GRACE CO-OPERATIVE CREDIT UNION LIMITED

50th ANNIVERSARY

TRIED. TRUSTED. PROVEN

Since 1970

2019 ANNUAL REPORT

51st Annual General Meeting

We are always here for you!


QUALITY SINCE 1922
Grace
KITCHENS
Lifestyle · Nutrition
Est.1969.
congratulates
Grace Cooperative
Credit Union
on your
50th
Anniversary
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Grace

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.

50th ANNIVERSARY
TRIED. TRUSTED. PROVEN
Since 1970

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50th ANNIVERSARY
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FIVE YEAR STATISTICS
for Period 2015 to 2019

	2019	2018	2017	2016	2015
PERMANENT SHARES	2,186,000	2,137,000	2,088,000	2,088,000	2,088,000
VOLUNTARY SHARES	391,682,668	372,655,582	360,333,588	342,242,992	322,601,777
% Increase over prior year	5.11%	3.42%	5.29%	6.09%	3.99%
INSTITUTIONAL CAPITAL	69,982,452	68,089,031	63,671,904	61,768,070	60,108,103
% Increase over prior year	2.78%	6.94%	3.08%	2.76%	2.63%
LOANS TO MEMBERS (Gross)	619,025,762	530,729,522	526,148,488	468,498,496	444,031,382
% Increase over prior year	16.64%	0.87%	12.31%	5.51%	9.08%
TOTAL ASSETS	783,388,007	750,577,302	674,549,435	620,891,525	566,485,794
% Increase over prior year	4.37%	11.27%	8.64%	9.60%	6.49%
CURRENT ASSETS ****	113,610,927	155,109,675	105,984,800	111,881,088	83,309,746
CURRENT LIABILITIES ****	703,022,313	674,671,875	598,878,068	550,770,305	498,573,471
INCOME AND SURPLUS					
INCOME	74,348,200	70,765,942	71,607,907	66,059,512	62,127,852
% Increase over rior ear	5.06%	-1.18%	8.40%	6.33%	0.75%
EXPENSES	67,029,052	67,975,423	61,611,822	60,265,339	55,966,479
SURPLUS	7,036,759	2,384,344	9,414,731	5,548,192	5,426,285
% (Decrease)/Increase over prior year	195.12%	-74.67%	69.69%	2.25%	20.23%
UNDISTRIBUTED SURPLUS	6,937,799	3,428,991	8,644,020	4,891,707	4,348,777
RESERVES	64,810,501	63,908,042	58,507,953	56,710,119	55,044,152
INTEREST PAID ON VOLUNTARY SHARES	2.80%	2.60%	2.30%	2.30%	4.18%

RATIOS	2019	2018	2017	2016	2015
CURRENT ASSETS	0.16:1	0.23:1	0.18:1	0.20:1	0.17:1
SURPLUS TO INCOME	9.46%	3.37%	13.15%	8.40%	8.73%
EXPENSES TO INCOME	90.16%	96.06%	86.04%	91.23%	90.08%
INCOME TO TOTAL ASSETS	9.49%	9.43%	10.62%	10.64%	10.97%
SURPLUS TO TOTAL ASSETS	0.90%	0.32%	1.40%	0.89%	0.96%
UNDISTRIBUTED SURPLUS TO SHARE CAPITAL	0.89%	0.46%	1.28%	0.79%	0.77%
MEMBERSHIP	2180	2127	2090	2756	2698
BORROWERS	1167	1174	1192	1312	1287
BORROWERS TO MEMBERSHIP	53.53%	55%	57.03%	47.61%	47.70%

Notice of Annual General Meeting

Notice is hereby given that the

51ST ANNUAL GENERAL MEETING

of the

Grace Co-operative Credit Union Limited

will be held on

WEDNESDAY, DECEMBER 16, 2020

at the

JAMAICA CONFERENCE CENTRE
14-20 PORT ROYAL STREET, KINGSTON.

The meeting will commence at 4:00 p.m.

Registration will begin at 3:30PM

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 50th 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

MINUTES OF THE 50th ANNUAL GENERAL MEETING OF GRACE CO-OPERATIVE CREDIT UNION LIMITED HELD ON WEDNESDAY, JUNE 12, 2019 IN THE LUNCHROOM, GRACEKENNEDY LIMITED, 73 HARBOUR STREET, KINGSTON.

ASCERTAINMENT OF QUORUM, CALL TO ORDER

Having ascertained that a quorum was present, Chairman Jerry Hamilton called the meeting to order at 4:55 p.m.

Saxophonist, Daniel Richards, entertained the meeting with musical items.

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, who were asked to stand and be recognized.
- First time attendees
- Regular members
- Specially invited guests:

Mrs. Janice Knight Chung	-	Creditinfo
Ms Tanesha Facey	-	Department of Co-operative & Friendly Societies
Mr. Clifton Freeman	-	Department of Co-operative & Friendly Societies
Mr. Courtney Shaw	-	Department of Co-operative & Friendly Societies
Mr. Richard Dunn	-	Department of Co-operative & Friendly Societies
Ms. Nadia Byfield	-	Department of Co-operative & Friendly Societies
Ms. Sonia Taylor	-	Correctional Services Credit Union
Mr. Owen Lawrence	-	Jamaica Cooperative Credit Union League
Mrs. Kleo Ann Errar	-	Jamaica Cooperative Credit Union League
Mr. Oneil Grant	-	Jamaica Cooperative Credit Union League
Ms. Marjory Carty	-	Jamaica Cooperative Credit Union League
Mrs. Katrina D’Aguilar	-	Jamaica Cooperative Credit Union League
Ms. Patricia Tomlinson	-	JDF Cooperative Credit Union
Ms. Melissa Brown-Morgan	-	JDF Cooperative Credit Union
Mr. Howard Irons	-	Gilbert Thompson & Company (Auditors)
Mr. Cyrene Gilbert	-	Gilbert Thompson & Company (Auditors)

MINUTES cont'd

Gilroy Graham participated in the meeting via Skype.

Apologies for absence were tendered on behalf of:
Simon Roberts
Lorraine Blair Baker
Hortense Gregory Nelson
Rhoda Williams Moore
Carlene Holness
Maurice Wright
Shawn Thompson-Powell

CONFIRMATION OF THE MINUTES OF THE 49th ANNUAL GENERAL MEETING AND MATTERS ARISING

Claudette Facey-Redwood carried the meeting through the confirmation of the Minutes of the 49th Annual General Meeting held on June 6, 2018. It was taken as read on a motion by Christopher Bond and seconded by Eric Mardner.

The following corrections were noted:

Page 6, under Apologies for absence - remove Gilroy Graham.

Page 104, replace Appropriation of surplus with amended attachment.

Page 109, replace Report of the Nominating Committee with amended attachment.

Page 113, attendance register, # 21 change "Michael Harris" to read " Michael Harrison".

A motion to accept the Minutes as amended was proposed by Gilroy Graham and seconded by Joseph Thompson.

REPORTS

a) Report of the Board of Directors

The Report of the Board of Directors for the year 2018 was read by the President, Jerry Hamilton.

The highlights were as follows:

The Year, which was considered challenging, provided the Credit Union with opportunities to look closer at their operations and devise strategies to improve their efficiencies and service delivery.

The President went on to report that 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 prepared for the pending supervision by Bank of Jamaica (BOJ).

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

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

Despite the challenges, the performance for the financial year was a fair one with positive results and growth over the prior year in most areas. In 2018, the Credit Union was faced with lower operating income and higher expenses. Nevertheless, a surplus of $2.4M was generated, 75% lower than that of 2017.

MINUTES cont'd

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 rates of 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
The growth of the loans portfolio, was one of the greatest areas of challenge faced by the Credit Union in 2018. Loans growth remained flat in 2018, closing the year at $531M, compared to $526M in 2017.

In comparison, that 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, was heavily influenced by operations 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 ratio remained below the targeted 1% for most of the year, ending at 0.51% at December 2018. That performance was more in line with what the Credit Union is accustomed. The Credit Union had regained the ground lost at December 2017 when the delinquency ratio was 1.39%. The service of an External Collector was utilized in the debt recovery process.

Liquidity
Maintaining the liquidity ratio above the PEARLS target of 20% was achieved for most of the year. As at December 31, 2018, the ratio settled at 25%, having reached as high as 27% earlier in the year. That was moving from 16% at December 31, 2017. The performance was influenced by the increased levels of savings and the lower demand for loans during the year.

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

Education Grants
The Credit Union continued to provide grants to children of members of the Credit Union. A total of 16 students received bursaries, broken down as follows:

- 7 each at the GSAT and Secondary levels, and
- 2 at the tertiary level

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

MINUTES cont'd

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

The employees at the Credit Union continued to work diligently to serve 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 utilized by the Credit Union. Staff members were also busy preparing for the IFRS 9 that came into effect in 2018.

Obituaries

Tribute was paid to the following members who passed on during the year:

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

Condolences were extended to their family members.

MINUTES cont'd

Future Plans
The Board & Management of our Credit Union continued on the path of preparedness for the impending regulation by the Bank of Jamaica. Exploration of the option of partnering with other Credit Unions in relation to shared services will continue.

As the environment in which we operate continued to change, the Credit Union will remain proactive and implement strategies that will be in the best interest of members. The Credit Union is committed to continue 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 persons and institutions who have contributed to our success:

- The Chairman and Directors of GraceKennedy Ltd, its subsidiaries and associated companies
- Members of the various committees
- Directors and staff of the Jamaica Co-operative Credit Union League
- The Department of Co-operatives and Friendly Societies
- CUNA Caribbean Insurance (Jamaica) Limited
- 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 President informed the meeting that at the annual Credit Union Conference in July 2018, the Grace Co-operative Credit Union copped the Paul Thompson Trophy for 2018 Runner-up Credit Union of the Year in the medium-sized category. Congratulation were extended to management and staff for a job well done.

The Report of the Board was adopted on a motion by Claudette Facey Redwood and Marcia Wilson.

