



GATEWAY CO-OPERATIVE CREDIT UNION (2017) LTD.



"Opening The Way To Your Financial Success"

ANNUAL REPORT 2017



Our Vision

To be the premier financial institution, by empowering our members for success through innovative products and services.

Mission

To empower our members by providing excellent service and sound financial guidance to create partnerships that will result in prudent, progressive and competitive business decisions, yielding mutual success.

Core Values

- We are open, honest, and accountable to our stakeholders
- Team members are committed to the organization's success and sustainability
- We actively engage in community development
- We are committed to the social and economic development of our members.
- Team members' well-being is highly valued.
- We foster a friendly and professional environment in which to conduct business
- We celebrate success
- We reward performance
- We see our members as family
- We are committed to service excellence
- We can be relied on for our financial stability and security



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Notice

**GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
6 SAM SHARPE SQUARE, MONTEGO BAY, ST. JAMES**

NOTICE IS HEREBY GIVEN

That the first (1st) Annual General Meeting of the Gateway Co-operative Credit Union (2017) Limited will be held at the Noel Fraser Auditorium West Jamaica Conference Centre Mount Salem Main Road on **Thursday September 27, 2018 commencing at 5:00 p.m.** for the purpose of considering and if thought fit, passing the following:

1. That the Credit Union's Financial Statements for the year ended December 31, 2017 together with the reports of the Board of Directors, Treasurer, Credit Committee and Supervisory Committee be adopted.
2. To elect Volunteers to the Board of Directors, Credit and Supervisory Committees.
3. To consider any other business which may properly be transacted at an Annual General Meeting.
4. To seek to amend Article VII Rules Nos. 31(I), 32 and Article XXII Rule 76

Signed this 27th Day of August 2018

.....
Rodcliffe Robertson
Secretary

**NB. -Registration begins at 4pm.
-Please take along your AGM booklet.
-Refreshments will be served.**



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Agenda

Thursday September 27, 2018

- | | | | |
|-------|----------------------------------|---|-----------------------------|
| 1. | Procession of Volunteers | - | <i>All Volunteers</i> |
| 2. | Ascertainment of Quorum | - | <i>Registrar</i> |
| 3. | Call to Order | - | <i>President</i> |
| 4. | Notice of Meeting | - | <i>Secretary</i> |
| 5. | Prayers | - | <i>Rev. Glenroy Clarke</i> |
| 5.1. | Prayer of St Francis of Assisi | | |
| 6. | Welcome and Apologies | - | <i>Secretary</i> |
| 7. | Chairman's Opening Remarks | - | <i>President</i> |
| 8. | Board of Directors Report | | |
| 9. | Financial Reports | - | <i>Treasurer</i> |
| 10. | Supervisory Committee Report | - | <i>Committee Chairman</i> |
| 11. | Credit Committee Report | - | <i>Committee Chairman</i> |
| 12. | Nominating Committee Report | - | <i>Committee Chairman</i> |
| 12.1. | Election of Board and Committees | | |
| 13. | Resolutions | | |
| 13.1. | Fixing of Maximum Liabilities | - | <i>Treasurer</i> |
| 13.2. | Distribution of Surplus | - | <i>Treasurer</i> |
| 14. | Any Other Business | - | <i>President</i> |
| 15. | Termination | | |
| 16. | Give-a-ways | - | <i>Marketing Department</i> |

Board of Directors



FRONT L-R: Lambert Johnson – President, Bryce Grant, Horace Smith – Treasurer, Rodcliffe Robertson – Secretary
BACK L-R: Rev. Glenroy Clarke – Vice President, Rev. Cleveland Parker – Asst. Secretary, Alfred Graham – Asst. Treasurer, Vincent Rose, Synandre Montaque-Dwyer



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BOARD OF DIRECTORS PROFILE

Mr. Alfred George Graham - JP

Mr. Alfred Graham is a Justice of the Peace and is from the parish of Hanover. He holds a Bachelor's Degree with Honors in Accounting and Finance, ACCA Certification (Advance Diploma Accounting & Business) and was trained at the Institute of Management & Production in Information Technology and Application Packages. Further certification from UTECH in Business & Corporate Planning was obtained.

He worked in the Public and Private sector in various positions such as; Financial Controller, Senior Accountant and Secretary Manager. He is affiliated with various groups such as; The Rotary Club of Lucea, Hanover Police Civic Committee, UDC Negril Advisory Committee, Hanover Co-operative Credit Union Ltd, Green Island High School Board and Gateway Co-operative Credit Union Ltd.

Mr. Lambert Johnson - Attorney-at-law

Mr. Johnson is an Attorney and the founder of Johnson & Company Attorneys-at-law. He holds a Bachelors of Law (Honors) and certificate of Legal Education. Further education was obtained with University of Technology in Real Estate Salesman and Real Estate Dealers courses.

His Professional experiences ranges from Attorney, Director of Platinum Properties Limited, Crown Counsel in the office of the Director of Public Prosecutions and St. James Resident Magistrate's Court Clerk of the Courts.

Mr. Johnson's expertise stemmed from Commercial Law, Company Formation, Family Law, Conveyancing, Succession Planning, Criminal Law and Legal Opinion Writing. He is a former Director of the Montego Co-operative Credit union, Board Member of the Godfrey Stewart High School and currently, President of Gateway Co-operative Credit Union Limited.

Mr. Johnson is a member of Toastmasters International, Cornwall Bar Association and Advocates Association.

Mr. Bryce Grant

Mr. Grant is presently employed to the St. James Municipal Corporation as Superintendent in charge of Roads & Works. Previous work experience include: Building Officer & Deputy Superintendent at Hanover Parish Council and Teacher at Lucea Primary School.

Mr. Grant has a Bachelor's of Science in Construction Engineering and Management with further qualification in Construction Management, Architectural Technology, Integrated Coastal Zone Planning & Management, Environment and Sustainable Development and Civil Works.

His interest spans from Board Member, Lucea SDA, Member of JFF Disciplinary Committee, Director of Gabe Designers & Contractors Ltd, Director of Hanover Pre & Preparatory School, Board of Governance Rusea's High School, Hanover Co-operative Credit Union Ltd and Director of Gateway Co-operative Credit Union Ltd.



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Rev. Glenroy Clarke Jr.- J.P

Reverend Glenroy Clarke is a Minister of Religion for the Lucea United Church with professional experience as a Mediator, Marriage Officer, Lecturer, Motivational Speaker and Counselor.

Reverend Clarke holds a Master of Science in Social Psychology, Bachelor of Science in Theology and Post Graduate Studies in Politics of Moral Order. He also has certification in Social Work and HIV/AIDS Counseling, Leadership Group Dynamics, Public Speaking, Counseling and Consulting Psychology.

His core competences are encompasses Team Leadership and Training, Community Outreach, Conflict and Dispute Resolution, Counseling and Coaching, Operations Management and Social Work. He has served on over thirty five Boards some of which he is still a member/Chairman/Director.

Mr. Vincent Rose

Mr. Rose started his professional career as a Senior Accountant, both in the public and private sector, and has also contributed for Non-profit/NGOs in various accounting positions from Accountant to Financial Controller. He has lectured at various institutions in the field of Accounting and Business.

He further served as volunteer member and chairman on various boards including Montego Bay Co-op and now Gateway.

Mr. Rose presently operates his own business in computer supplies and also offers Accounting & Consultancy services.

Mr. Horace Smith

Mr. Smith is an Accounting Consultant with Sunset Group. He has previous experience as Group Accountant, Internal Auditor, and Financial Controller with various companies including the hotel industry.

He presently holds a Bachelor of Science in Accounting at the UWI Mona and a Diploma in teaching from Mico Teachers College in Mathematics and General Science. He is also a member of the Shortwood Baptist Church as a Deacon, Treasurer and Choir Director.

Mr. Smith serves as a volunteer on the Gateway Board as a Treasurer with special skills and working knowledge of accounting packages to the extent of preparing final accounts.

Mrs. Synandre Montaque -Dwyer

Mrs. Dwyer is presently the Associate Dean – Workforce Development & Continuing Education at the Montego Bay Community College. She also served in other capacities such as Acting Director of Procurement, Acting Senior Lecturer & Lecturer at same institution.

She holds a Master of Business Administration, majoring in Finance from the University of Technology, a Bachelor of Science in Computing and Information Technology, with Honor and a Post Graduate Diploma in Education and Training.

Mrs. Dwyer serves as a volunteer in various capacities ranging from Board Director, Chairman Member & Founder for several Institutions. In addition she has extensive training and certification in other professional fields.



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Mr. Rodcliffe Robertson

Mr. Rodcliffe Robertson has served the Credit Union Movement in Jamaica for just under twenty-five years. He was one of the founding volunteers of the NCB Employees' Co-op Credit Union in the early 1990's. He later served to Hanover Co-op Credit Union as a Director, Assistant treasurer and then President. His services to the movement then took a national turn where he served to Jamaica Co-op Credit Union League and its subsidiaries as follows:

- **JCCUL Director 2010 to 2016**
- **JCCUL Director/Secretary 2012 - 2016**
- **Centralized Strategic Service Limited Vice Chairman - 2011 - 2015**
- **JCCUL HR Committee Chairman - 2011 - 2016**

His services to Hanover Co-op continued into the merged entity which is now Gateway Co-op Credit Union.

Mr. Robertson has had an extensive career in Commercial Banking at NCB Jamaica Limited. He has also served as training consultant to the Bank of St Vincent and the Grenadines (Formerly NCB SVG). His training and conference presentations extended to countries such as Cuba, The Bahamas, Barbados, USA, Turks and Caicos, Mexico and Dominican Republic.

