 - $29,570,188).

Loans excluding interest due from members of staff totaling $10,278,655.16 (2017 - $13,982,178).

During the year no Director or Committee Members received any loan which necessitated waiver of the loan policy. At December 2018, 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 Co-operative had life savings and loan protection with Cuna Mutual Insurance Credit Union Limited. The total premium for the year was $1,820,435 (2017 - $1,674,682)

23. BONDING INSURANCE:

Bonding insurance was in force for the year under review.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

24. TRANSFER AND APPROPRIATION:

	2018 $	2017 $
Statutory appropriation	4,371,015	1,882,946
Share transfer account	11,000	(14,000)
Dividend on shares and deposits	827,200	790,800
Voluntary shares	2,226,746	2,988,672
CCU Hurricane Relief	14,500	-
Depreciation adjustment	-	1,000
Donation	120,000	120,000
	7,570,461	5,769,418

25. COMPARISON OF LEDGER BALANCES:

	Voluntary Shares $	Permanent Shares $	Deposits $	Loans $
Balance as per general ledger	372,655,582	2,137,000	268,495,737	534,893,976
Balance as per members' ledger	372,655,582	2,137,000	268,495,737	534,893,976
Accounts payable	-	-	-	-

26. SUBSEQUENT EVENTS:

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

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			
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

Whereas the Board of Directors is satisfied that the present functions of the credit union can be dsicharged within the limit of twelve (12) times the Credit Union's capital and reserve

BE IT RESOLVED THAT as per Article XVI Rule 72 , 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

STAFF

Hope Mowatt
General Manager

Makeda Scott
Accountant

Chantal Hall
Accounting Clerk

Alicia Williams
Accounting Officer

Camille Cadogan
Senior Loan Officer

Monique McLean
Loans Officer

Lorne Phillips
Loan Officer

REPORT OF THE CREDIT COMMITTEE

FOR YEAR ENDED DECEMBER 31, 2018

CREDIT COMMITTEE

Samuel Shelton
Chairperson

Damian Lovelace
Secretary

Jean Grant

Hortense Gregory-Nelson

MISSING FROM PICTURE: – **Maria Lewis**

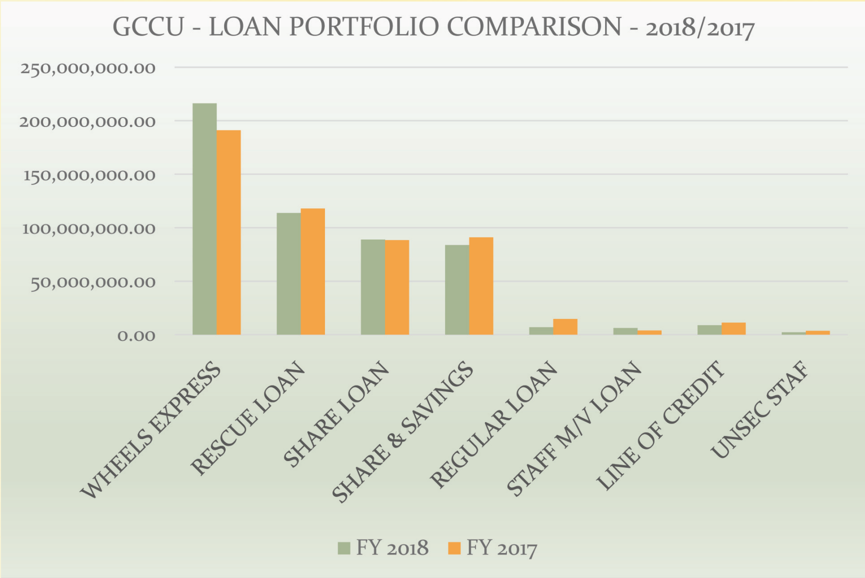
We have successfully completed another year in the life of the Grace Cooperative Credit Union. The Credit Committee extends special commendation to the management, staff and volunteers of the Credit Union, whose ardent effort and expertise continue to ensure the viability of this institution. This in light of the falling demand for new loans