The Motion was carried.

b) (i) Auditor and Treasurer's Reports

<u>Auditor's Report</u>
On a motion by Gilroy Graham and seconded by Samuel Shelton, 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 Natalie Billings and seconded by Franceta Clayton, the Auditor's Report was adopted.

The Motion was carried.

<u>Treasurer's Report</u>
The Treasurer's Report was presented by Eric Mardner.

The 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. The total interest income of $64.3M represented a reduction of $1.2M or 2% when compared with the previous year.

The assets were $751M at the year ended 2018 up from $675M in 2017, an increase of $76M.

MINUTES cont'd

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.

In concluding the Treasurer's 2018 Report, the meeting was advised that the Credit Union has been implementing measures for a seamless transition where the Bank of Jamaica will have direct supervision of the Credit Unions.

The Treasurer reported that the Credit Union continued to positively impact the members by providing solutions to their financial needs. Despite the 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.

The Treasurer extended appreciation to the management and staff of the Credit Union for their efforts and dedication during the year. The Treasurer also acknowledged the effort and support of members of the Board. Thanks was also expressed to the members of the Credit Union for making Grace Co-operative, the Credit Union of their choice.

The Treasurer's Report was adopted on a motion by Matthew Cole and seconded by Keisha Forrest Meeks.

The Motion was carried.

(ii) Appropriation of Surplus
The meeting was reminded that the surplus of the Credit Union was for the members, and the meeting had to agree on how that surplus would be distributed.

Surplus as at December 31, 2018 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 50%, 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 Denise Clarke and seconded by Jean Grant.

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 Samuel Shelton and Kevin Webster.

The Motion was carried.

c) Nomination of Auditors

The Board of Directors recommended that the Auditors for the new year remain at Gilbert Thompson & Co. That was accepted on a motion by Claudette Facey Redwood and seconded by Maria Lewis.

The Motion was carried.

d) Credit Committee Report

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

Highlights of the Report:
For the Financial Year 2018, the Credit Union was faced with major challenges. Within the external environment, interest rates remained relatively low for the better part of the year, however that 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 the parent company Grace Kennedy Limited, which caused an air of uncertainty, and so members became loan averse. Despite those challenges, the Credit Union ended the year attaining 83% of the disbursement budget of $303,095,000 or $252,705,902.

The Total Loan Portfolio of the Credit Union ended at $530,729,521 which was 4.3% below the budget of $554,653,742. That represented a growth of the total loan portfolio of $4,581,035 or a little less than 1% over 2017 where the Credit Union ended with $526,148,486. That was a clear indication of the competitive environment that the Credit Union was currently operating in.

During the year the Credit Committee reviewed 1,914 applications totaling $286.85M. That processed represented a reduction of 12% or 261 applications over the previous year. The dollar value of the loans processed decreased 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 continued to explore opportunities to meet the growing needs of the members 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. Motor Vehicle Loans, Rescue Loans (Personal Needs), Share Loans and Share and Savings loans represented 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.

The Credit Committee acknowledged the assistance of the Board of Directors, the Management and staff for their assistance as the Committee members exercised responsibility for all loans approved at the Credit Union. The Committee 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 Committee review before disbursement. Thanks to Members and fellow volunteers for the continued support during the year and we look forward to the coming year 2019.

The Credit Committee Report was adopted on a motion by Natalie Billings and seconded by Erica Hayden.

The Motion was carried.

e) Supervisory Committee Report

The Report of the Supervisory Committee was presented by Angella Lawrence.

The Supervisory Committee was responsible for providing oversight of the internal audit function and reviewing the effectiveness of internal controls and risk management practices. The Committee was accountable to the Board of Directors to provide reasonable assurance that risks were being adequately managed. Additionally, the Committee also provided oversight as it related to the Credit Union's vulnerabilities within regulatory constraints and mode of operation.

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

a) General Compliance
b) Fixed Asset Management
c) Loans Management
d) Securities Management
e) Bank Reconciliation

MINUTES cont'd

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

Audit findings generated from various reviews were addressed by management and reviewed on a monthly basis by the Committee to verify that audit findings were closed out on time.

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 continued to execute its functions and looked forward to continued service to enhance the work of the Grace Co-op Credit Union.

The Committee was satisfied that the Credit Union had established practices and procedures enough 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 those were properly administered.

Appreciation was expressed to the Board of Directors, Management Team, Credit Committee and the members of staff of the Credit Union for the support given during the year in enabling us to carry out our task.

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's Report was adopted on a motion by Gilroy Graham and seconded by Eric Mardner.

The Motion was carried.

ELECTION OF OFFICERS

Courtney Shaw 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
The recommendations of the members to the Board by the Nominating Committee was accepted on a motion by Matthew Cole and seconded by Jasmin Farmer.

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

Credit Committee
There being no other nominations, the recommendations of the Nominating Committee were accepted on a motion by Yanique Clarke and seconded by Marcia Wilson.

Damian Lovelace, Maria Lewis and Hortense Gregory Nelson were elected to serve for two years. They join Natalie Billings and Kerian Nepaul Haughton who had one year unexpired term.

Supervisory Committee
There being no other nominations, the recommendations of the Nominating Committee were accepted on a motion by Charmaine Creary and seconded by Mazie Miller.

MINUTES cont'd

There being no other nominations, Angela Lawrence, Rhoda Williams Moore, Kevin Webster, Robert Arthurs and Camille N. Smith were elected to serve for one year.

Samuel Shelton moved to allow the Board to select the delegates to the League and other Societies; that was seconded by Claudette Facey Redwood.

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

LAUNCH OF MOBILE APPLICATION

Andrew Smickle, Managing Director of Database Technologies Ltd made the presentation.

The current website of the Credit Union was revamped to accommodate the mobile application.

Features of the Application were:

a) There is the E-banking portal where members will see their balances.
b) Promotion of products
c) E-portal can be viewed on phone
d) Loan application forms and other forms can be uploaded and downloaded
e) Annual reports can be viewed on the Site
f) To access the application, an ID and password are required. The Credit Union will provide the password.

The question was asked if other required documents accompanying the loan application forms could also be uploaded. The meeting was advised that only the loan application could be uploaded at the present time. Management to decide if required documents can be uploaded.

It was noted that the introduction of the application will not affect the staff complement.

ANY OTHER BUSINESS

Expression of Appreciation

Appreciation was expressed through the presentation of gift items to retiring members. Those were:

Malindo Wallace (Board)
- accepted by Kerian Nepaul Haughton

Arieta Henry (Supervisory Committee)
- accepted by Angella Lawrence

Rhoda Williams (Supervisory Committee)
- accepted by Angella Lawrence

Jean Grant (Credit Committee)

Ayen Crooks (Supervisory Committee)

The General Manager, Hope Mowatt, recognized the team at the Credit Union and expressed appreciation for their dedication to the task and commitment to providing excellent service to the members of the Credit Union.

ADJOURNMENT
The meeting adjourned at 6:40 p.m.

Congrats on your 50th Anniversary!

Since our birth on February 14, 1922, GraceKennedy has been the company of love and care for our customers, consumers and clients. One of our basic guiding principles as a company is a responsibility to our internal customers - our team. Specifically, that principle states "that management's responsibility is to build a qualified, well-trained, highly motivated staff." This is the foundation on which our company is built.

To that end, GraceKennedy, in 1928, was the first company in Jamaica to offer preference shares in the company. In 1952, GraceKennedy became the first Jamaican company to establish free health and superannuation schemes and life insurance for staff. Then in 1970, the Grace Cooperative Credit Union was born, "to be the trusted financial partner of choice for GraceKennedy employees and other members."

As a company whose core values are honesty, integrity, and trust, we have always worked to ensure that our team and their families are better off for working at our company, through the maximisation of their potential and the realisation of their dreams. In alignment with the GK corporate entity, the Grace Cooperative Credit Union has, over the last 50 years, provided prudent financial advice to our team members and others, enabling them to achieve their financial and other goals, and improve the quality of their lives.

I congratulate the Grace Cooperative Credit Union Boards, management and staff members over the last half a century, for setting a track record of outstanding service, and for living their tagline that they are "always here for you." We know that even greater is in store, and wish the Grace Cooperative Credit Union continued and considerable success!

Don Wehby
GraceKennedy Group CEO

REPORT OF THE BOARD OF DIRECTORS

for year ended 31st December 2019

OVERVIEW

The financial year 2019, despite its challenges, turned out to be a favourable one for the Grace Co-operative Credit Union. Despite the competitive financial marketplace within which we operate and the low interest rate regime which dictates what is earned from loan and investment incomes, our credit union achieved a surplus of $7M. This was 195% more than the $2.4M earned in 2018.

During the year, the strategic focus of the GCCU Board of Directors and Management continued to focus on the following areas:.

- Upgrading and improving the operating software.
- Assessing and strengthening our controls, processes and operational efficiencies.
- Improving our product offerings to our members.
- Updating our membership records.
- Preparing for the pending BOJ regulations of credit unions

In the last quarter of 2019, our credit union embarked on the relocation its office from 64 Harbour Street to 69 ½ Harbour Street, which is also very close to the GraceKennedy offices.

FINANCIAL PERFORMANCE HIGHLIGHTS

	2019 J$000	2018 J$000	GCCU Annual Growth	Average Movement Growth
Permanent Shares	2,186	2,137		
Voluntary Shares	391,683	372,656	5%	
Saving Deposits	277,027	268,496	3%	7.54%
Net Loans	619,026	530,730	17%	12.16%
Total Assets	783,388	750,577	4%	8.22%
Surplus	7,037	2,384	195%	

SAVINGS DEPOSITS

At the end of December 2019, members' savings increased by 3%, moving from $268.5M to $277M. This could be attributed to members seeking out higher interest-bearing investments in a relatively low interest rate environment. In comparison, the credit union movement's annual savings growth rate was 7.54%. Nevertheless, interest rates on Fixed Deposits & Golden Harvest savings products were adjusted during the year to maintain competitiveness.