Volunteerism is his heartbeat as he continues today to serve as :

- **Chairman - Board of management of Godfrey Stewart High School**
- **Vice Chairman - Board of management of Montego Bay Community College**
- **Chairman - Business Advisory Board, School of Hospitality and Tourism MBCC**

Robertson is Human Resources and Business Development Consultant with vast experiences in hotel and tourism, transportation and tours, business process outsourcing and general corporate leadership training. He is an active partner at trumpet call Ministries International. He is married and fathers 3 daughters and a son.

Cleveland Oliver Parker

Cleveland Oliver Parker is an avid, persistent and committed individual, committed to serve.

Oliver the last ten years he has been engaged at the Consumer Affairs Commission (CAC), an aggrieved of the ministry of Industry, Investment & Commerce. His core function is to assist aggrieved consumers with their marketplace disputes and advise them on their consumer rights and responsibilities as provided by the Consumer Protection Act of 2005. Additionally, his role includes but is not limited to assisting with market research and the Commission's outreach activities to bring awareness to the wider community as it relates to work of the commission. Critically, he maintains a passion in fostering ethical relationships between providers and users of goods and services. It is his strong belief that the communication of information to consumers and vendors alike in the long run will aid in creating a population of knowledgeable, vigilant, assertive and discriminating consumers.

Cleveland Parker is driven to serve by the realization that's impacting the lives of others is high among the greatest contribution anyone can make to humanity.

During his stint working at the Consumer Affairs Commission which started out on a part-time basis, he worked at the Electoral Office of Jamaica (EOJ) as Assistant Returning Officer (ARO) and after two years in that position was



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appointed the Returning Officer for the St. James, East Central constituency office, help monthly meetings with political representatives where they were updated on the progress of continuous registration and verification of electors and their addition to the voters list and when called or due, preparation for elections as well as whatever activities were being conducted at any given time.

Cleveland Parker also serves the community as a justice of the peace since 2001. He served for seven years as assistant pastor of Teamwork church and since 2011, has been serving as pastor.

His service to Credit Union Movement started many years ago when he was nominated to serve on the Credit Commerce of the former Montego Co-op Credit Union Ltd.

He served in the following capacities:

1. Chairman of the Credit Committee
2. Board of Directors
3. Assistant Secretary of the Board
4. Secretary of the Board
5. Member of the Merger Steering Committee that successfully negotiated the merger of Montego and Hanover Credit Unions to form Gateway Co-op Credit Union (2017) Ltd.
6. Director, Gateway Co-op Credit Union (2017) Ltd.

Report *of The* Board of Directors



OVERVIEW

It is with pleasure that we present the inaugural report of the interim Board of Directors for your Credit Union, Gateway Co-operative Credit Union (2017) Limited; having just completed its first year of operation since the merger of Montego Co-operative and Hanover Co-operative Credit Unions effective January 1, 2017.

The Jamaica economy in 2017 saw inflation ending the year at 5.2% with a general reduction in interest rates and a stable exchange rate. The Net International reserve ended 2017 at US\$3.2Bn representing approximately 27 weeks of imports. All indications are that the government is promoting growth and we expect the same trend to continue in 2018.

Gateway, in the economic condition described above, returned a healthy net surplus of \$133.87M for its first year of operation amidst the many and expected challenges post any merger exercise.

We are pleased with the results which have provided a good platform to meet the implementation of the new IFRS 9 accounting standard which all financial institutions have to adopt effective January 1, 2018 and the imminent regulation of Credit Unions by Bank of Jamaica. The former will call for increased loan provisioning and the latter for meeting regulatory capital standards.

The abovementioned financial performance is a clear indication that the decision to merge both credit unions was a sound one.

OPERATING PERFORMANCE

The table below reflects our percentage growth for 2017 in our core operational areas when compared to the credit union movement overall.

Areas	Jan. 1, 2017	Dec. 31, 2017	Gateway Growth %	Movement Growth %
Savings	\$4.88Bn	\$5.54Bn	13.5%	9.8%
Loans	\$3.28Bn	\$4.12Bn	25.6%	12.6%
Total Assets	\$6.10Bn	\$7.08Bn	16.0%	8.8%
Net Surplus	-	\$133.87M	n/a	n/a
Capital Adequacy	10.8%	12.5%	-	-
Membership*	56,127	58,080	3.5%	(1.3%)

Gateway percentage growth in all areas exceeded those when compared to the movement.

The growth in our loan portfolio of 25.6% is worthy of mention when compared to the movement's 12.5%.

GATEWAY – THE FUTURE

Gateway will be using technology to deliver its products and services to its members in a very efficient and effective manner. We recently brought our ATM online and will be moving towards establishing internet banking by the end of 2019, with mobile banking in view. The ultimate, however, is to be able to facilitate intra and inter transactions with other credit unions and financial institutions.

In addition to the above, we have purchased a drop box for the Sam Sharpe Square location to assist in reducing the long lines in the credit union hall. We have commenced renovations of the Sam Sharpe Square branch to provide additional space for you, our members, to conduct your business in comfort. An e-banking hall will be established to facilitate intra account transactions, deposits and withdrawals. This will help in reducing your waiting time at the credit union. The Lucea branch will be similarly retrofitted and a full time ATM will be installed at that location. This ATM is already in the Island and is undergoing certification for installation.

HUMAN RESOURCE, ADMINISTRATION AND FACILITIES

The Gateway family prides itself with ensuring our staff is, and remains, our number one priority as this will result in exceptional service to our members.

The Staff compliment stands at ninety five (95) as at reporting date. Our members of staff are dedicated, committed, hardworking, adaptable, educated and possess the required skills and attitude for an excellent team. At Gateway we believe in taking care of our team holistically and as such, we have put in place the following amenities: exercise and healthy living, counselling, social events (lymes, trips/outings, sporting activities and many more).

We are presently embarking on acquiring a Human Resource Software that will enable our staff to be more efficient and effective in performing their core responsibilities. Training is of great importance to us because we believe that knowledge is key in the execution of one's duties. We have embarked on building a sales culture as an organization and training is critical if we are going to succeed. Staff are strategically trained in selected areas that will allow for their personal development and organization success.



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Facilities

Creating a welcoming environment for our members and a conducive place to work for staff, we continue to enhance the ambiance and the aesthetics of our physical facilities. We will be embarking on a 'refurbishing' project at the Sam Sharpe Square Branch in 2018. This project will see the branch being more attractive and spacious.

The Lucea Branch will also undergo changes for consistency in look and service delivery.

OUTREACH PROJECTS

Railway Gardens Basic School

Gateway Co-operative Credit Union has continued the adoption of the Railway Gardens Basic School. The contribution to the development of this primary education institution started in 2004 by the former Montego Co-operative Credit Union Ltd. The objective of Gateway is to continue to help the school become a centre of excellence despite its inner-city location. The institution maintains a staff complement of 5, which includes the principal, Ms. Laura Clarke. Mr. Lesmore Williams – a long-standing member of Gateway and a School Board Member – remains their president, who is always advocating for support on the school's behalf. We continue to support the school by providing funding to improve the physical facilities, among other initiatives. In 2017 funds were allocated to install a new gate to the front of the school to enhance aesthetics and, more importantly, the security of the students.

Bayley-Hay Scholarship

The Bayley-Hay Scholarship was established to recognize the work of one of our pioneers in the credit union movement, the late Josiah Bayley-

Hay. In 2017, we celebrated its 25th Anniversary. Gateway has committed itself to give back to its members and the community at large in a very tangible way, through five-year scholarships and bursaries to ease the financial burden of some of our members.

In 2017 the total sum contributed to the students was over \$730,000.00 in scholarships and bursaries toward the education of our nation's children.

Over the 25 years period of the scholarships and bursaries, 80 scholarships and 70 bursaries have been awarded to the tune of approximately \$7 million. This is an investment in which Gateway is extremely proud.

Herman Johnson Scholarship

Out of the need for educational support, the Herman Johnson Scholarship was launched in August 2014. Initially, this scholarship was awarded to two successful applicants, Oshane Stewart and Breanna McLeary with \$75,000.00 for a period of five years. These new scholarships have been named after the late Bishop Herman Alexander Johnson, (former President of the former Montego Co-operative Credit Union) whose passion for service and education contributed to his work in the Credit Union movement and his assistance with the initiation of the annual Bayley-Hay Scholarship.

Gateway Schools' Academic Championship Quiz

The 25th renewal of the quiz competition was new dawning as it was launched under the new name of the credit union, Gateway Co-operative Credit Union (2017) Limited. Twenty-one (21) teams participated in the competition over a 2 months period. At the end of the competition Bethel Primary was crowned champions. Over one million dollars was spent to make the competition a success.

Along with the cash prizes awarded to the contestants, schools and coaches, the students and coaches were also rewarded by our affiliate companies; JCCUL, CUNA Caribbean, QNet and the Montego Bay business community.

Over the years, this championship has been relentless in its effort to assist the education system as it focuses on academics, build camaraderie, a spirit of fair play and love among the future leaders of our country while, simultaneously educating the youth and the general public on the history, philosophy, co-operative principles and management of the Credit Union movement.

SOUP N' SOAP

Gateway continues to support the less fortunate in our communities in different ways, in 2017 visits were made to the St. James and Hanover Infirmaries. These visits were done during October to celebrate Credit Union Week. The St. James infirmary housed 64 residents at the time of

our visit while in Hanover the infirmary housed over 50 residents.

The staff of Gateway treated the residents to a hot meal, hair grooming and cutting of their nails. They were also given care packages of; soap, rags and toilet tissue. Some of the residents commented on how happy they were for the visit and encouraged the staff members to visit more often.