For the Financial Year 2018, the Grace Cooperative Credit Union was again faced with 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 GCCU to make changes to its rates and products in order to remain competitive. During the year under review, the credit union was also hampered by the restructuring exercise carried out at our parent company Grace Kennedy Limited, which caused an air of uncertainly, and so members became loan averse.Despite these challenges, the Credit Union ended the year attaining 83% of the disbursement budget as shown in the table shown below:

Financial Year	Actual ($)	Budget ($)	% Achieved
FY 2018	252,705,902.36	303,095,000.00	83%
FY 2017	308,649,921.41	258,783,000.00	119%
FY 2016	252,705,902.36	266,350,000.00	95%
FY 2015	262,575,539.50	247,480,000.00	106%
FY 2014	242,384,074.24	154,600,000.00	157%

The increased cost of living on the other hand resulted in an increase in demand for personal loans as employees and members of the credit union struggled to cope. The credit union was happy to be able to assist its members in addressing their needs through its various loan offerings. Accordingly, the Total Loan Portfolio of the Credit Union ended at $530,729,521 which was 4.3% below the budget of $554,653,742. This still however, represents a growth of the total loan portfolio of $4,581,035 or a little less than 1% over FY 2017 where we ended with $526,148,486. This is a clear indication of the competitive environment that we are currently operating in.

LOANS DISBURSEMENT 2018



During the year, the Credit Committee reviewed 1,914 applications totaling $286.85M. The number of applications processed represents a reduction of 12% or 261 applications over the previous year. The dollar value of the loans processed decreased also, but only by 7% or $21.8M below the previous year. There were varying requests for financing during the year, the most dominant of which were motor vehicle purchase at 43.04%, personal needs at 18.59%, and Home Improvement & Repairs and Consolidation of Debt were tied for third place, each with approximately 8.4% of the loans disbursed. The credit union continues to explore opportunities to meet the growing needs of the members in an effort to make financing more attractive and affordable.

As at December 31, 2018, the gross value of loans disbursed and held on the books, was $530.7M. The bar chart below gives a comparative analysis of the total loan portfolio for FY 2017 and 2018. Motor Vehicle Loans, Rescue Loans (Personal Needs), Share Loans and Share and Savings loans represents the highest dollar value of loan balances held as at December 31, 2018 with a total value of $497.2M or 93% of the total loans held:

ACKNOWLEDGEMENT

We wish to thank 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 2018. We also express gratitude for the loyalty and commitment of our members who continue to show their regard by making the Grace Cooperative Credit Union their financial institution of choice.

The Credit Committee acknowledges the assistance of the Board of Directors, the Management and staff for their assistance as we exercised oversight responsibility for all loans approved at the Credit Union. We also worked assiduously to review, discuss and approve loans as well as randomly select and review loan accounts, from the total portfolio to ratify loans that did not require our review before disbursement. Our thanks to you, our members and fellow volunteers, for your support during the year and we look forward to the coming year 2019.

The Serving Members of the Committee are:

Samuel Shelton	–	*Chairman*
Damian Lovelace	–	*Secretary*
Hortense Gregory-Nelson	–	*Member*
Maria Lewis	–	*Member*
Jean Grant	–	*Member*

REPORT OF THE SUPERVISORY COMMITTEE

FOR YEAR ENDED DECEMBER 31, 2018

SUPERVISORY COMMITTEE

Rhoda Williams-Moore
Secretary

MISSING FROM PICTURE
Arieta Henry – *Secretary*
Angela Lawrence
Kevin Webster
Ayen Crooks

The Supervisory Committee is responsible for providing oversight of the internal audit function and for reviewing the effectiveness of internal control and risk management practices. The committee is accountable to the Board of Directors to provide reasonable assurance that risks are being adequately managed. Additionally, the committee also provides oversight as it relates to our vulnerabilities within regulatory constraints and our mode of operation. The Committee members were duly elected at the last Annual General Meeting and after the required regulatory meeting, they served in the following capacities:

- Mrs. Rhoda Williams-Moore – *Chairman*
- Ms. Arieta Henry – *Secretary*
- Mrs. Angela Lawrence – *Member*
- Mr. Kevin Webster – *Member*
- Ms. Ayen Crooks – *Member*

Reviews were conducted by theCentralized Strategic Services and the Supervisory Committee, focusing on the following areas;

General Compliance
Fixed Asset Management
Loans Management
Securities Management
Bank Reconciliation

Additionally, the Committee examined loan applications made during the period under examination and is satisfied that the relevant criteria were satisfied.

Audit findings generated from various reviews are addressed by management and reviewed on a monthly basis by the Committee to verify that audit findings are closed out on time. In a few circumstances, the time period have had to be extended due to circumstances beyond the control of the Credit Union.

The Committee's mandate was somewhat affected by Project Eagle within the GraceKennedy Group as some committee members were assigned additional responsibilities which reduced the time to focus on the audits planned as well as one member resigning from the company. Notwithstanding, the Committee continues to execute its functions and looks forward to continued service to enhance the work of the Grace Co-op Credit Union.

To this end, 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 as well as related laws and regulations that govern the Credit Union's operations as these were properly administered.
We wish to sincerely thank the Board of Directors, Management Team, 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.

Finally, 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.

Rhoda Williams-Moore
Chairman

REPORT OF THE NOMINATING COMMITTEE *TO THE 50TH 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:

Claudette Facey-Redwood	–	*Chairperson*
Ms. Karlene Burgess	–	*Secretary*
Ms. Hope Mowatt	–	*General Manager*

The Nominating Committee reports as follows:

Board of Directors

Not Retiring	**Unexpired Term**
Mrs. Claudette Redwood-Facey	1 year
Mr. Gilroy Graham	1 year
Mr. Jerry Hamilton	1 year
Mrs. Karen Walker	1 year

Retiring	**Recommended**	**Term**
Mr. Simon Roberts	Mr. Simon Roberts	2 years
Mr. E. Christopher Bond	Mr. E. Christopher Bond	2 years
Mr. Eric Mardner	Mr. Eric Mardner	2 years
Mrs. Malindo Wallace	To be advised	1 year
Mr. Stanley Beckford	Mr. Stanley Beckford	2 years

Credit Committee

Not Retiring	**Unexpired Term**
Samuel Shelton	1 year

Retiring	**Recommended**	**Term**
Mr. Damian Lovelace	Mr. Damian Lovelace	2 years
Ms. Maria Lewis	Ms. Maria Lewis	2 years
Mrs. Hortense Gregory- Nelson	Mrs. Hortense Gregory- Nelson	2 years
Mrs. Jean Grant	Kerian Nepaul - Haughton	1 year

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	Robert Arthurs	1 year
Ms. Arieta Henry	Camille N Smith	1 year

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

Karlene Burgess (Ms.)
Secretary

Profile of the New Nominees

Kerian Nepaul Haughton
CFA, MBA, PMP

Mrs. Nepaul Haughton is currently the Assistant Manager, Corporate Finance and Treasury with GraceKennedy Limited. Since 2012, she has held the following positions within the company- Junior Corporate Planner and Corporate Planner. Prior to this, she was a Market and Credit Risk Analyst and then Research Analyst with Sagicor Financial Services Limited.

She holds a BSc Banking and Finance (First Class Honors) from the University of the West Indies followed by a Masters of Business Administration with a Specialism in Strategic Planning (Distinction) along with a Recognition for the highest score worldwide in Accounting Module from Heriot –Watt University.

She has also completed other certifications such as Certificate of Mastery, Corporate Finance and Valuation Method, Project Management Professional Certification, Risk based Auditing, Chartered Financial Analyst Designation among others.

She is also a member of the Rotary Club of Trafalgar New Heights.