REPORT OF THE BOARD OF DIRECTORS cont'd

LOANS and TOTAL ASSETS

Growing a healthy loans portfolio is one of the major contributors to increasing revenue and profitability of all financial institutions. Unlike 2018 when loans growth was flat for our credit union, the outcome was much better in 2019. The loans portfolio grew by 17% in 2019 to $619M, moving from $531M at the end of 2018. This compared favourably with the performance of the credit union movement, which experienced average loans growth of 12.16% in 2019.

The Total Assets Portfolio increased by 4%, moving from $751M in 2018 to $783M at the end of December 2019.

DELINQUENCY

The delinquency ratio remained within the targeted 1% for most of the year, ending at 0.99% at December 2019. We continue to utilize the services of an External Collector in the recovery of delinquent debts.

LIQUIDITY

Maintaining the liquidity ratio above the PEARLS target of 20% remained a goal of the credit union. At December 31, 2019, the ratio was 18%. This performance was influenced by the increased levels of loans coupled with the marginal growth in savings during the year.

MEMBERSHIP

At the end of 2019, our membership stood at 20180, moving from 2127 at the end of 2018.

EDUCATION GRANTS

In 2019, our Credit Union continued the tradition of providing grants to children of members of our Credit Union. Of the 28 applications received 14 students received bursaries, broken down as follows: 6 who have just completed the PEP examinations, 5 at the Secondary level and 3 at the tertiary level.

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	
Robert Arthurs	
Camille N Smith	
Kamara Moodie	

50th ANNIVERSARY
TRIED. TRUSTED. PROVEN
Since 1970

REPORT OF THE BOARD OF DIRECTORS cont'd

Credit Committee

Damian Lovelace - Chairman

Hortense Gregory - Nelson

Maria Lewis

Natalie Billings

Kerian Nepaul Haughton

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Six 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	6	6	0
Gilroy Graham	6	6	0
Christopher Bond	6	5	1
Eric Mardner	6	6	0
Karen Walker	6	4	2
Claudette Facey-Redwood	6	4	2
Stanley Beckford	6	4	2
Simon Roberts	6	4	2
Samuel Shelton	3	2	1

HUMAN RESOURCES AND TRAINING

Our Credit Union staff continued to work diligently to serve our members to achieve their financial goals.Training in 2019 centred primarily around POCA training on CPD Online and cross-training among staff.

OBITUARIES

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

- Jeffrey Marshall
- Cynthia Allen
- Ernest Gooden
- Karen Silvera

We wish to extend our condolences to their family members.

FUTURE PLANS

As the Board, Management, staff and other volunteers of our Credit Union continue on our path of readiness for the impending supervision by the Bank of Jamaica, improving our efficiencies, strengthening our processes and controls will retain our focus going forward.

REPORT OF THE BOARD OF DIRECTORS cont'd

We will remain proactive and implement strategies that will be in the best interest of our members, as we continue to operate in these challenging times.We will remain steadfast and seek opportunities that will strengthen our credit union and improve our offerings. Our commitment is to continue to assist our members to achieve their personal financial goals by providing efficient and quality service.

As welcome 2020, we look forward to celebrating the 50th Anniversary milestone of our Credit Union.

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. Let me express our thanks to Ms Malindo Wallace, who had resigned from the Board during the year, for her services to the Credit Union. She was replaced by Samuel Shelton. Appreciation must also be extended to the following persons and institutions who have contributed to our success:

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

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

Samuel Shelton

REPORT OF THE TREASURER

for the year ended 31st December 2019

Grace Co-op Credit Union received $63.4M in interest on loans, $3.4M in investment income, and $7.6M non-interest income which represented fee income and commission. This total interest income of $66.8M represents an increase of $2.4M or 4% when compared with the previous year (64.3M).

The assets were $783M at the year ended 2019 up from $751M in 2018, an increase of $32M. Loans less allowance for losses increased by $88M from $531M in 2018 to $619M in 2019, an increase of 17%.Liquid assets decreased from $151M to $109M in 2019, a reduction of 28%.

STATEMENTS

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

		2019	2018
		$	**$**
a)	Total Permanent Shares	2,186,000	2,137,000
	We also own collectively as a society, the following:		
i)	Statutory Reserves to provide stability to the Credit Union	63,551,058	61,657,637
ii)	Education Fund	214,793	214,793
iii)	Capital Revaluation Reserve	6,431,394	6,431,394
iv)	Bad Debt Reserve	4,554,855	4,164,454
v)	Special Reserve	785,736	785,736
vi)	Non-Distributable Reserve and Special Reserve-IFRS 9	-	993,962
vii)	Unclaimed Share Reserve	169,914	169,914
viii)	Share Transfer Reserve	89,000	86,000
ix)	We have previous earnings that have not been returned to us as dividends. This amount is:	1,308,392	1,521,516
x)	This year our net earnings is	5,629,407	1,907,475
	The total we own in reserves, provision and earnings is	**84,920,549**	**80,069,881**

REPORT OF THE TREASURER cont'd

		2019 $	2018 $
The grand total we have is		84,920,549	80,985,056
The money we have has been:			
a)	Loaned to members	623,580,617	534,893,976
b)	Used to Tangible and Intangible Assets (net book value)	1,048,202	1,702,312
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		
	iii) First Heritage Co-operative Credit Union	24,000,000	20,000,000
	iii) Mortgage Funds with Jamaica Cooperative Credit Union	19,017,454	18,548,395
	iv) Jamaica Cooperative Credit Union - Cu Cash	95,352,541	134,911,220
	v) Cu Premium, CUET & Qnet*	1,139,070	18,940,806
d)	Bank account, etc	13,849,737	16,067,967
e)	But we owed Depositors and external creditor	(276,839,122)	(268,495,737)
f)	Members' voluntary shares	(391,682,668)	(372,655,582)
g)	Others (Receivables, Payable and Accruals)*	(30,091,874)	(29,390,068)
The grand total of the loans and investment we have made is		**84,920,549**	**80,985,056**

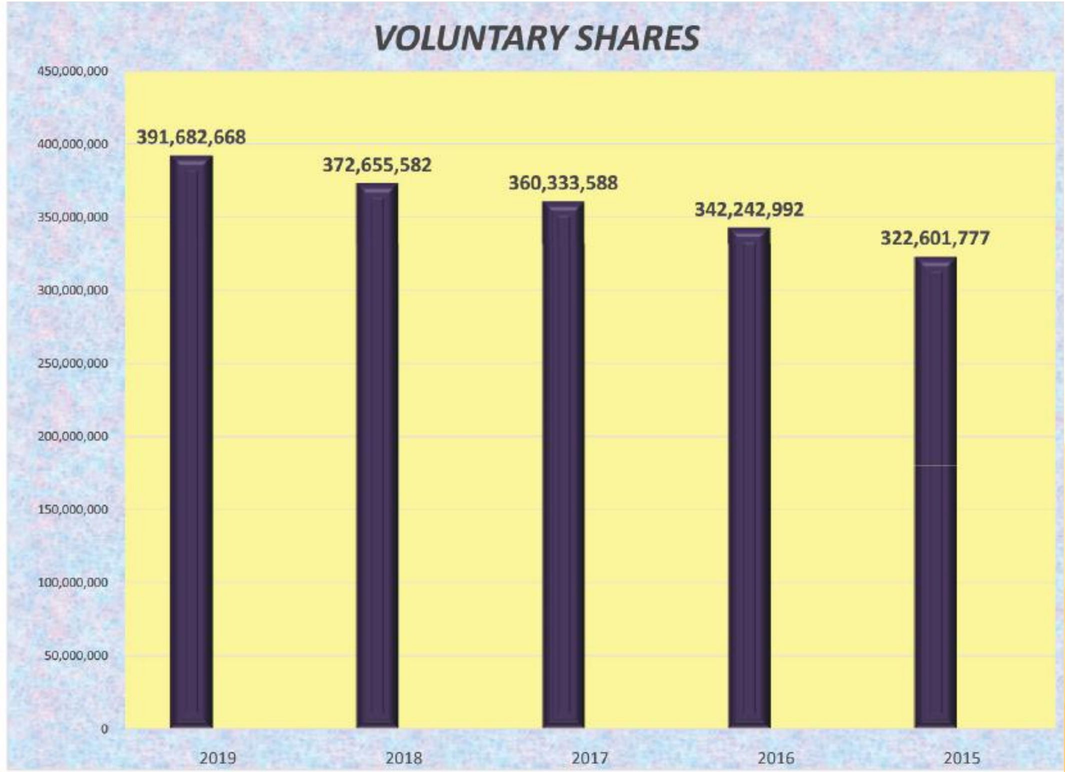
Our Income has been earned from:

		2019	2018
a)	Interest on loans to members	63,382,483	58,807,058
b)	Interest on Investments	17,885	2,654,930
c)	Interest on investment with J.C.C.U.L.	3,359,350	2,857,887
d)	Other sources	7,584,002	6,446,067
		74,348,200	70,765,942