CORNWALL REGIONAL HOSPITAL PAEDIATRIC WARD

December 2017 marked the 15th consecutive year of the Children's Treat. Gateway visited the children and staff on the ward to bring joy and happiness during the festive season. The marketing team provided gifts and refreshments along with entertainment for over 60 children and 25 staff members. The event was also attended by some parents of the children who were on the ward. Each year Gateway spread joy to children who are not able to be at home during the festive season.

CONDOLENCES

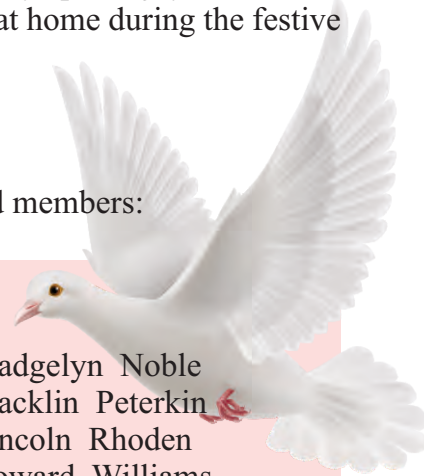
We wish to register our sympathy to all the relatives of the following deceased members:

DECEASED MEMBERS

Andrew Hessing
Verna Rowe
Raymond Anderson
Merlene Osbourne
George Scott
Thelma Spence
Pauline Latty-Clayton
Leroy Bowers
Winston Campbell
Erica Newman
Lucilda Malcolm
Noel Lawrence
Euphema May

Beverly Osborne
Richie White
Kentish Dennis
Nadeen Spence
Nicole Williams-Harvey
Jadrinea Franklyn
Nicole Davis
Joyce Watson
Marjorie Scott
Cynthia Stephenson-Plummer
Sheldon Clarke
Earl Reid
Shorn Purrier

Madgelyn Noble
Macklin Peterkin
Lincoln Rhoden
Howard Williams
Orville Heron
Allan McIntyre
Velma Smith
Allison Headley
Rowan Scarlett
Mario Kenion
Cutie Golding





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Claim Settlement Record

PRODUCT	Savings - 2015	# of Claims	Loans - 2015	# of Claims
Life Savings & Loan Protection	5,965,206	36	3,128,707	8
Family Indemnity Plan	\$49,233,966	164		

BANK OF JAMAICA REGULATION

The Bank of Jamaica (Credit Unions) Regulations Act is expected to be passed into law imminently and Credit Unions, like Gateway, are preparing themselves to be licensed by the new regulators. We welcome the regulation which will make us a more stronger and credible institution. It will ensure the soundness of our credit union.

ACKNOWLEDGEMENTS

We are encouraged by the result from our first year of operation as Gateway Co-operative Credit Union and are aware that it would not have been possible without the contribution of our stakeholders. In this regard we must say thanks to:

1. Our loyal and faithful members who continue to remain committed to a vision that have only just began.
2. The management and staff who worked diligently and faithfully to provide the best possible service to our members;
3. The Board and Committee members for their careful attention to detail and their painstaking support during the year under review;

4. The Co-operative Network, of which we are a part, especially the Jamaica Co-operative Credit Union League and the Department of Co-operatives & Friendly Societies, CUNA Caribbean Limited , Quality Network Co-operative Limited , the National Union of Co-operative Societies and The Credit Union Fund Managers Limited.

5. Our Auditors Crowe Horwath.

6. Our Attorneys, Robinson Foster and Associates and Albert Morgan and Company.

We thank each and every one of you for making this year a great success!

Finally, thanks to Almighty God, whose guidance and protection have carried us thus far.

This is our Credit Union. We believe in our members and our communities. It is up to us to work together to secure our future.

For and on behalf of the Board of Directors


Lambert Johnson
PRESIDENT

Report of The Treasurer

Gateway performed very well in its first year of operation in 2017 as can be seen from the financial statements. We ended the year with a net surplus of \$133.87M and grew total assets by 16%. Net loans grew by an impressive 25.6% or \$841M for the year under review.

It is to be noted that, with regard to our merger of

equals, the international standard IFRS 3 which speaks to Business Combination, states that an acquirer and acquiree must be determined. Montego was seen as the acquirer and its account presented as the comparative in the 2017 financial statements. As per the financial statement, details of the business combination can be found in note 36: Business Combination and in the Supplementary Statement.

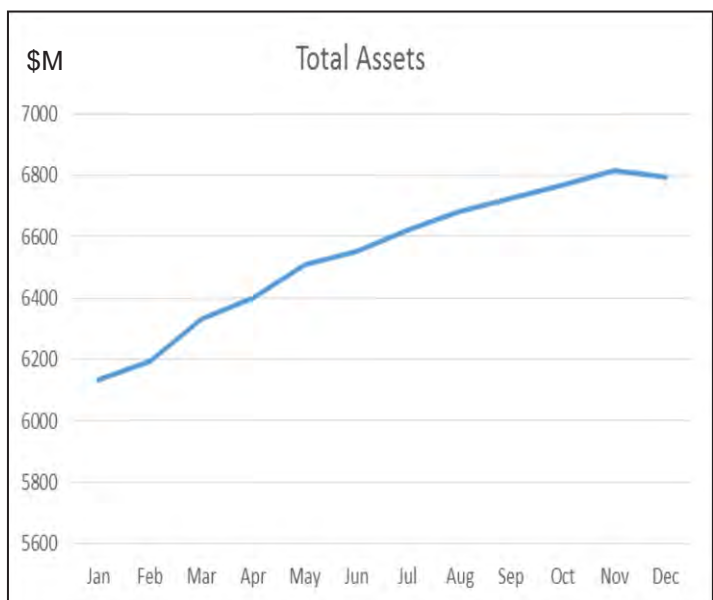
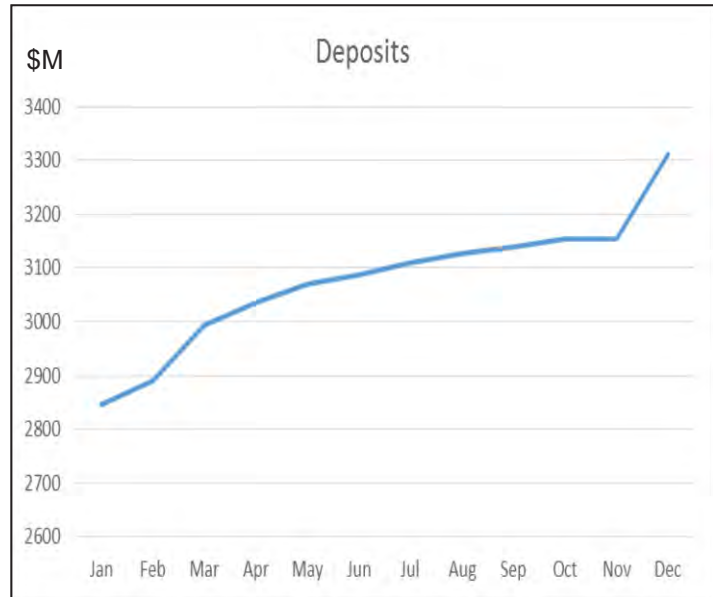
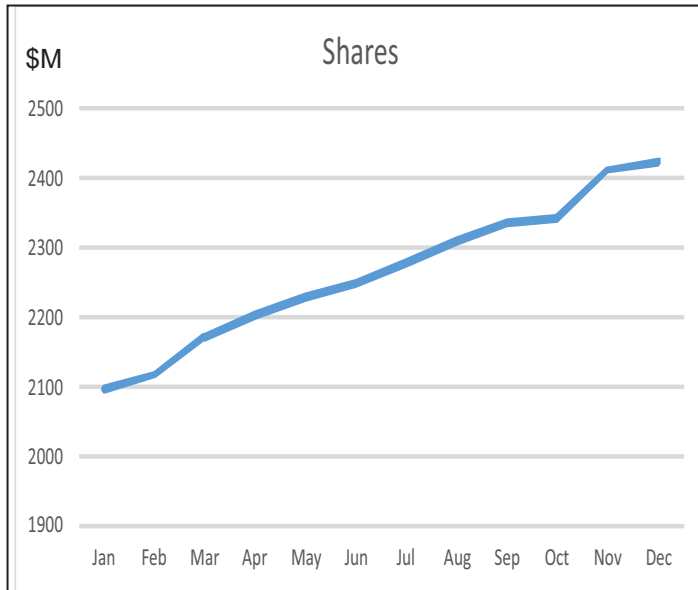
Financial Performance Highlights 2017 (compared to the Supplemental)