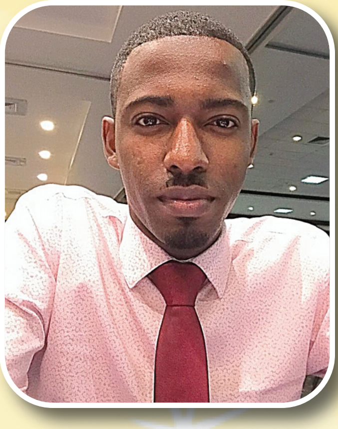
Mrs. Camille N Smith

Mrs. Smith is the HR Systems & E-Learning Officer with GraceKennedy Limited from 2018. She previously held the following posts within the Group– HR Project Officer (Overseas Territories) and Office Administrator – Dairy Industries Ltd.

Prior to this, she was the Trainer Manager / Project Manager with IFOSERV Institute subsequent to being a Classroom Trainer at St Mary's College.

She holds a Bachelor of Science in Human Resources Management from the University College of the Caribbean and a Master of Instructional Design and Technology from the Walden University in Minneapolis.

Robert Arthurs



Mr. Arthurs is a Business Auditor, Group Internal Audit with GraceKennedy Ltd. He previously held the posts of Accounts Receivables Clerk and Inventory /Cost Controller with Grace Food Processors Division.

He holds a Bachelor's Degree in Business Administration from the University of Technology with a double major in Accounting and Finance and Banking. His Certified Internal Auditor designation from the Institute of Internal Auditors Global is currently pending.

He is a current member of the GK Diamond Programme and CEO Awards, a GK Certified SAP Super User and a member of the International Internal Auditors, Jamaica Chapter.

49th Annual General Meeting June 6, 2018
ATTENDANCE REGISTER

1 Arlene Davis
2 Fitzroy Blake
3 Kadene Desilva
4 Camille Smith
5 Clover Nelson
6 Jermaine Gordon
7 Veronica Ralliford
8 Shawn Thompson-Powell
9 Ayen Crooks
10 Monique Alsol
11 Ayesha Cooke
12 Sharice Fernander
13 Colleen Williams
14 Ingrid Medwinter
15 Tameica Lewis
16 Judith McGowan
17 Latoya Adjetey
18 Clare Wilson
19 Christopher Bond
20 Lorne Phillips
21 Michael Harris
22 Aggrey Palmer
23 Lorna Reynolds-Minott
24 Landell Harrison
25 Kurtland Sinclair
26 Stephen Fearon
27 Gavin Samuels
28 Dahlia Wright
29 Hortense Gregory-Nelson
30 Carlene Holness
31 Angella Black
32 Karen Mussington
33 Claudette Facey-Redwood
34 Konica Fullerton Brown
35 Kaylia Barrett
36 Natalee Tullonge
37 Marjorie Godfrey
38 Nadine Bulter
39 Antoinette Poyser
40 Veronica Williams
41 Delton Mckenzie
42 Pauline Peart
43 Helene Hayden
44 Dorothy Turner
45 Lesa Richards-Bartley
46 Colvenette Brown
47 Matthew Cole
48 Hugh Allen
49 Waynette Brown
50 Kevin Chang
51 Klao Bell-Lewis
52 Michelle Mason
53 Gracian Grant
54 Andrene Clarke
55 Yanique Clarke
56 Sherene Riley-Graham
57 Shereen D'Aguilar
58 Angella Grandison-Reid
59 Monique Morgan-Thomas
60 Melissa Grey
61 David Clarke
62 Aliya Reid
63 Jahmelia Trail-Smith
64 Stanley Beckford
65 Michelle Peters-Mullings
66 Jerry Hamilton
67 Marcia Wilson
68 Erica Hayden
69 Hope Mowatt
70 Vynter Lothian
71 Queenie Munroe
72 Vinesha Grant
73 Karlene Burgess
74 Anicee Gray-Brown
75 Alica Williams
76 Ishia Higgins
77 Jean Grant
78 Horace Wright
79 Tishan Riley
80 Rene Wynter
81 Malindo Wallace
82 Travon Harriott
83 Lisa Bryan
84 Kelly McIntosh
85 Maria Lewis
86 Marlene Wilson
87 Dale Beckford
88 Ricardo Smith
89 Racquel Blake
90 Nadiefa Lattibueadiere
91 Deighton Christian
92 Donna Miller-McKoy
93 Jane Richards
94 Rhoda Williams Moore
95 Christine Davidson
96 Eric Mardner
97 Randy Anderson
98 Lurline Cummings
99 Karen Walker
100 Sherika Jackson
101 Veronica Wade
102 Marlon Ferguson
103 Besitah Walcott-Level
104 Sachel Rodney
105 Odian Stewart
106 Yulanda Ramsay
107 Kimbery Williams
108 Makeda Scott
109 Monique McLean
110 Camille Cadogan
111 Gilroy Graham
112 Damion Lovelace
113 Patrick Lyn
114 Garfield McKenzie
115 Angela Lawrence
116 Madgie Walters
117 Richard Riley
118 Lance Bailey
119 Ian Carlyle
120 Arieta Henry
121 Denise Darlinton
122 Collin Gordon
123 Collena Doctort
124 Joan Cummings
125 Simone Ramsay-Knight
126 Corine Notice-Parkes
127 Dorrette Gordon
128 Kemesha Gordon
129 Ashlee Gray
130 Crystal Gayle-Williams
131 Karian Nepaul
132 Charlene Campbell
133 David Dean
134 Sharon Wellington