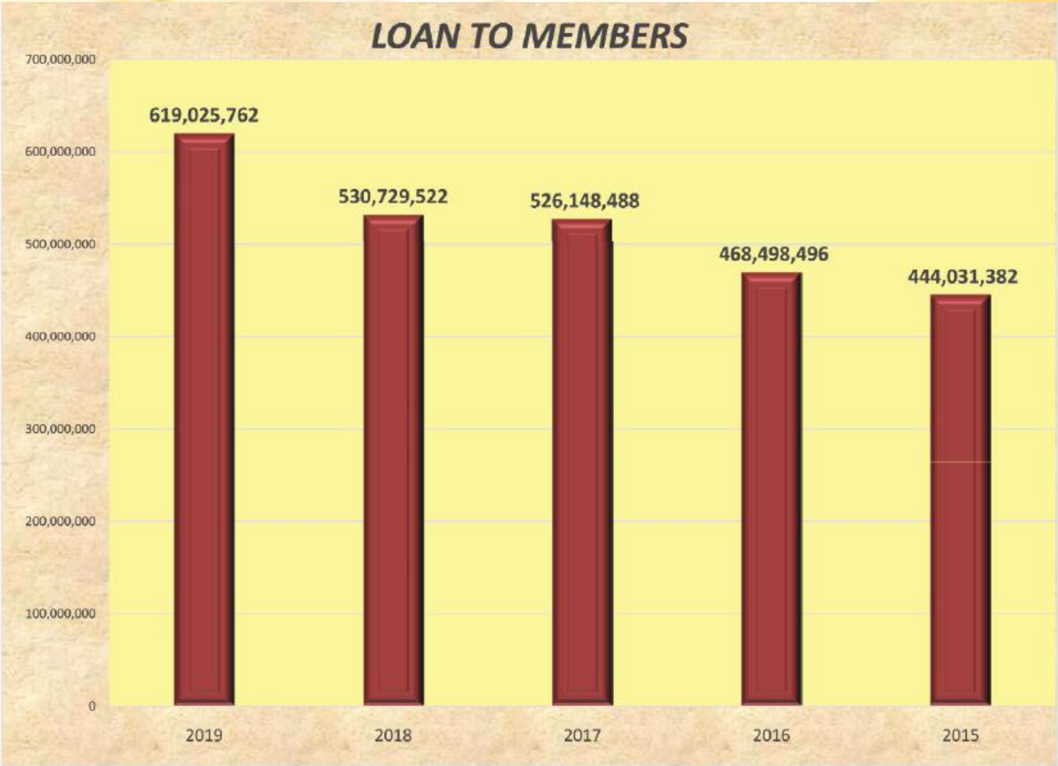
REPORT OF THE TREASURER cont'd

	2019	2018
	$	$
The expenses for the year were:		
Salaries and related expenses	29,679,226	29,465,066
Insurance - Loan Protection and Life Saving (L.P&L.S)	3,751,446	3,682,701
Facilities Fee	5,340,000	5,148,732
Interest Expense	15,441,542	18,313,234
Stationery	627,033	825,113
Dues and fees to J.C.C.U.L.	2,915,529	2,330,090
GCT	2,573,317	2,159,903
AGM, Seminars and other meetings	1,058,200	1,074,036
Professional Fees	599,999	1,081,500
Audit fees	840,000	700,000
Provision for bad debts	282,389	406,175
Education Grant	427,700	439,800
Depreciation and amortization	654,110	435,032
General expenses	3,120,950	2,320,216
TOTAL EXPENSES	**67,311,441**	**68,381,598**
This leaves us a surplus of:	7,036,759	2,384,344
We are setting aside Statutory Reserves as required by the Act	(1,407,352)	(476,869)
	5,629,407	1,907,475
Together with the undistributed earnings from previous year	1,308,392	1,521,516
Undistributed earnings	**6,937,799**	**3,428,991**

REPORT OF THE TREASURER cont'd



REPORT OF THE TREASURER cont'd



CONCLUSION

We continue to make the necessary changes to meet the requirements of the Bank of Jamaica when they assume the role of direct supervisor of local Credit Unions in Jamaica in the near future.

The growth in loan to member suggest that the Credit Union continues to be very relevant to its members despite the many alternatives in the financial market. The management and board of directors are committed to providing financial solutions that will positively impact the quality of living of its members.

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

Respectively Submitted,
Eric Mardner
Treasurer

Financial Statements

31 December 2019

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

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

S1
R376/- 603/4/20 **April 2, 2020**

The Secretary
Grace Co-operative Credit Union Limited
64 Harbour Street
Kingston

Dear Sir/Madam,

I forward herewith the Financial Statements of your Society for the year ended December 31, 2019.

The Annual General Meeting must be held after June 1, 2020 and convened under **Regulation 19 and 21** 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(b)** 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

HOPE GARDENS
Hope Gardens, Kingston 6
(876) 977-2277 / 927-1948
Fax (876) 977-2698

MANDEVILLE, MANCHESTER
23Caledonia Road
(*RADA Bldg.*)
(876) 613-7602

MONTEGO BAY, ST. JAMES
10 Delisser Drive
(The Office of the Prime Minister)
(876) 952-7913

Gilbert Thompson & Company 2017
Chartered Accountants

Lot 2, Shop 14 Regal Plaza, P. o. Box 80,
Kingston 5, Jamaica
Ph: (876) 758-8345, (876) 906-1098
E-mail: gilbertthompsonco2017@yahoo.com

Shop 16 Omni Plaza 41 Manchester Ave May Pen,
Clarendon, Jamaica
Ph: (876) 986-6035, (876) 786-2232
E-mail: gilbertthompsonco2017@yahoo. com

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 66, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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

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)

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

Management is responsible for the preparation and fair presentation of the financial statements that 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

We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

February 28, 2020

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $	2018 $
INTERST INCOME			
Interest on loans and advance to members		63,382,483	58,807,058
Interest on liquid assets		22,365	2,654,930
Interest on investment		910,011	2,506,167
Interest JCCUL – Cu Cash		2,449,339	351,720
		66,764,198	64,319,875
INTEREST EXPENSE			
Interest on saving deposits		(15,036,203)	(17,909,719)
Other financial cost		(405,339)	(403,515)
NET INTEREST INCOME		51,322,656	46,006,641
Impairment losses on financial assets		(282,389)	(406,175)
		51,040,267	45,600,466
Other income	8	7,584,002	6,446,067
NET INTEREST AND OTHER INCOME		58,624,269	52,046,533
OPERATING EXPENSES	9	(51,587,510)	(49,662,189)
SURPLUS FOR YEAR, BEING TOTAL COMPREHENSIVE INCOME		7,036,759	2,384,344

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Note	2019 $	2018 $
ASSETS			
EARNING ASSETS:			
Liquid Assets	10a	95,352,541	134,911,220
Financial investments	11	49,703,116	63,035,793
Loans to members	12	619,025,762	530,729,522
		764,081,419	728,676,535
NON EARNING ASSETS:			
Cash in hand and at Bank	10b	13,849,737	16,067,967
Other assets	13	4,408,649	4,130,488
Property, plant and equipment	14	288,869	464,032
Intangible property, plant and equipment	14a	759,333	1,238,280
		19,306,588	21,900,767
TOTAL ASSETS		**783,388,007**	**750,577,302**

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

LIABILITIES AND EQUITY			
LIABILTIES			
Interest bearing liabilities:			
Members' deposit	15a	277,026,622	268,495,737
Voluntary shares	15b	391,682,668	372,655,582
		668,709,290	641,151,319
Non-interest bearing liabilities:			
Payable and accruals	16	34,313,023	33,520,556
		703,022,313	674,671,875
EQUITY			
Members' share capital	17	2,186,000	2,137,000
Non-institutional capital			
Retained earnings and reserve	18	1,259,443	2,250,405
Undistributed surplus		6,937,799	3,428,991
Institutional capital:			
Statutory and legal reserve	19	63,551,058	61,657,637
Capital revaluation reserve	20	6,431,394	6,431,394
		80,365,694	75,905,427
TOTAL LIABILITIES AND EQUITY		**783,388,007**	**750,577,302**

Approved for issue by the Board of Directors on March 18, 2020 and signed on behalf by:

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Members' Permanent Share Capital	Institutional Capital	Non-Institutional Capital (Undistributed Net Surplus)	Total
	$	$	$	$
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
Transfer to statutory reserves	-	476,869	(476,869)	-
Transfer to statutory reserves 2018	-	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
Net surplus	-	-	7,036,759	7,036,759
Transfer to statutory reserves 2019	-	1,407,352	(1,407,352)	-
Transfer to statutory reserves 2018	-	476,869	(476,869)	-
Transfer from special reserves	-		(993,962)	(993,962)
Share Transfer Account	-	-	3,000	3,000
Appropriations				
Dividend – Permanent Shares	-	-	(295,260)	(295,260)
Interest – Voluntary Shares	-	-	(1,288,470)	(1,288,470)
Donation	-	-	(60,000)	(60,000)
Entrance fee	-	9,200	-	9,200
Share transfer account	49,000	-	-	49,000
Balances at 31 December 2019	**2,186,000**	**69,982,452**	**8,197,242**	**80,365,694**

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Non- Institutional Capital		
	Retained Earnings and Reserves	Undistributed Surplus	Total
	$	$	$
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 2018	(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)
Restated balances at January 1, 2019	3,428,991	2,250,405	5,679,396
Net surplus	7,036,759	-	7,036,759
Adjustment of depreciation			
Transfer to statutory reserves	(1,884,221)	-	(1,884,221)
Transfer from special reserves 2019	-	(993,962)	(993,962)
Share Transfer Account	-	3,000	3,000
Appropriations			
Dividend – Permanent Shares	(295,260)	-	(295,260)
Interest – Voluntary Shares	(1,288,470)	-	(1,288,470)
Donation	(60,000)	-	(60,000)
Balances at 31 December 2019	**6,937,799**	**1,259,443**	**8,197,242**

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	INSTITUTIONAL CAPITAL		
	Statutory Reserve	Capital Reserve	Total
	$	$	$
Balances at 31 December 2018	57,240,510	6,431,394	63,671,904
Transfer to statutory reserves 2018	476,869	-	476,869
Transfer to statutory reserves 2018	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
Transfer to statutory reserves 2019	1,407,352	-	1,407,352
Transfer to statutory reserves 2018	476,869	-	476,869
Additional transfer to statutory reserves	-	-	-
Entrance fee	9,200	-	9,200
Balances at 31 December 2019	**63,551,058**	**6,431,394**	**69,982,452**

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	2019 $	2018 $
CASH FLOW FROM OPERATING ACTIVITIES:		
Surplus for the year	7,036,759	2,384,344
Adjustments to reconcile net profit to Cash provided by operating activities –		
Depreciation	654,110	435,032
Net cash provided by operating activities	7,690,869	2,819,376
Cash flow from investing activities -		
Property, plant and equipment	-	(1,436,841)
Investment	13,332,677	(21,320,149)
Members' loan	(88,296,240)	(4,581,034)
Other receivables	(278,161)	(156,827)
Net cash used in investing activities	(75,241,724)	(27,494,851)
Cash flow from financing activities –		
Share capital voluntary	19,027,086	12,321,994
Entrance fee	9,200	6,200
Members' savings account	8,530,885	61,039,577
Payable and accruals	792,467	2,432,236
Dividends	(295,260)	(827,200)
Interest on voluntary shares	(1,288,470)	(2,226,746)
CCU Hurricane Relief	-	(14,500)
Special Reserve IFRS	(993,962)	993,962
Share transfer account	49,000	49,000
Reserve	-	(11,000)
Donation	(60,000)	(120,000)
Cash provided by financing activities	25,770,946	73,643,523
(Decrease)/increase in liquid assets	(41,776,909)	48,968,048
Liquid asset at beginning of the year	150,979,187	102,011,139
LIQUID ASSET AT END OF YEAR	**109,202,278**	**150,979,187**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

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New and amended standards effective during the year

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.