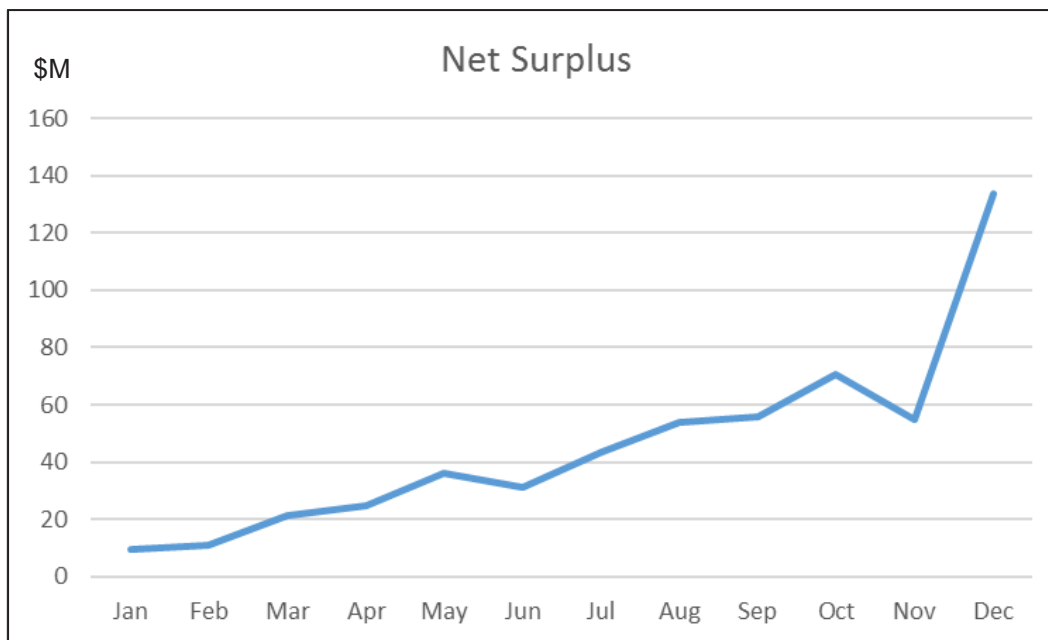
\$M

Items	2016	2017	% Annual increase
Total Assets	6,100	7,077	16.0
Deposits	2,803	3,092	10.3
Shares	2,085	2,450	17.5
Loans (after Provision)	3,281	4,122	25.6
Loan Interest income	430	477	10.9
Deposits Interest expense	81.8	86.2	5.3
Net Interest Income	460.7	506.8	10.0
Gross Income	506.5	624.4	23.2
Operating Expenses	421.9	488.0	15.6
Net Income	84.6	136.3	61.1
Members' Equity	919	1,272	38.4
Institutional Capital	557.5	814.4	46.0



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Since the merger effective January 1, 2017 and to December 31, 2017:

Shares

Shares increased from \$2.083Bn to \$2.450Bn a growth of 17.5%.

Deposits

Deposits increased from \$2.084Bn to \$3.092Bn a growth of 10.3%.

Loans

Loans recorded the highest percentage growth of all our indicators. There was a 25.6% increase or \$841M net loan growth for 2017. Loan disbursements exceeded \$2.4Bn for the period.

Total Assets

Total assets grew by 16.0% or \$977M to stand at \$7.077M representing real growth for the organization.

Gross Income

Gross income for 2017 was \$624.4M of which interest income was \$603M. Interest

income for 2016 combined was \$506.5M, comparing to 2017 this represented a 23.2% increase.

Operating Expenses

Operating expenses for the year under review was \$488M compared to \$421.9M for the combined entities in 2016. Included in the operating expenses is a one off merger cost of \$41.7M. There were also new hires to the organisation at all levels.

Net Surplus

Net surplus for 2017 was \$136M compared to \$85M combined for 2016, an increase of 60.0%.

The credit union's performance against the international PEARLS Standard is set out below. There is a clear indication, having met most of the standards, that we will have to continue to grow our loans and restrict our non-earning asset growth.

INDICATOR	STANDARD	2016*	2017
PROTECTION			
PROVISION FOR LOAN LOSSES			
1. Provision Loan Losses/Delinquency >12 Mths	100%	100%	100%
2. Provision Loan Losses/Delinquency 6<12	60%	60%	60%
3. Provision Loan Losses/Delinquency 3<6 Mths	30%	30%	30%
4. Provision Loan Losses/Delinquency 2<3 Mths	10%	10%	10%
EFFECTIVE FINANCIAL STRUCTURE			
Net Loans/Total Assets	60-80%	53.7	58.2
Savings Deposit/Total Assets	70-80%	80.1	78.3
Net Inst. Capital/Total Assets	>=8%	10.8	13.2
ASSET QUALITY			
Delinquency Loans/Gross Loan Portfolio	<=5%		
Non-Earning Assets/Total Assets	<=7%	8.5	11.6
RATES OF RETURN & COSTS			
Total Operating Expense/Average Total Assets	<=8%	6.9	6.7
Net Income/Average Total Assets	>=2.3%	1.3	2.6
LIQUIDITY			
Liquid Asset – St. Payables/Total Deposit Savings	20%-30%	27.6	18.3
SIGNS OF GROWTH			
Membership	>=5.0%	5.0	3.5
Asset	>Inflation	14.8	16.0

*Combined historical reference



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Conclusion

The merger of Montego and Hanover was clearly a very good decision based on the first year financial result of the merged entity, which is highlighted above.

We are confident that this trend will continue with the support from you, our valued members, prudent management from staff and guidance and oversight from the volunteers.

Acknowledgements

It has been a pleasure for me to have served in the capacity of Treasurer for the year 2017 and to be part of an extremely hardworking group of volunteers. I wish to express my profound thanks to my fellow Directors for the support and the confidence they have reposed in me.

I wish to thank the management and staff for their hard work through the year in ensuring the continued success of the organization. Their

commitment and dedication are greatly appreciated.

Our appreciation goes out to our auditors Crowe Horwath, the Registrar of Co-operatives and Friendly Societies, CMFG Insurance Company Limited (formerly CUNA Mutual Insurance Company), Jamaica Cooperative Insurance Agency (formerly NUCS Co-operative Insurance) and the Jamaica Co-operative Credit Union League for assistance provided throughout the year.

To our valued members, we thank you for the confidence placed in our ability to manage your affairs. We will continue to perform at the highest level for the years to come.

Horace Smith
TREASURER



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PROPOSAL FOR THE DISTRIBUTION OF SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2017.

Available for Distribution	\$ 84,125,129.00
Dividend on Permanent Shares (13%)	\$ 10,936,267.00
Honoraria (3%)	\$ 2,523,754.00
IFRS 9 Reserve	\$ 70,665,108.00
Total Distribution	\$ 84,125,129.00

For and on behalf of the Board of Directors

Horace Smith
TREASURER

PROPOSAL FOR THE FIXING OF MAXIMUM LIABILITY

TO DECEMBER 31, 2017.

In keeping with Rule 68 it is proposed that the maximum liability shall not exceed sixteen (16) times the Society's permanent capital.

For and on behalf of the Board of Directors

Horace Smith
TREASURER



DEPARTMENT OF CO-OPERATIVES & FRIENDLY SOCIETIES

(An Agency of the Ministry of Industry, Commerce, Agriculture and Fisheries)

2 MUSGRAVE AVENUE
KINGSTON 10

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

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

S1

R 608/-534/05/18

May 24, 2018

The Secretary
Gateway Co-operative Credit Union (2017) Limited
6 Sam Sharpe Square
P.O. Box 885, Montego Bay
ST. JAMES

Dear Sir/Madam,

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

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

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

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

Yours truly,

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

LGE/kd

c. The Secretary
Jamaica Co-operative Credit Union League



Financial Statements

YEAR ENDED 31ST DECEMBER 2017

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REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Opinion

We have audited the financial statements of Gateway Co-operative Credit Union (2017) Limited, which comprise the statement of financial position as at 31st December 2017, the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

KINGSTON		MANDEVILLE	RUNAWAY BAY	MONTEGO BAY
Unit 34 Winchester Business Centre 15 Hope Road,	Oxford House 2nd Floor 6 Oxford Road	Shop 2B (Upstairs) Caledonia Mall Mandeville	Lot 33 & 34 Cardiff Hall Runaway Bay	The Annex - UGI Building 30 - 34 Market Street Montego Bay
T: +876-9084007 F: +876-7540380	T: +876-9263562 F: +876-9291300	T: +876-9629153/9626369 F: +876-6252797	T: +876-9735360/9735981 F: +876-9737546	T: +876-9538486/9719675 F: +876-9533058

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: GATEWAY CO-OPERATIVE CREDIT UNION (2017) 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 in accordance with IFRSs, and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Credit Union's financial reporting process.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

REPORT OF THE INDEPENDENT AUDITORS
TO THE REGISTRAR OF CO-OPERATIVES AND FRIENDLY SOCIETIES
RE: GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
(A SOCIETY REGISTERED UNDER THE CO-OPERATIVE SOCIETIES ACT)

Auditors' Responsibilities for the Audit of the Financial Statements cont'd:

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Credit Union's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Credit Union's 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.

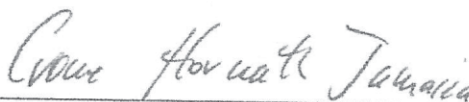
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Additional Matters as Required by the Co-operative Societies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Co-operative Societies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Mrs. Lisa Cousins.