CONTACT PERSONS LIST

COMPANY	NAME
AGRO-GRACE LIMITED	MS. HYACINTH BROWN
HARDWARE & LUMBER LIMITED	MS. ROXON LONG
ALLIED INSURANCE BROKERS LIMITED	MS. STACEY ANN WYNTER
CARIB STAR SHIPPING	MS. DELORITA DEAN
CMA CGM (JAMAICA) LIMITED	MS. JOAN SERVICE
DAIRY INDUSTRIES (JA) LIMITED	MS. COLLEEN BANCROFT
FIRST GLOBAL BANK	MS. ALLISON SMITH
GFP CANNING	MS. HYACINTH JACKSON
GFP MEAT	MS. COLLEEN BANCROFT
GRACE FOODS INTERNATIONAL	MS. ORLEAN MEARS
GATEWAY SHIPPING INTERNATIONAL	MR. LOXLEY TULLOCH
GRACEKENNEDY REMITANCE SERVICES	MRS. LORRAINE BLAIR-BAKER
HI-LO FOOD STORES	MS. LORRAINE ROBINSON
GK GENERAL INSURANCE COMPAY LTD	MS. SHERENE SYBRON
KINGSTON WHARVES LIMITED	MS. KAREN MORGAN
WORLD BRANDS SERVICES	MS. AMELIA BECKFORD
NATIONAL PROCESSORS LTD	MS. HYACINTH JACKSON
KINGSTON FREEPORT TERMINAL LIMITED	MS. DIANNE GOBAN
GRACE FOODS CENTRAL	MS. ORLEAN MEARS
CORPORATE AFFAIRS	MS. DIONNE RHODEN
CORPORATE HR DEPT	MS. KARLENE BURGESS
CUSTOMER SERVICE/CREDIT DEPT (GFS)	MR. JERRY HAMILTON
FACILITIES MANAGEMENT	MRS. SHAWN THOMPSON-POWELL
GRACE FOOD & SERVICES	MRS. WAYNETTE BROWN-CAMPBELL
GRACE & STAFF COMMUNITY DEV	MS. TAMEICA LEWIS
GROUP SECRETARIAT	MRS. LAVERN LLEWELLYN
PEREZ Y CIA (JA) LIMITED	MS. KEISHA BISNOTT
TTECH LIMITED	MRS. HORTENSE GREGORY-NELSON
LOGISTICAL DISTRIBTION & SERVICES LTD	MS. JANET SMITH
CONSUMER BRANDS	MRS. GABRIELLE SANG

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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