IFRIC 23,'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity there is uncertainty over whether the treatment will be accepted by the tax authority. The IFRIC had clarified previously that IAS 12, not IAS 37 'provision, contingent liabilities and assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatment. The adoption of this standard is not expected to have an impact of this company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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

(a) Statement of compliance (cont'd)
New standards, amendments and interpretation not yet effective

The following amendment which is not yet effective and has not been adopted early in these financial statements may not have an impact on the Company's future financial statements:

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are not expected to have any impact on the financial statements of the Institute.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, reliefs will affect companies in all industries. The adoption of this standard is not expected to have a significant impact on the company

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 2019

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, 2019).

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

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

(iv) 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 2019

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:

(e) 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 2019

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

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

(i) 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 2019

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

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

(2) 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].

(g) Comparative information

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

3. CHANGES IN ACCOUNTING POLICIES:

The co-operative initially applied IFRS 16 from January 1, 2019 and a number of other new standards are also effective from January 1, 2019, but they do not have a material effect on the Co-operative's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(b) **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.

(c) **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 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(d) **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.

(e) **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.

(f) **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 2019

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(f) 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.

(g) 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 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(h) **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%

(i) **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.

(j) **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 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(k) **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.

(l) **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 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(m) **Other liabilities**

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

(n) **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.

(o) **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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(o) **Revenue recognition (Cont'd)**

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.

ii) Dividends

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

(p) **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.

(q) **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%.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(r) **Impairment**

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

(i) Calculation of recoverable amount

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. **SIGNIFICANT ACCOUNTING POLICES (CONT'D):**

(r) **Impairment (Cont'd)**

(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.

(s) **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.

(t) **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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICES (CONT'D):

(u) 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.

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 2019

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 2019

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 2019

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 2019

6 **FINANCIAL INSTRUMENTS-RISK MANAGEMENT**

(b) Credit risk

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

Loan at amortise cost:

	2019				2018
	Stage 1	Stage 2	Stage 3		3 Stages
	12-months ECL	Lifetime ECL	Lifetime ECL	Total	Total
	$	$	$	$	$
Impaired Loan losses	2,139,658	413,429	2,001,768	4,554,855	4,164,454

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 2019

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 2019

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 2019

6 FINANCIAL INSTRUMENTS-RISK MANAGEMENT

(a) Significant increase in credit risk (continued)

(b) Credit risk

(iv) Impairment (continued)

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 2019

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 2019

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 2019

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, 2019 and December 31, 2019, 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 2019

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 2019

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 2019

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 2018 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 2019

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 2019

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, 2019				
Members' deposits	172,839,023	104,187,599	-	277,026,622
Members' voluntary Shares	-	-	391,682,668	391,682,668
Payables and accruals	11,159,893	9,638,010	13,515,120	34,313,023
Total financial Liabilities	**183,998,916**	**113,825,609**	**405,197,788**	**703,022,313**
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**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

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 2019

6. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk

	2019				
	Within 3 months $	3 - 12 months $	Over 1- 5 years $	Non-interest bearing $	Total $
Assets					
Cash and bank balances	13,849,737	-	-	-	13,849,737
Liquid assets	95,352,541	-	-	-	95,352,541
Financial investments	-	20,000,000	29,703,116	-	49,703,116
Loans	1,579,633	17,856,378	599,589,751	-	619,025,762
Other assets	2,757,364	428,361	1,222,924	-	4,408,649
Total assets	**113,539,275**	**38,284,739**	**630,515,791**	**-**	**782,339,805**
Liabilities					
Members' deposits	172,839,023	104,187,599	-	-	277,026,622
Members' voluntary Shares	-	-	391,682,668	-	391,682,668
Payables and accruals	11,159,893	9,638,010	13,515,120	-	34,313,023
Total liabilities	**183,998,916**	**113,825,609**	**405,197,788**	**-**	**702,834,813**
Total interest rate sensitivity gap	**(70,459,641)**	**(75,540,870)**	**225,318,003**	**-**	**79,317,492**
Cumulative interest rate sensitivity gap	**(70,459,641)**	**(146,000,511)**	**79,317,492**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

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:

	2019		2018	
	Effect on surplus $000	Effect on equity $000	Effect on surplus $000	Effect on equity $000
- 101 (2018: 101)	(6,966)	(79,562)	(2,184)	(78,916)
+101 (2018: 101)	7,107	81,169	2,185	78,932

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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 2019

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 10% (2018: 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 2019

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

(e) Capital management (continued)

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.

	2019		2018	
	Actual	Required	Actual	Required
	$,000	$,000	$,000	$,000
Total regulatory capital	80,366	78,320	75,905	75,057
Total capital ratio	10%	10%	10%	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 2019

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 2019

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.

	2019 Carrying Value $	Fair Value $	2018 Carrying Value $	Fair Value $
ASSETS –				
Earning assets				
Liquid assets	109,202,278	109,202,278	152,013,202	152,013,202
Financial investments	49,703,116	49,703,116	63,035,792	63,035,792
Loans	619,025,762	619,025,762	530,729,521	530,729,521
Non-earning assets				
Cash in hand and at Bank	13,849,737	13,849,737	16,067,967	16,067,967
Other assets	4,408,649	4,408,649	4,130488	4,130,488
LIABILITIES –				
Interest bearing liabilities				
Members savings' deposit	277,026,622	277,026,622	268,495,737	268,495,737
Voluntary Shares	391,682,668	391,682,668	372,655,582	372,655,582
Non-interest bearing liabilities				
Accounts payable	34,313,023	34,313,023	33,520,556	33,520,556

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. NON-INTEREST INCOME:

	2019	2018
	$	$
Commission	1,568,260	1,626,920
Service charge	5,527,725	4,534,839
Matching Grant	478,947	199,561
Other	9,070	84,747
	7,584,002	6,446,067

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

9 **OPERATING EXPENSES:**

	2019 $	2018 $
PERSONNEL-		
Employee's salaries and statutory contribution	23,060,697	23,603,997
Employee's cost	6,083,050	5,531,244
Education and training	535,479	329,825
	29,679,226	**29,465,066**
ADMINITRATIVE -		
Facilities fees	5,340,000	5,148,732
Depreciation and amortisation	654,110	435,032
Auditing and accounting	840,000	700,000
Office repairs and maintenance	11,450	8,750
Telecommunication	165,372	120,979
Printing, stationery and supplies	627,033	825,113
Insurance premium	3,751,446	3,682,701
Professional and consulting fees	599,999	1,081,500
50th Anniversary provision	600,000	-
Other administrative expenses	2,048,071	1,921,304
Unrecoverable GCT	2,573,317	2,159,903
	17,210,798	**16,084,014**
MARKETING -		
Publicity and promotion	150,000	105,000
Education grant	427,700	439,800
	577,700	**544,800**
REPRESENTATION & AFFILLIATION		
League and other dues	2,915,529	2,330,090
Seminars and meetings	59,200	81,700
Annual general meetings	999,000	992,336
Miscellaneous	146,057	164,183
	4,119,786	**3,568,309**
	51,587,510	**49,662,189**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10a. LIQUID ASSETS:

	2019	2018
	$	$
Earning:		
Jamaica Co-operative Credit Union League Limited		
Cu Cash	95,352,541	134,911,220

10b. CASH IN HAND AND CASH AT BANK:

Imprest	250,000	250,000
Current account	13,599,737	15,817,967
	13,849,737	16,067,967
	109,202,278	**150,979,187**

11. FINANCIAL INVESTMENTS:

	2019	2018
	$	$
Jamaica Co-operative Credit Union Limited		
Cu Premium	-	17,810,806
CUETS settlement fund	868,747	859,677
Jamaica Co-operative Credit Union Limited shares:	5,546,592	5,546,592
Mortgage funds	19,017,454	18,548,395
First Heritage Co-operative Credit Union	24,000,000	20,000,000
Qnet	270,323	270,323
	49,703,116	**63,035,793**

The amounts are due to be recovered as follows:

	2019	2018
	$	$
Within 12 months	20,000,000	20,000,000
Over 12 months	29,703,116	43,035,793
	49,703,116	**63,035,793**

These are carried at cost

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. **LOANS:**

	2019	**2018**
	$	**$**
Balance at beginning of year	534,893,976	531,462,177
Add: disbursements and transfer	319,164,382	287,443,450
	854,058,358	818,905,627
Less: repayment and transfers	(230,477,741)	(284,011,651)
	623,580,617	534,893,976
Less: allowance for impairment losses	(4,554,855)	(4,164,454)
	619,025,762	**530,729,522**

Included in the loan balances are loans to six (6) staff members totaling $9,845,997 (2018 – seven (7) with loan totaling of $10,278,655) and Twenty-nine (25) related party totaling $26,530,556 (2018 – eighteen (18) with loans totaling $29,455,029)
The amounts are expected to be recovered as follows:

	2019	**2018**
	$	**$**
Within 12 months	120,182,909	134,495,604
Over 12 months	503,397,708	396,233,918
	623,580,617	**530,729,522**