Crowe Horwath Jamaica



Crowe Horwath Jamaica

May 21, 2018

STATEMENT OF FINANCIAL POSITION

As At 31st December 2017

(Expressed in Jamaican Dollars unless otherwise stated)

	<u>Notes</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
<u>ASSETS:</u>			
EARNING ASSETS:			
Liquid Assets	5	1,118,592,956	1,102,406,766
Loans to Members after Provision for Impairment	6	4,121,841,380	2,098,435,333
Financial Investments	8	961,712,121	721,347,649
Investment Property	9	53,132,068	53,132,068
Total Earning Assets		<u>6,255,278,525</u>	<u>3,975,321,816</u>
NON-EARNING ASSETS:			
Cash and Cash Equivalents	10 (A)	136,103,646	53,252,999
Inventories		2,609,004	1,675,216
Other Receivables & Prepayments	11	19,391,402	52,092,662
Intangible Assets	12	1	190,895
Property, Plant and Equipment	13	601,699,458	73,459,127
Retirement Benefit Asset	14	62,332,000	46,525,000
Total Non-Earning Assets		<u>822,135,512</u>	<u>227,195,899</u>
TOTAL ASSETS		<u><u>7,077,414,037</u></u>	<u><u>4,202,517,715</u></u>

STATEMENT OF FINANCIAL POSITION

As At 31st December 2017

(Expressed in Jamaican Dollars unless otherwise stated)


	<u>Notes</u>	2017 \$	2016 \$
<u>LIABILITIES :</u>			
INTEREST BEARING LIABILITIES:			
Members' Voluntary Shares	15	2,450,141,111	1,250,945,400
Members' Saving Deposits	16	3,092,374,622	2,022,331,715
Borrowing	17	84,486,422	-
Bank Overdraft (Unsecured)	10 (B)	4,662,083	33,635,363
Total Interest Bearing Liabilities		<u>5,631,664,238</u>	<u>3,306,912,478</u>
NON-INTEREST BEARING LIABILITIES:			
Accounts & Other payables & Accruals	18	99,855,558	80,661,594
Accrued Interest on Members' Deposits	16	73,799,852	52,842,257
Total Non Interest Bearing Liabilities		<u>173,655,410</u>	<u>133,503,851</u>
TOTAL LIABILITIES		<u>5,805,319,648</u>	<u>3,440,416,329</u>
<u>EQUITY:</u>			
Members' Permanent Share Capital	19	121,492,735	68,311,393
Non-Institutional Capital	20	336,182,098	237,016,321
Institutional Capital	21	814,419,554	456,773,672
Total Capital		<u>1,272,094,390</u>	<u>762,101,386</u>
TOTAL LIABILITIES AND EQUITY		<u>7,077,414,037</u>	<u>4,202,517,715</u>

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

APPROVED FOR ISSUE ON BEHALF OF THE BOARD OF DIRECTORS ON
AND SIGNED ON ITS BEHALF BY:


MR. LAMBERT JOHNSON
PRESIDENT

MAY 21, 2018


MR. HORACE SMITH
TREASURER

STATEMENT OF COMPREHENSIVE INCOME

For the year Ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	<u>Notes</u>	2017 \$	2016 \$
INTEREST INCOME:			
Loans to Members	22	476,757,315	276,178,636
Liquid Assets & Financial Investments		<u>126,457,872</u>	<u>106,293,634</u>
		603,215,188	382,472,270
INTEREST EXPENSE:			
Interest Expense on Members' Voluntary Shares	23	21,267,925	16,313,295
Savings Deposits	23	<u>64,896,775</u>	<u>41,651,481</u>
		86,164,700	57,964,776
Other Financial Costs	25	<u>10,234,737</u>	<u>2,229,040</u>
		96,399,437	60,193,816
NET INTEREST INCOME		506,815,751	322,278,454
Net Movement in Provision for Loan Impairment		<u>(52,900,091)</u>	<u>5,422,293</u>
NET INTEREST INCOME AFTER PROVISION		559,715,842	316,856,161
NON - INTEREST INCOME			
Rental - Investment Property		5,887,904	6,152,630
Fee & Other Income	26	<u>58,778,055</u>	<u>28,801,104</u>
GROSS INCOME		624,381,801	351,809,895
Less Operating Expenses	27	<u>488,036,356</u>	<u>282,601,319</u>
NET INCOME BEFORE HONORARIA		<u>136,345,445</u>	<u>69,208,576</u>
Honoraria		<u>2,475,000</u>	<u>3,195,955</u>
NET INCOME AFTER HONORARIA		<u>133,870,445</u>	<u>66,012,621</u>
<u>OTHER COMPREHENSIVE INCOME</u>			
Items that will never be classified to Profit or Loss:			
Minimum Business Tax		(60,000)	(60,000)
Unrealised Fair Value Gain/(Loss) -Available for sale investments		2,185,421	(2,630,045)
Re-measurement of Defined Benefit Pension Plan		<u>(9,561,000)</u>	<u>(1,270,000)</u>
		(7,435,579)	(3,960,045)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>126,434,866</u></u>	<u><u>62,052,576</u></u>

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

STATEMENT OF CHANGES IN EQUITY- SUMMARY

For the year Ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	Members' Permanent Share Capital \$	Non- Institutional Capital \$	Institutional Capital \$	Total \$
Balance at 31st December 2015	63,181,253	243,587,196	402,202,757	708,971,206
Total Comprehensive Income for the year after Honoraria	-	62,052,576	-	62,052,576
Transactions with owners				
Transfer -20% of net Income before 2016 Honoraria	-	(13,841,715)	13,841,715	-
Amount subscribed-Shares	5,130,140	-	-	5,130,140
Transfer from general reserve		(2,796,906)		(2,796,906)
Entrance fees	-	-	729,200	729,200
Appropriation of Net Surplus for 2015				
Dividend Paid on Members' Permanent Shares	-	(11,984,830)	-	(11,984,830)
Transfer to Institutional Capital	-	(40,000,000)	40,000,000	-
Total transactions with owners	5,130,140	(68,623,451)	54,570,915	(8,922,396)
Balance at 31st December 2016	68,311,393	237,016,321	456,773,672	762,101,386
Total Comprehensive Income for the year after Honoraria	-	126,434,866	-	126,434,866
Transactions with owners				
Transfer - 20% of net Income before 2016 Honoraria	-	(27,269,089)	27,269,089	-
Amount subscribed-Shares	15,147,150	-	-	15,147,150
Issue of Permanent Shares on Business Combination	38,034,192	-	-	38,034,192
Entrance Fees	-	-	1,607,701	1,607,701
Reserve on Business Combination	-	-	328,769,092	328,769,092
Total transactions with owners	53,181,342	(27,269,089)	357,645,882	383,558,135
Balance at 31st December 2017	121,492,735	336,182,098	814,419,554	1,272,094,388

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

**STATEMENT OF CHANGES IN EQUITY -
NON-INSTITUTIONAL CAPITAL**
For the year Ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	Investment Property Reserves	Retirement Benefit Asset Reserve	General Reserve	Share Transfer Fund	Fair Value Reserve	Accumulated Surplus	Loan Loss Reserve	Infrastructure Development Reserve	Total
	₹	₹	₹	₹	₹	₹	₹	₹	₹
Balance at 31st December 2015	75,056,663	42,648,000	3,373,334	2,000,000	29,580,501	79,928,698		11,000,000	243,587,196
Net Income after Honoraria	-	-	-	-	-	66,012,621	-	-	66,012,621
Other Comprehensive Income									
Merger Expense	-	-	-	-	-	-	-	-	-
Minimum Business Tax	-	-	-	-	-	(60,000)	-	-	(60,000)
Unrealised fair value losses on available-for-sale financial assets	-	-	-	-	(2,630,045)	-	-	-	(2,630,045)
Re-measurement of Pension Asset	-	-	-	-	-	(4,270,000)	-	-	(1,270,000)
Total Comprehensive Income for the year	-	-	-	-	(2,630,045)	64,682,621	-	-	62,052,576
Transactions with owners									
Transfer -20% of Net Income for the year 2016 before Honoraria	-	-	-	-	-	(13,841,715)	-	-	(13,841,715)
Appropriation from 2015 Surplus:									
Dividend on members' shares	-	-	-	-	-	(11,984,830)	-	-	(11,984,830)
Transfer to infrastructure development reserve	-	-	-	-	-	(10,000,000)	-	10,000,000	-
Transfer to institutional capital	-	-	-	-	-	(40,000,000)	-	-	(40,000,000)
Increase in Retirement Benefit Reserve	-	3,877,000	-	-	-	(3,877,000)	-	-	-
Merger Expense	-	-	(2,796,906)	-	-	-	-	-	(2,796,906)
Total transactions with owners	-	3,877,000	(2,796,906)	-	-	(79,703,545)	-	10,000,000	(68,623,451)
Balance at 31st December 2016	75,056,663	46,525,000	576,428	2,000,000	26,950,456	64,907,774		21,000,000	237,016,321

STATEMENT OF CHANGES IN EQUITY - NON-INSTITUTIONAL CAPITAL

For the year Ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	Investment Property Reserves	Retirement Benefit Asset Reserve	General Reserve	Share Transfer Fund	Fair Value Reserve	Accumulated Surplus	Loan Loss Reserve	Infrastructure Development Reserve	Total
	₹	₹	₹	₹	₹	₹	₹	₹	₹
Balance at 31st December 2016	75,056,663	46,525,000	576,428	2,000,000	26,950,456	64,907,774		21,000,000	237,016,321
Net Income after Honoraria	-	-	-	-	-	133,870,445	-	-	133,870,445
Other Comprehensive Income									
Minimum Business Tax	-	-	-	-	-	(60,000)	-	-	(60,000)
Unrealised fair value gains on available-for-sale financial assets	-	-	-	-	2,185,421	-	-	-	2,185,421
Re-Measurement of Pension Asset	-	-	-	-	-	(9,561,000)	-	-	(9,561,000)
Total comprehensive income for the year	-	-	-	-	2,185,421	124,249,445		-	126,434,866
Transaction with owners									
Transfer -20% of Net Income for the year 2017 before Honoraria	-	-	-	-	-	(27,269,089)	-	-	(27,269,089)
Transfer from Loan Loss Reserve to Accumulated Surplus	-	-	-	-	-	(61,956,001)	61,956,001	-	-
Increase in Retirement Benefit Reserve	-	15,807,000	-	-	-	(15,807,000)	-	-	-
Total transactions with owners	-	15,807,000	-	-	-	(105,032,090)	61,956,001	-	(27,269,089)
Balance as at 31st December 2017	75,056,663	62,332,000	576,428	2,000,000	29,135,877	84,125,129	61,956,001	21,000,000	336,182,098