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

	2019	**2018**
	$	**$**
Neither past due nor impaired	617,541,686	532,153,266
Past due but not impaired:		
Less than 2 months		726,798
2 to 3 months		-
3 to 6 months	2,006,406	464,357
6 to 12 months	2,937,065	994,600
Over 12 months	1,095,460	554,955
	6,038,931	2,740,710
	623,580,617	534,893,976
Less provision for loan losses	(4,554,855)	(4,164,454)
	619,025,762	**530,729,522**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

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:

	2019			
Months in arrears	Number of accounts in arrears	Delinquent loans	Provision Rate	Statutory loan loss provision
Less than 2 months	79	38,269,906	-	-
2 – 3 months	3	2,006,406	10	200,641
4 – 6 months	4	2,937,065	30	881,120
7 – 12 months	2	222,581	60	133,549
13 months and over	2	872,879	100	872,879
	90	44,308,837		2,088,189

	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. LOANS (CONT'D):

(a) Delinquent loans (cont'd)

The impaired loan losses are $2,460,666 (2018 - $2,873,432) greater than the loan loss provisioning rules of the JCCUL and does not require an additional provision for loan losses to Reserve:

	2019 $	2018 $
Impaired loan losses IFRS 9	4,554,855	4,164,454
Loan loss provision rule of the JCCUL	2,088,189	1,291,022
	2,466,666	**2,873,432**

13. OTHER ASSETS:

	2019 $	2018 $
Prepayments (i)	991,844	1,016,280
Interest receivable - League	-	40,250
ATM float receivable	1,034,016	1,034,016
Interest receivable - Mortgage	2,193,882	1,851,035
Withholding tax	188,907	188,907
	4,408,649	**4,130,488**

(i) Prepayments include the sum of $433,542 (2018: $441,746) which represents deposits on software maintenance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. **Property, plant and equipment:**

	Furniture & Equipment $	Computer $	Total $
Cost -			
1 January 2017	449,724	2,428,137	2,877,861
Addition	-	(676,506)	(676,506)
Balance at December 2018	449,724	1,751,631	2,201,355
Disposal	-	-	-
Balance at December 2019	449,724	1,751,631	2,201,355
Depreciation and impairment losses-			
1 January 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
Charge for the year	-	175,163	175,163
Balance at December 2019	348,974	1,563,512	1,912,486
Carrying amount -			
31 December 2019	**100,750**	**188,119**	**288,869**
31 December 2018	**100,750**	**363,282**	**464,032**
31 December 2017	**212,252**	**487,251**	**699,503**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14a. Intangible Property, plant and equipment:

	Software $
Cost -	
Balance at December 2017	2,145,292
Addition	1,436,841
Balance at December 2018	3,582,133
Addition	-
Balance at December 2019	3,582,133
Depreciation and impairment losses-	
1 January 2017	2,144,292
Charge for the year	199,561
Balance at December 2018	2,343,853
Charge for the year	478,947
Balance at December 2019	2,822,800
Carrying amount -	
31 December 2019	**759,333**
31 December 2018	**1,238,280**
31 December 2017	**1,000**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. INTEREST BEARING LIABILITIES:

	2019 $	2018 $
(a) Members' savings deposit-		
Balance at beginning of year	268,495,737	207,456,160
Add: Deposit and transfer	2,130,685,943	2,193,659,695
	2,399,181,680	2,401,115,855
Less: Withdrawal and transfers	(2,122,155,058)	2,132,620,118
	277,026,622	268,495,737
(b) Voluntary shares-		
Balance at beginning of year	372,655,582	360,333,588
Add: Deposit and transfer	138,986,126	128,405,925
	511,641,708	488,739,513
Less: Withdrawal and transfers	(119,959,040)	(116,083,931)
	391,682,668	372,655,582
	668,521,790	**641,151,319**

16. ACCOUNTS PAYABLE:

	2019 $	2018 $
Accruals (i)	16,102,036	16,320,442
Payables (ii)	13,747,713	13,416,609
Other	4,463,274	3,783,505
	34,313,023	**33,520,556**

(i) Included in accruals is a provisional amount for 50^{th} anniversary of $600,000, staff incentive of $4,145,656 and interest on voluntary shares of $6,030,914

(ii) Included in payable is an amount for unclaimed shares of $3,543,844, GFS loan fund of $1,276,278, GK loan fund of $566,946, TTECH fund of $3,022,500, fixed deposit accruals of $964,887, World Brand Loan fund of $991,696 and standing order of $2,808,629.

(iii) Included in other payable is a balance of funds received from JACCUL for software development of $2,540,035

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

17. MEMBERS' SHARE CAPITAL:

	2019 $	2018 $
Members' share capital	2,186,000	2,137,000

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

18. NON-INSTITUTIONAL CAPITAL:

	2019 $	2018 $
Special reserve	785,736	785,736
Education reserve	214,793	214,793
Special reserve – IFRS 9	-	993,962
Share transfer reserve	89,000	86,000
Unclaimed share reserve	169,914	169,914
	1,259,443	2,250,405

19. INSTITUTIONAL CAPITAL:

	2019 $	2018 $
Statutory Reserve balance at beginning of year	61,630,549	57,219,622
Current year transfers	1,884,221	4,410,927
	63,514,770	61,630,549
Entrance fees balance at beginning of year	27,088	20,888
Additions	9,200	6,200
Entrance fees	36,288	27,088
	63,551,058	61,657,637

		2019	2018
20	Capital revaluation reserve	6,431,394	6,431,394

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

21. RELATED PARTY TRANSACTIONS AND BALANCES:

At December 2019 nine (9) members of the Co-operative Board of Directors and ten (10) Committee Members and connected Parties had shares and savings of $21,248,410 (2018 - $29,455,029) and loans excluding interest totaling $36,376,554 (2018 - $21,627,446).

Loans excluding interest due from members of staff totaling $9,845,997 (2018 - $10,278,655).

During the year no Director or Committee Members received any loan which necessitated waiver of the loan policy. At December 2019, 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 $1,940,143 (2018 - $1,820,435)

23. BONDING INSURANCE:

Bonding insurance was in force for the year under review.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

24. TRANSFER AND APPROPRIATION:

	2019 $	2018 $
Statutory appropriation	2,878,183	4,371,015
Share transfer account	(3,000)	11,000
Dividend on shares and deposits	295,260	827,200
Voluntary shares	1,288,470	2,226,746
CCU Hurricane Relief	-	14,500
Donation	60,000	120,000
	4,518,913	**7,570,461**

25. COMPARISON OF LEDGER BALANCES:

	Voluntary Shares $	Permanent Shares $	Deposits $	Loans $
Balance as per general ledger	391,682,668	2,186,000	276,839,122	623,393,117
Balance as per members' ledger	391,682,668	2,186,000	276,839,122	623,393,117
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

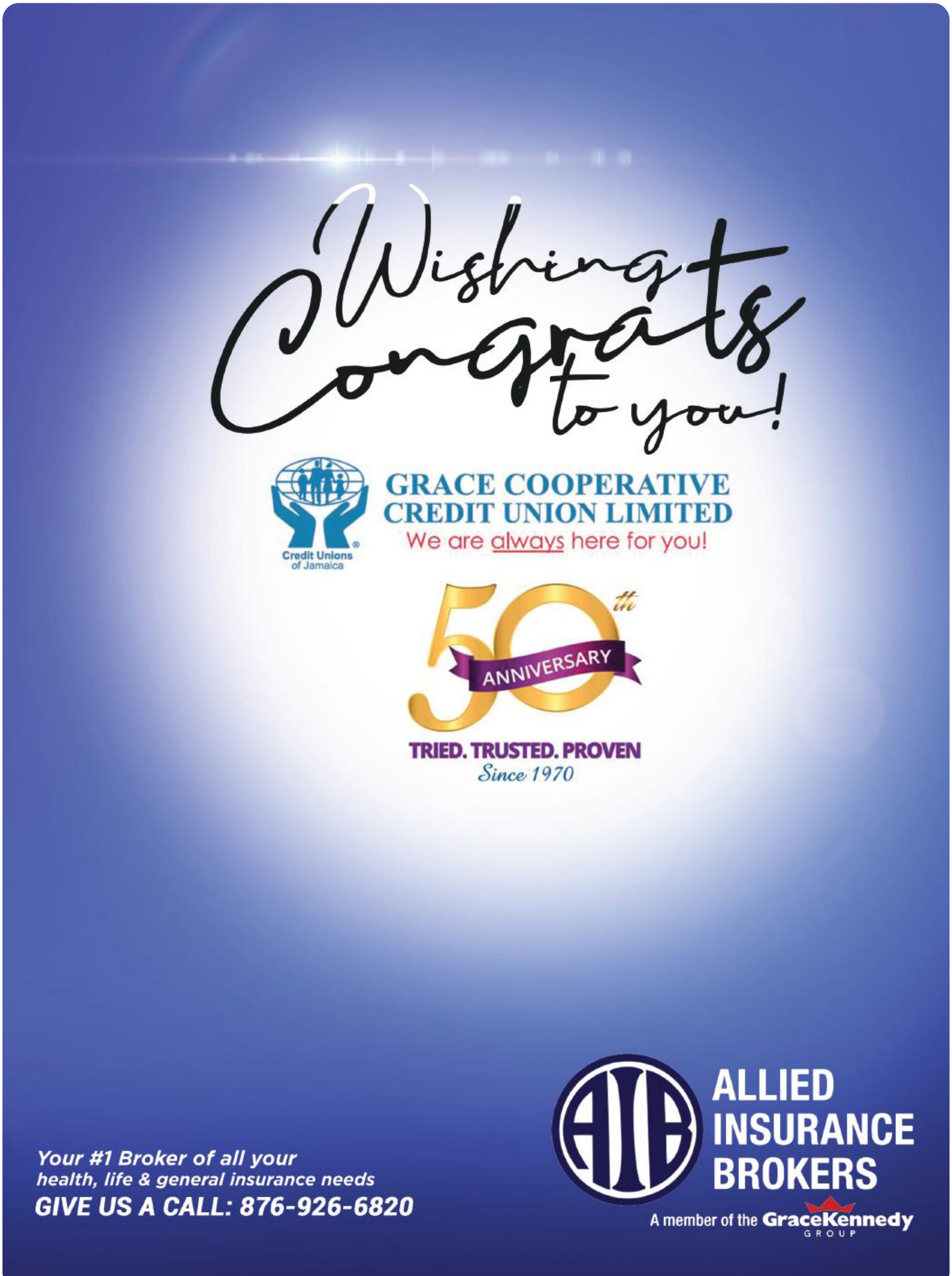
		2019	
	$		$
Surplus December 31, 2019			7,036,759
Less: Statutory Reserve booked in 2018	1,407,352		
			(1,407,352)
Surplus			5,629,407
Add: Undistributed Surplus 1st January 2019		1,300,449	
Additional projected for distribution 2018	2,128,543		
Actual distribution 2018	(2,120,599)		
		7,944	
			1,308,392
Available for Distribution			**6,937,799**
Less:			
Additional 20% Statutory Reserves	1,407,352		
Dividend on Permanent Shares @ 15%	327,900		
# of shares 2,186,000			
Additional Interest to be distributed (2.8%)	3,612,069		
Donations	60,000		
			5,407,321
Undistributed Surplus Carried Forward			**1,530,479**

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


Wishing Congrats to you!
GRACE COOPERATIVE CREDIT UNION LIMITED
We are always here for you!
Credit Unions of Jamaica
50th ANNIVERSARY
TRIED. TRUSTED. PROVEN
Since 1970
ALLIED INSURANCE BROKERS
A member of the GraceKennedy GROUP
Your #1 Broker of all your health, life & general insurance needs
GIVE US A CALL: 876-926-6820

TEAM MEMBERS

Hope Mowatt
General Manager

Makeda Scott
Accountant

Alicia Williams
Accounting Officer

Chantal Hall
Accounting Clerk

Dushaine Carty
Accounting Clerk

Camille Cadogan
Senior Loan Officer

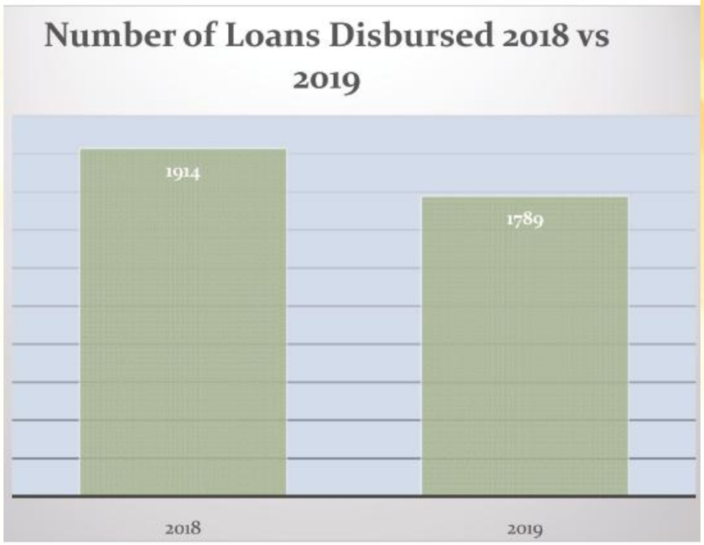
Monique McLean
Loans Officer

REPORT OF THE CREDIT COMMITTEE

for the period ending 31st December 2019

COMMITTEE MEMBERS:

Damian Lovelace	-	Chairman
Maria Lewis	-	Secretary
Natalie Billings	-	Member
Kerian Nepal-Haughton	-	Member
Hortense Gregory-Nelson	-	Member

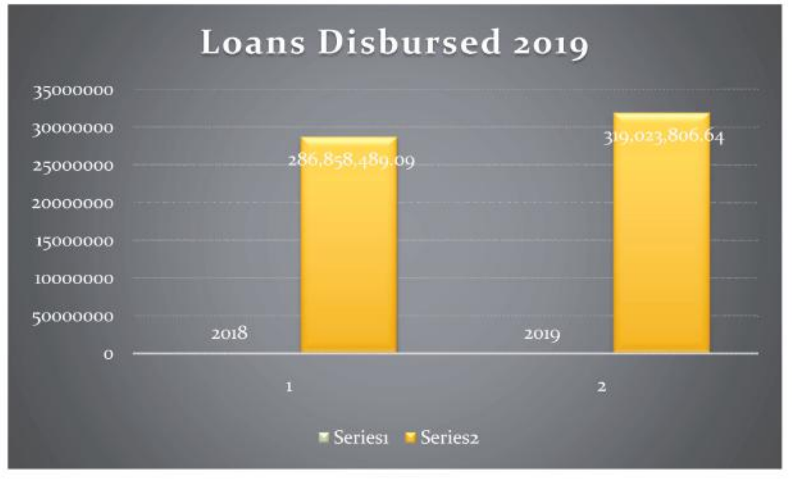


LOAN DISBURSEMENTS - YTD (#):

A total of 1789 loans were disbursed year to date ending December 31, 2019. This represents a decrease of 125 new loans or a reduction of 7% fewer loans disbursed over the same period in the previous year 2018 which was 1914 loans.

For the month of December 2019, a total of $35.22m was disbursed from 156 loans. As at the said period 2018, a total of $30.13m was disbursed from 144 loans. This represents an 8% increase in number of new loans when compared to December 2018.

LOAN DISBURSEMENTS - YTD ($):



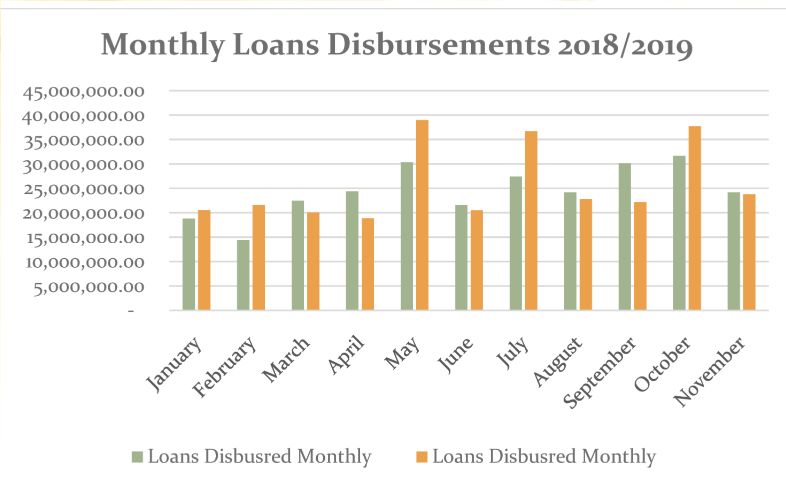
The total value of loans disbursed YTD amounted to $319.02m, while for the same period last year the value of loans disbursed was $286.86m. This reflects an increase of approximately $32.17m or 11.21% increase over the amount disbursed in 2018.

LOAN DISBURSEMENTS (month by month):

For the Financial Year 2019, there was an overall increase in the value of loans approved by the Credit Union in comparison to 2018. A total of $319.02m was disbursed in 2019 compared to $286.86m in the corresponding period 2018. January, February, May, July, October and December all showed increase with March, April, June, August, September and November showing decline in the amount disbursed month over month. Motor Vehicle loans continue to dominate the categories with $128.71m YTD, showing a growth of $5.23m or 4.24% year over year. Personal Needs increased 13.57% in 2019 from $53.33m (2018) to $60.57m (2019). Debt Consolidation has also showed significant growth year over year with $42.85m disbursed in 2019 compared to $24.19m in 2018.

REPORT OF THE CREDIT COMMITTEE cont'd

This general trend is shown in the diagram below:



The overall increase in the loans portfolio during 2019 were due to the increased demand for Personal Needs Loans, (increased 13.57%), Motor Vehicle loans (increased 4.2%), and Debt Consolidation (increased 77.21%). These were the major categories which contributed to the stronger weakened performance.

We need to continuously monitor our loan portfolio position and adjust our rates and product offering to ensure our continued viability in supporting our members.

PORTFOLIO CATEGORIES

Motor Vehicle Purchase, Personal Needs, Debt Consolidation Home Improvement and Repairs, Consolidation of Debt, and Education Expenses continue to be the top performers in the loan portfolios of the Credit Union.

The Credit Committee Report for December 2019 shows that Motor Vehicle Purchases capped the portfolio in dollar value with disbursements valued at $128.71m, an increase of 4.2% year over year.

Personal Needs loans were second with $60.571m disbursed for the period compared to $53.31m in 2018. This represents a 13.57% growth year over year, despite fewer number of loans disbursed in 2019 (933) vs 2018 (1003).

Loans for Debt Consolidation out performed all other category with 77.21% increase year over year. Disbursed amount increased from $24.18m in 2018 to $42.85m in 2019.

Home Improvements and Repairs loans were up 9.38% YTD with disbursements totaling $26.59m in comparison to $24.31m last year.

The Loan Category showing significant growth YTD was Technology loans with 579.99% growth year over year. It grew from $623,923.00 to $4,242,628.05.

REPORT OF THE CREDIT COMMITTEE cont'd

Damian Lovelace
Chairperson

Maria Lewis
Secretary

Hortense Gregory-Nelson

Natalie Billings

GENERAL

The credit union must continue to find creative ways to secure its income by attracting more loans and investment from members, despite sharp competition from other related entities.

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

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

Damian Lovelace
Credit Committee - Chairperson

REPORT OF THE SUPERVISORY COMMITTEE

for the year ended 31st December 2019

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:

- Ms. Angela Lawrence - Chairman ***(Photo Missing)***
- Mr. Robert Arthurs - Secretary
- Ms. Camille Smith - Member
- Mr. Kevin Webster - Member
- Ms. Kamara Moodie - Member

The Audit Plan was not achieved as there were no audits conducted by Centralised Strategic Services (JCCUL).