STATEMENT OF CHANGES IN EQUITY - INSTITUTIONAL CAPITAL

For the year Ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	Statutory & Legal Reserves \$	Permanent Reserves \$	Business Combination Reserve \$	Total \$
Balance at 31st December 2015	154,628,893	247,573,864	-	402,202,757
Transfer of 20 % of Net Income for the Year before Honoraria	13,841,715	-	-	13,841,715
Transfer from Undistributed Net Income to Institutional Capital	-	40,000,000	-	40,000,000
Entrance Fees	729,200	-	-	729,200
Balance at 31st December 2016	169,199,808	287,573,864	-	456,773,672
Transfer of 20 % of Net Income for the Year before Honoraria	27,269,089	-	-	27,269,089
Entrance Fees	1,607,701	-	-	1,607,701
Reserve on Business Combination	-	-	328,769,092	328,769,092
Balance at 31st December 2017	198,076,598	287,573,864	328,769,092	814,419,554

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

STATEMENT OF CASH FLOWS
For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

	2017	2016
	\$	\$
Cash flows from Operating Activities		
TOTAL COMPREHENSIVE INCOME AFTER HONORARIA	126,434,866	62,052,576
Non- cash items included in income		
Depreciation expense	18,931,426	12,023,264
Amortisation Expense	190,894	668,589
Gain on disposal of Fixed Assets	(100,000)	-
Unrealised Fair Value (Gain)/Loss	(2,185,421)	2,630,045
Pension income	(15,807,000)	(3,877,000)
Provision for loan impairment	(52,900,091)	5,422,293
Fair Value Gain of Fixed Assets on Business Combination	(274,398,307)	-
	<u>(199,833,632)</u>	<u>78,919,767</u>
Changes in Operating Assets and Liabilities		
Inventories	(933,788)	8,182
Other Receivables & Prepayments	32,701,260	(27,958,107)
Accounts & Other Payables & Accrual	19,193,964	9,971,013
Accrued Interest on members' voluntary shares	20,957,595	7,816,675
Net Cash Provided by Operating Activities	<u>(127,914,602)</u>	<u>68,757,530</u>
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(272,773,450)	(3,365,136)
Additions to Intangible Assets	-	(286,341)
Proceeds disposal of property, plant and equipment	100,000	-
Financial investments	(238,179,051)	46,544,468
Loans to members	(1,987,872,885)	(213,410,257)
Net Cash & Cash Equivalents arising on Business	384,170,214	-
Net Cash Used in Investing Activities	<u>(2,114,555,172)</u>	<u>(170,517,266)</u>
Cash Flows from Financing Activities:		
Voluntary share capital	1,199,195,711	166,257,450
Permanent shares subscription	15,147,150	5,130,140
Savings Deposits	1,070,042,907	215,321,448
Entrance Fee	1,607,701	729,200
General Reserve	-	(2,796,906)
Dividend on permanent shares	-	(11,984,830)
Borrowing (External Credit)	84,486,422	-
Bank overdraft	(28,973,280)	33,635,363
Net Cash Provided by Financing Activities	<u>2,341,506,611</u>	<u>406,291,865</u>
Increase in Liquid Assets	99,036,837	304,532,129
Liquid Assets at Beginning of Year	1,155,659,765	851,127,636
Liquid Assets at End of Year	<u>1,254,696,602</u>	<u>1,155,659,765</u>
Liquid Assets - Earning	1,118,592,956	1,102,406,766
Liquid Assets - Non - Earning	136,103,646	53,252,999
	<u>1,254,696,602</u>	<u>1,155,659,765</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

1. Identification:

Gateway Co-operative Credit Union (2017) Limited (the Credit Union) is incorporated under the laws of Jamaica and is registered under the Co-operative Societies Act. The Credit Union, which is domiciled in Jamaica, has its registered office at 6 Sam Sharpe Square, Montego Bay, and its operations are concentrated in the parish of St. James and Hanover.

The principal activities of the Credit Union include but are not limited to:-

- (a) the promotion of thrift amongst its members;
- (b) the provision of loans to members exclusively for provident and productive purposes; and
- (c) to receive the savings of its members, either as payment on shares, or as deposits.

The Credit Union is a member of the Jamaica Co-operative Credit Union League Limited ("the League") which provides financial services, technical support and sets prudential standards for the credit union movement. The Credit Union is exempt from Income Tax under Section 59 (1) of the Co-operative Societies Act and Section 12 of the Income Tax Act.

Membership in the Credit Union is obtained by holding a minimum of \$2,000 in permanent shares and a minimum of \$500 in voluntary shares. Individual membership may not exceed 20% of the Credit Union's capital. Membership is limited to individuals and their relatives who reside, work, conduct business, study or who were born in the County of Cornwall.

Monies paid for Permanent Shares may not be withdrawn in whole or in part and may not be pledged to secure credit facilities with the Credit Union.

An individual ceasing to be a member of the Credit Union, shall be entitled to a redemption of any amount held as Permanent Shares. Permanent Shares are redeemable upon sale, transfer or repurchase. To facilitate this, the Credit Union has established a Share Transfer Fund Account.

2. Adoption of Standards, Interpretation and Amendments:

The International Accounting Standards Boards (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. The Credit Union's management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

2. Adoption of Standards, Interpretation and Amendments (Cont'd):

- a) Standards and Interpretations in respect of published standards that are in effect:

Amendments to IAS 7 - Statement of Cash Flows (Effective January 2017)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Improvements to IFRS 2014–2016 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2017 and 2018. The main amendments are as follows:

Makes amendments to the following standards:

- **IFRS 12: Disclosure of Interests in Other Entities (Effective January 2017)**

Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Credit Union is assessing the impact these amendments will have on its 2017 and 2018 financial statements.

- b) Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Credit Union has not early-adopted. The Credit Union has assessed the relevance of all the new standards, amendments and interpretations with respect to the company's operations and has determined that the following are likely to have an effect on the Credit Union's financial statements.

IFRS 16 - Leases (Effective January 2019)

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Clarifications to IFRS 15 : Revenue from Contracts with Customers

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

2. Adoption of Standards, Interpretation and Amendments (Cont'd):

- b) Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective (Cont'd):

IFRS 9: Financial Instruments (Effective January 1, 2018)

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Hence, financial assets are to be classified into three measurement categories: those measured at amortised cost, those to be measured subsequently at fair value through other profit and loss (FVPL) and those to be measured subsequently at fair value through other comprehensive income (FVOCI). Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Note: Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

Management has determined that the standard is relevant to existing policies for its current operations, but has not yet assessed the impact on adoption.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (Effective January 2018)

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

2. Adoption of Standards, Interpretation and Amendments (Cont'd):

Standards and Interpretations which are considered relevant to the Credit Union were issued but not yet effective

b) (Cont'd):

IFRS 15 - Revenue from Contracts with Customers (IAS 18 will be superseded by IFRS 15 Revenue from Contracts with Customers) (Effective January 2018)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Annual Improvements to IFRS Standards 2015–2017 Cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 2019

Makes amendments to the following relevant standard:

- **IAS 23: Borrowing Costs (Effective January 2019)**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to IAS 40 - Investment Property Transfers of Investment Property (Effective January 2018)

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

These affect financial statements for accounting periods beginning on or after the first day of the month stated. The Credit Union is assessing the impact these amendments will have on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a) Statement of Compliance and Basis of Preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB), and comply with the requirements of the Co-operative Societies Act. They have been prepared under the historical cost convention, as modified by the revaluation of investment property, certain available-for-sale financial investments and other financial investments at fair value. These financial statements are expressed in Jamaican Dollars which is the functional currency of the Credit Union.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credit Union's policies. Although these estimates are based on management's best knowledge of historical experience, factors including expectations of future events and actions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b) Use of Estimates -

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires directors and management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on historical experience and directors and management's best knowledge of current events and actions and are reviewed on an on-going basis. Actual results could differ from those estimates.

c) Liquid Assets -

For the purposes of the statement of cash flows, liquid assets include cash and cash equivalents which consist of cash on hand and current accounts held at banks and deposits held under six (6) months with banks and other financial institutions.

d) Loans to Members and provisions for Loan Impairment -

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 subsequently measured at amortized cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

d) Loans to Members and provisions for Loan Impairment Cont'd:

A provision for loan impairment is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan is identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for loan losses to its estimated recoverable amount which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for loan impairment also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the date of the statement of financial position. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Specific provisions are established as a result of a review of the carrying value of loans in arrears and are derived based on the Supervisory Body's provisioning policy of making a full provision for loans in arrears over twelve (12) months. General provisions of ten percent (10%) to sixty percent (60%) are established in respect of loans in arrears for two (2) to twelve (12) months.

Regulatory loan loss reserve requirements that exceed the provision required under International Financial Reporting Standards - IAS 39 "Financial Instruments" are dealt with in a non-distributable loan loss reserve as a transfer from unappropriated profits.

When a loan is classified as impaired, recognition of interest in accordance with the terms of the original loan ceases and interest is taken into account on the cash basis.

e) Financial Assets-

The Credit Union allocates financial investments-assets to the following IAS 39 categories: i) held-to-maturity investments; ii) loans and receivables; iii) fair value through profit and loss; and iv) available-for-sale investments. are classified as held to maturity. Management determines the appropriate classification of its financial instruments at initial recognition and re-evaluates such designation at every reporting period.

i) Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Credit Union's management has the positive intention and ability to hold to maturity, other than those that the Credit Union upon initial recognition designates as at fair value through profit and loss; designates as available-for-sale; and determines to meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

e) Financial Investments Cont'd:

i) Held-to-maturity investments (cont'd)

Interest on held-to-maturity investments is included in the statement of comprehensive income as interest income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income (as part of net surplus) as net gain/losses on investments.

At the date of the statement of financial position, held-to-maturity investments comprise GOJ fixed rate benchmark investments and short-term deposits held with the League and other Financial Institutions.

ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Credit Union: i) intends to sell immediately or in the short term, which are classified as held for trading, and those that the Credit Union upon initial recognition, designates at fair value through profit and loss; ii) upon initial recognition, designates as available-for-sale; or may not recover substantially, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value-which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method.

Interest on loans is included in the net surplus as 'interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of comprehensive income as 'loan impairment provision' in arriving at net surplus.

At the date of the statement of financial position, the following items were classified as loans and receivables: loans to members, net of impairment provision; accounts receivable; and certain required investments with the Jamaica Co-operative Credit Union League Limited, included in financial investments on the statements of financial position.

iii) Financial Asset at fair value

Financial Asset at fair value through profit and loss are financial assets held for trading. Financial assets classified in this category are expected to be settled within twelve (12) months. Changes in fair values of financial assets at fair value through profit or loss are recorded in fees and other income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

e) Financial Investments Cont'd:

iv) Available-for-sale Investments-

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss.

Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses (which are recognised as part of net surplus), until the financial asset is derecognised. Unquoted equity investments classified as available-for-sale financial assets are recognised at historical cost.

If an available-for-sale investment is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recycled and recognised in net surplus. Interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of comprehensive income, as part of net surplus.

The Credit Union's available-for-sale investments primarily comprise liquid assets, financial investments and reverse repurchase agreements.

v) Reverse Repurchase Agreements

Securities purchased under agreements to resell are regarded as collateralised financing transactions. They are originally recorded at cost which is the cash given to originate the transaction and are subsequently measured at amortised cost using effective interest method. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

f) Impairment of Financial Assets

The Credit Union assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

f) Impairment of Financial Assets- Cont'd:

The criteria that the Credit Union uses to determine that there is objective evidence of an impairment loss may include:

- i) significant financial difficulty of the issuer or obligator;
- ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- iii) the Credit Union, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Credit Union would not otherwise consider;
- iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- v) the disappearance of an active market for that financial asset because of financial difficulties; or
- vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

(a) Assets carried at amortised cost

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Credit Union may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries in part or in full of amounts previously written off are credited to recoveries of impaired loans as part of net surplus in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

f) Impairment of Financial Assets- Cont'd

(a) Assets carried at amortised cost (cont'd)

The Credit Union's impairment loss provision requirements, as stipulated by the League, require that if a payment on a loan is contractually two months in arrears, the loan will be classified as impaired, if not already classified as such for other reasons. The amount by which the Credit Union's provision exceeds the IFRS impairment provision is dealt with in non-distributable loan loss reserve as an appropriation of accumulated surplus. When the IFRS impairment provision exceeds the Credit Union's provision as stipulated by the League, the loan loss reserve is reversed and no appropriation is made from accumulated surplus.

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

(b) Assets classified as available-for-sale

The Credit Union assesses at the end of each reporting period whether there is a objective evidence that a financial asset or group of financial assets is impaired. For debt securities, the Credit Union uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss is removed from equity and recognised in the profit and loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the statement of comprehensive income.

g) Impairment of Non-financial Assets -

Assets that have an indefinite useful life, for example, land are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

h) Investment Property-

Investment Property is held for long-term rental yields, for capital appreciation or both, and is not occupied by the Credit Union. Investment property comprise an office building which is leased under an operating lease agreement and land held for capital appreciation.

The office building is partially occupied by the credit union, with the remainder being leased for rental income or capital appreciation. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is leased or for capital appreciation or both is treated as investment property under IAS 40. The Credit Union considers the owner-occupied portion as significant since fifty percent (50%) of the property is leased to earn rental income or held for capital appreciation. In order to determine the percentage of the portions, the Credit Union uses the size of the property measured in square meters.

Recognition of investment property takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliability. This is usually when all risks are transferred. Investment property is treated as a long-term investment and is carried at initial cost including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the date of the statement of financial position.

i) Cash and Cash Equivalents -

Cash and cash equivalents are carried in the statement of financial position at cost. Cash and cash equivalents comprise balances with less than three (3) months maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less, not held to satisfy League requirements, net of bank overdraft.

j) Inventories -

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

k) Accounts Receivable -

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

l) Property, Plant and Equipment -

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31st December 2016 and 2015.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Credit Union and the cost can be reliably measured. Repairs and renewals are charged to net surplus in the statement of comprehensive income during the financial period in which they are incurred.

Land is stated at historical costs. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment if any. The Credit Union has elected to apply depreciation on other assets on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives as follows:

Buildings	2.5%
Leasehold Improvements	50%
Machinery and Office Equipment	10%
Computer Equipment	20% - 33.33%
Furniture & Fixtures	10%

Land is not depreciated.

Gains or losses on disposal of Property, Plant and Equipment are determined by their carrying amount and are taken into account in determining operating surplus.

m) Intangible Assets -

Intangible Assets comprise separately identifiable intangible items arising from computer software licenses and programmes. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Credit Union and that qualify for recognition are recognised as intangible assets. Intangible assets are recognised at cost. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life, which does not exceed three years.

n) Borrowing Costs-

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset and, therefore, have been capitalised. Other borrowing costs are recognised as an expense.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

o) Retirement Benefits -

i) Pension Obligations

The Credit Union participates in a multi-employer defined benefit pension plan. The pension plan is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries. A defined benefit plan is a pension plan that defines the amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position as asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government of Jamaica securities which have terms to maturity approximating the terms of the related pension obligation.

Service costs are recognised in the profit or loss as a part of staff costs, and include current and past service costs as well as gains or losses on curtailments, benefit changes and settlements.

Net interest expense/(income) is recognised in the statement of comprehensive income as part of staff costs, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset), at the beginning of the annual reporting period, to the balance of the net defined benefit obligation (asset) and the fair value of plan assets.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, are charged or credited to equity, through other comprehensive income, in the period in which they arise.

ii) Leave accrual

The Credit Union's vacation leave policy allows unused vacation leave to be carried forward yearly. All outstanding leave is recognised in the statement of comprehensive income in the period to which it relates.

iii) Profit Sharing and Bonus Plans

The Credit Union recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the net surplus attributable to the Credit Union's members after certain adjustments. The Credit Union recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

p) Expenses

Expenses are recognized in the Statement of Comprehensive Income on the accrual basis.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

q) Other Assets-

Receivables are carried at original amounts less provisions for bad debt and impairment losses. A provision for bad debt is established when there is objective evidence that the Credit Union 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.

r) Financial Liabilities -

The Credit Union's financial liabilities primarily comprise members' deposits, member's voluntary shares, payables and bank overdraft. These are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

s) Members' Voluntary Shares -

Under the International Financial Reporting Standards, Voluntary shares in the Credit Union can no longer be regarded as share capital but should be treated as a liability. Members' voluntary shares represent withdrawable deposit holdings of the Credit Union's members to facilitate eligibility for loans and other benefits. Interest paid on these shares is classified as an expense in net surplus and is paid at a rate that is determined from time to time by the Board of Directors, subject to the profitability of the Credit Union.

t) Accounts Payables -

Accounts payable are initially recorded at fair value and subsequently stated at amortised cost.

u) Provisions -

Provisions are recognized when the Credit Union 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.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position.

v) Members' Permanent Share Capital -

Member's permanent share capital represents shares paid up in cash and form part of the risk capital of the Credit Union. Members' share capital may be redeemable subject to the sale, transfer or repurchase of such shares.

Dividends on members' permanent share capital are transferred to members' voluntary share accounts (net of withholding tax), in accordance with the Credit Union's rules, in the period in which they are approved by the Credit Union's members.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

w) Institutional Capital -

Institutional Capital includes a statutory reserve fund, as well as various other reserves, established from time to time which, in the opinion of the directors are necessary to support the operations of the Credit Union and, thereby, protect the interests of the members. These reserves are not available for distribution to members.

x) Statutory Reserves -

The Co-operative Societies Act provides that at least twenty percent (20%) of the annual net income of the Credit Union should be carried to a Statutory Reserve Fund which is not available for distribution to its members..

y) Revenue Recognition -

Fees and other Income

Fees and other income are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loans.

z) Foreign Currency Translation -

Functional and presentation currency

Items included in the financial statements of the Credit Union are measured using the currency of the primary economic environment in which the Credit Union operates ('the functional currency'). The Credit Union's primary economic environment is Jamaica, and as such, its functional and presentation currency is Jamaican dollars.

Transactions and balances

Foreign currency transactions are converted into the functional currency at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the date of the statement of financial position. Exchange gains and losses resulting from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange gains and losses on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

aa) Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

aa) Interest Income and Expense (cont'd)

The effective interest rate is the method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Credit Union estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation include all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

ab) League fees and stabilisation dues -

JCCUL has fixed the rate of league fees at 0.20% (2016 - 0.20%) of total assets less adjustment for certain fair value and reserve items. Stabilisation dues are fixed at a rate of 0.15% (2016 - 0.15%) of total savings.

ac) Related Party Balances and Transactions -

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the "reporting entity").

- (a) A person or a close member of that person's family is related to the reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to the reporting entity if any of the following conditions applies:
 - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Cont'd):

ac) Related Party Balances and Transactions Cont'd:

- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

ad) Business Combinations

The Credit Union uses the acquisition method of accounting to account for business combinations. The consideration transferred on the merger of entities is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the credit union. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities acquired; and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In business combinations involving more than two parties, one of the previously existing entities is normally deemed to be the acquirer uses the principles outlined in IFRS 3 - *Business Combinations*, to account for the net assets of the deemed acquired.