However, the Supervisory Committee reviewed the loan applications made during the period under examination and is satisfied that the relevant criteria were met.

All audit findings that were generated from various reviews during the period were cleared except for one related to the Appointment of a Nominated Officer. This item is currently being tracked by the Supervisory Committee.

Despite challenges experienced during the year the Committee continues to execute its functions and looks forward to continued service to enhance the work of the Grace Co-op Credit Union.

We are satisfied that the Credit Union has established practices and procedures sufficient to safeguard the members' assets and abide by the laws and regulations that governs the Credit Union's operation.

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.

Ms. Angela Lawrence
Chairman

Robert Arthurs
Secretary

Camille N. Smith

Kamara Moodie

Kevin Webster

50th ANNIVERSARY
TRIED. TRUSTED. PROVEN
Since 1970

Leads off 50th Anniversary Celebrations with Special Devotion

Team Power! *Hope Mowatt (3rd left), GCCU's GM, is joined by some team members (from left) Chantal Hall, Loan Officer; Makeda Scott, Accountant; Camille Cadogan, Senior Loan Officer; Monique McLean, Loan Officer, and Alicia Williams, Accounting Officer. Missing from the photo is the 'new kid on the block' Dushaine Carty, Accounting Clerk.*

Tried. Trusted. Proven. Since 1970. This is the theme under which the Grace Cooperative Credit Union (GCCU) is celebrating its golden anniversary this year.

To lead off the celebrations, GCCU hosted an early morning devotion in the lunchroom of GraceKennedy Limited at 73 Harbour Street, downtown Kingston on February 3, the date it was established 50 years ago.

Katrina D'Aguilar, of the Jamaica Co-operative Credit Union League (JCCUL) served as moderator for the Anniversary Devotion. The President of the current board of GCCU, Jerry Hamilton, welcomed all and delivered his greetings and congratulations.

CEO of GraceKennedy Financial Group (GKFG), Grace Burnett, was one of several other speakers who addressed the capacity-filled room. Mrs Burnett said the relationship with the credit union movement was a personal one for her as it facilitated her early acquisition of household furnishings.

A Gift For You - GCCU's Accountant Makeda Scott (right) presents flowers and a gift basket to Reverend Dr. Odette Malcolm.

She also pointed out that she served on GCCU's board for several years. She lauded the staff members of the credit union whom, she said, were "doing a formidable job, packing a punch far above their weight."

Winston Fletcher, President of JCCUL and the Caribbean Confederation of Credit Unions (CCCU), brought greetings on behalf of his Board. In his remarks, he paid tribute to GCCU's founders, the leadership of the board and management team, and the volunteers whom he said, were not paid, "Not because they are worthless, but because they are priceless." He noted that as an organization, GCCU had come a long way. He shared that when GCCU started out in 1970, it had 63 members and the princely sum of $1,898.50 in savings. He compared that to the GCCU's current position - 2,283 members, a savings portfolio of $671M, a loan portfolio of $623M and an asset base of $ 783M. "You have done extremely well. You have not only survived the times, but you have shown remarkable growth," he said.

Reverend Dr. Odette Malcolm gave the main presentation. She used the story of the Moses in the Bible to illustrate the tenets of good leadership and all its requirements while underscoring the important point that "Through God all things are possible." She exhorted the gathering to find time and share words of encouragement in workplaces, in communities, and at home.

GCCU's General Manager, Hope Mowatt, gave the closing message during which she paid tribute to her hard working team. In a truly Jamaican fashion, she noted that her team was "Likkle but we tallawah!"

***Time For Cake** - Errol McHayle, one of GCCU's first members, and Hope Mowatt cutting the 50th anniversary cake.*

Former GMs All In A Row *- Three former general managers of the GCCU attend the devotion, in show of their support. From left are Althea Daley, Colleen Richardson, and Clivia Green.*

To bring the event to a close, Ms. Mowatt invited Errol McHayle, one of GCCU's first members, to join her in the cutting of a special 50th anniversary cake.

The devotion was attended by Alvin Lee, who along with the late Hon. Dr. Carlton Alexander started the Grace Co-op Credit Union. Also in attendance were three former General Managers, Clivia Green, Colleen Richardson, and Althea Daley; former President of GCCU and JCCUL, Joe Taffe, several retirees including Carrol Christian, Claudette Facey Redwood, and Mazie Miller, as well as current GK employees and other members.

The Aksent Band delivered inspiring musical selections during the devotion.

ATTENDANCE REGISTER

50th Annual General Meeting - June 12, 2019

1. Clover Nelson
2. Angella Powell Gayle
3. Peta-Gay Lewis-Smythe
4. Marsha Evans
5. Almon Mills
6. Delton McKenzie
7. Michael Harrison
8. Violet Thompson
9. Fitzroy Blake
10. Clifton Wright
11. Vinnette Williams
12. Cleveland Wright
13. Robert Arthurs
14. Andrew Coulton
15. Samuel Shelton
16. Judith Mcgowan
17. Shanna-Gay McLean
18. Marcia Wilson
19. Marjorie Godfrey
20. Nadine Butler
21. Natalee Tullonge
22. Michelle Mason
23. Andrene Clarke
24. Stephen Fearon
25. Yanique Clarke
26. Judy-Ann Wright
27. Veronica Williams
28. Kerian Haughton
29. Terrian Fraser
30. Monique Morgan-Thomas
31. Nordia Beckford
32. Shelly James
33. Melissa Grey
34. Vynter Lothian
35. Selvin McPherson
36. Waynette Brown
37. Monique Williams
38. Crystal Gayle Williams
39. Camille N. Smith
40. Ayesha Cooke
41. Aggrey Palma
42. Shereen D'Aguilar
43. Lance Baley
44. Randy Anderson
45. Konica Fullerton Brown
46. Charlene Campbell
47. Nadaria Headlam
48. Deighton Christian
49. Jean Grant
50. Chantal Hall
51. Jahmelia Smith
52. Jodi-Ann Harris
53. Kaydene Desilva
54. Michael Martin
55. Omaine Miller
56. Dorothy Turner
57. Alexis Cornwall
58. Ayen Crooks
59. Landell Harrison
60. Maranda Suckoo
61. Karen Mussington
62. Ingrid Medwynter
63. Aliya Reid
64. Ricardo Smith
65. Jerry Hamilton
66. Angella Black
67. Latoya Adjetey
68. Franceta Clayton
69. Hope Kerr
70. Sherene Nooks-Samuels
71. Claudette Facey Redwood
72. Camille Cadogan
73. Marlene Wilson
74. Christtopher Bond
75. Trevor Fuller
76. Latoya Palmer
77. Makeda Scott
78. Shanique Plummer
79. Kevin Chang
80. Maria Lewis
81. Sandra Todd
82. Mikhaila Lewars
83. Lorne Phillips
84. Stanley Beckford
85. Kevin Webster
86. Shauna Douglas
87. Kaydonna Stephenson
88. Keisha Forrest-Meek
89. Allan Marsh
90. Tishan Riley
91. Sharon Wellington
92. Karlene Burgess
93. Ermin Lim Sang
94. Michelle Wong
95. Matthew Cole
96. Winsome Anderson
97. Dervin Grant
98. Kanhai Mowatt
99. Terry-Ann Grant-Thompson
100. Cleon Edwards
101. Luther King
102. Jasmin Farmer
103. Monique Alsol
104. Kristen Clarke
105. Natrecia Daley
106. Natalie Billings
107. Micheal Thompson
108. Angella Lawrence
109. Natalie Anglin
110. Petheriana Latty
111. Christine Davidson
112. Dionne Rhoden
113. Erica Hayden
114. Monique Mclean
115. Dwayne Harvey
116. Rene Wynter
117. Veronica Wade
118. Veronica Ralliford
119. Eric Mardner
120. Joseph Thompson
121. Charmaine Creary
122. Lurline Cummings
123. Alicia Williams
124. Arieta Henry
125. David Dean
126. Gilroy Graham
127. Damian Lovelace
128. Michelle Peter Mullings
129. Kamaal Johnson
130. Richard Riley
131. Ian Carlyle
132. Mazie Miller
133. Ashlee Gray
134. Denise Darlington
135. Dale Bekford
136. Orville Levene
137. Hope Mowatt

CONTACT PERSONS LIST

COMPANY	NAME
Hardware & Lumber Limited	Ms. Hyacinth Brown
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	Mrs. Melissa Edwards-Mitchel
First Global Bank	Ms. Judene Josephs
GFP Canning	Ms. Hyacinth Alexander
National Processors Ltd.	Ms. Hyacinth Alexander
GFP Meat	Ms. Natalie Vidal
Grace Foods International	Ms. Orlean Mears
Grace Foods Central	Ms. Orlean Mears
Gateway Shipping International	Mr. Loxley Tulloch
GraceKennedy Remitance Services	Mrs. Lorraine Barclay
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. Marcia Dailey
Kingston Freeport Terminal Limited	Ms. Dianne Goban
Corporate Communication	Ms. Dionne Rhoden
Corporate HR Dept.	Ms. Karlene Burgess
GK Financial Group	Mrs. Cavel Satchell
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 Limited	Mr. Kenny-Dee Bryan
Key Insurance Company Ltd.	Ms. Kaydene Desilva

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;
And where there is sadness, joy.

O Divine Master,
Grant that I may not so much seek;
To be consoled as to console;
To be understood, as to understand;
To be loved, as to love;
For it is in giving that we receive,
It is in pardoning that we are pardoned,
And it is in dying that we are born to Eternal Life.

Notes

GRACE FOOD PROCESSORS

(a Division of GK Foods and Services Limited)

Home of EXCELLENT QUALITY PRODUCTS

Another **GraceKennedy** Factory

Tastee™
CHEESE
Delicious
Real Jamaican Flavour Fi True!
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KEEP REFRIGERATED AFTER OPENING
Tastee
CHEESE
PROCESSED
CHEDDAR CHEESE
PROCESSED
CHEDDAR
CHEESE
Manufactured by Dairy Industries (Ja. Ltd.)