4. Financial Instruments and Financial Instruments Risk Management:

The Credit Union's activities expose it to a variety of financial risks. The Credit Union's risk management activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Credit Union's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Credit Union's financial performance.

The Credit Union's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Credit Union regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Credit Union's risk management framework. The Board has established committees, departments and positions for managing and monitoring risks, as follows:

i) Risk, Compliance and Legal Services Manager

The Risk and Compliance Officer is responsible for developing and implementing risk management policies, programs and standards to mitigate all risks affecting the Credit Union and ensuring the Credit Union's compliance with relevant laws and regulators.

ii) Finance Committee

The role of the Finance Committee includes monitoring and assessing risk and compliance within the organization. This involves reviewing current and prospective capital levels, liquidity positions and interest rate risk measurements. The Finance Committee also monitors alternative funding sources for the Credit Union, and monitors capital and asset/liability management strategies and tactics.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

iii) Accounting Department

This department is responsible for the day-to-day management of the Credit Union's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Credit Union.

iv) Supervisory Committee

The Supervisory Committee oversees how management monitors compliance with the Credit Union's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Credit Union. The Supervisory Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Supervisory Committee.

v) Credit Committee

The Credit Committee monitors the overall credit administration and granting of loans. The Credit Union's policy is that risk management processes throughout the Credit Union are audited periodically by the Internal Audit function, which examines both the adequacy of the procedures and the Credit Union's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Committee.

Monitoring and controlling risk is primarily performed based on limits established by the Credit Union. These limits reflect the business strategy and market environment of the Credit Union as well as the level of risk that the Credit Union is willing to accept, with additional emphasis on selected industries. In addition, the Credit Union's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

In addition, the League has established a Risk Management Unit for credit unions in Jamaica and the Credit Union participates in this risk management initiative. They conduct seminars, draft policies and assist credit unions in identifying and managing risks.

The Credit Union is exposed to credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) **Credit risk**

The Credit Union takes on exposure to credit risk, which is the risk that its members or counterparties will cause a financial loss for the Credit Union by failing to discharge their contractual obligations. Credit risk is the most important risk for the Credit Union's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in financial instruments not included in the statement of financial position, such as loan commitments. The Credit Union structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or related counterparties.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(a) Credit risk (cont'd)

Credit Review Process

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

i) Loans

The Credit Union assesses the probability of default of borrowers. Exposure to credit risk is managed in part by obtaining collateral, and corporate and personal guarantees. Counterparty limits are established by the Board and are detailed in the Credit Union's loan policy document. These limits are subject to regular revision. The credit quality review process allows the Credit Union to assess the potential loss as a result of the risk to which it is exposed and take corrective action.

ii) Investments

The Credit Union limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and in Government of Jamaica fixed rate benchmark investments. Accordingly, management does not expect any counterparty to fail to meet its obligations.

iii) Collateral and other credit enhancement

The amount of and type of collateral required depends on an assessment of the credit risk of the members. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

- Bills of sale on motor vehicles, furniture and appliances
- Mortgages over real estate
- Life insurance policies
- Liens on members' shares and deposits maintained with the Credit Union
- Hypothecated funds invested at other financial institutions
- Co-maker account

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

Impairment

The Credit Union uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed.

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

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(a) Credit risk-Cont'd:

Credit Review Process (Cont'd)

Impairment (cont'd)

The Credit Union addresses impairment assessments individually. Individually assessed impairment allowances are provided for financial assets that are above materiality thresholds based on a review conducted at least annually, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the date of the statement of financial position on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The League's loan loss provisioning rules in (Note 7) focus more on credit-quality mapping of the respective delinquency periods to corresponding pre-determined percentages. In contrast, impairment provisions described above are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements may differ from the amount determined from the League's loan loss provisioning rules that are used for internal operational management and the Credit Union's internal provisioning method.

The difference between the two amounts is dealt with as an additional provision through transfer from accumulated surplus to the loan loss reserve in non-institutional capital.

Management determines whether objective evidence of impairment exists under IAS 39, based on the relevant criteria.

Credit Risk Exposure

The impairment provision included in the statement of financial position at year end is in respect of loans to Credit Union members. The table below shows the Credit Union's loans and the associated impairment provision.

	2017		2016	
	Loans	Impairment Provision	Loans	Impairment Provision
	\$	\$	\$	\$
Loans to Credit Union Members	<u>4,147,723,852</u>	<u>25,882,472</u>	<u>2,170,880,650</u>	<u>72,445,317</u>

Maximum exposure to credit risk before collateral held or other credit enhancements:

For items on the statement of financial position, the exposures are based on net carrying amounts as reported in the statement of financial position.

For items not on the statement of financial position, see below representing a worst case scenario of credit risk exposure to the Credit Union at 31st December 2017 and 2016, without accounting for any collateral held or other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(a) Credit risk-Cont'd:

Credit risk exposure-Cont'd:

	2017	2016
	\$	\$
Loan Commitments	<u>67,985,174</u>	<u>28,626,439</u>

(i) Credit quality of loans is summarised as follows:

	2017	2016
	\$	\$
Neither past due nor impaired	2,744,855,355	1,496,278,942
Past due but not impaired	1,249,780,000	648,628,772
Impaired	<u>153,088,497</u>	<u>25,972,936</u>
Gross Loan amounts	4,147,723,852	2,170,880,650
Less: Provision for credit losses	<u>(25,882,472)</u>	<u>(72,445,317)</u>
Net Loans Receivable	<u>4,121,841,380</u>	<u>2,098,435,333</u>

The majority of past due loans are not considered to be impaired. Further information on the impairment allowance for loans is provided in (Note 7).

(i) Ageing analysis of past due but not impaired loans:

	2017	2016
	\$	\$
Less than 30 days	1,080,000,000	591,484,489
31 to 60 days	77,330,000	39,319,857
61 to 90 days	33,019,000	1,921,816
More than 90 days	<u>59,431,000</u>	<u>15,902,610</u>
	<u>1,249,780,000</u>	<u>648,628,772</u>

There are no financial assets other than loans that are past due.

iii) Financial assets - individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	2017	2016
	\$	\$
Loans to members	<u>153,088,497</u>	<u>25,972,936</u>

The fair value of collateral that the Credit Union held as security for individually impaired loans was \$43,147,387 (2016 - \$6,541,000).

There are no financial assets other than those listed above that were individually impaired.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(a) Credit risk-Cont'd:

Credit risk exposure-Cont'd:

iv) Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review (restructuring is most commonly applied to term loans). As at 31st December 2017, there were renegotiated loans totalling NIL (2016- \$5,204,678).

v) Repossessed Collateral

The Credit Union obtained assets by taking possession of collateral held as security, as follows:

	Carrying Amount 2017	Carrying Amount 2016
	\$	\$
Motor vehicles	19,430,000	5,278,152
Real estate	20,439,000	6,002,500
	<u>39,869,000</u>	<u>11,280,652</u>

Reposessed property and motor vehicles are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Credit Union does not occupy reposessed property for business use.

vi) Loans

The following table summarises the credit exposure of the Credit Union for loans at their carrying amounts as categorised by industry sectors:

	2017	2016
	\$	\$
Agriculture	11,436,991	4,458,013
Construction and real estate	914,581,533	407,473,031
Debt refinancing and consolidation	196,559,936	89,383,489
Transportation	464,073,821	334,716,848
Personal	363,734,876	242,129,471
Motor Vehicles	1,891,187,379	752,627,110
Education	107,387,574	97,032,551
Small Business	168,005,171	180,635,940
Professional and other services	3,609,710	46,216,121
	<u>4,120,576,992</u>	<u>2,154,672,574</u>
Less: Provision for credit losses	<u>(25,882,472)</u>	<u>(72,445,317)</u>
	4,094,694,520	2,082,227,257
Interest receivable	27,146,860	16,208,076
	<u>4,121,841,380</u>	<u>2,098,435,333</u>

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

vii) Debt securities

This disclosure provided in this note are based on the Credit Union's investment portfolio. The following table summaries the categories of Credit Union's credit exposure for debt securities and their carrying amounts at year end:

	2017	2016
	\$	\$
Government of Jamaica	645,767,290	444,231,269
Financial Institutions	982,218,054	1,065,339,513
Credit Union Fund Management Company	167,114,267	282,705,053
Jamaica Co-operative Credit Union League	285,205,467	5,572,379
	<u>2,080,305,077</u>	<u>1,797,848,214</u>

(b) Liquidity risk

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

Liquidity risk management process

The Credit Union's liquidity management process, as carried out within the Credit Union and monitored by the Finance Committee, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the 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 flows;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investments;
- (v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain code one rating liquidity ratio according to the PEARLS-M standard; and
- (vi) Managing the concentration and profile of debt maturities.

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Credit Union. It is unusual for entities ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Credit Union and its exposure to changes in interest rates and exchange rates.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017

(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(b) Liquidity risk - Cont'd:

Financial liabilities and assets held for managing liquidity risk

The tables below present the cash flows payable and receivable by the Credit Union for financial liabilities and assets held at contractual maturity dates for managing liquidity risk by remaining contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flow (principal and interest cash flows).

As at 31st December 2017

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	No Specific Maturity \$	Total \$
Members' saving deposits	103,602,446	285,452,986	139,507,518	1,529,157,047	1,034,654,625	3,092,374,622
Members' voluntary shares	-	-	-	-	2,450,141,111	2,450,141,111
External Credit	-	-	-	84,486,422	-	84,486,422
Non-interest bearing liabilities	31,855,197	141,800,214	-	-	-	173,655,411
Total financial liabilities (contractual maturity dates)	135,457,643	427,253,200	139,507,518	1,613,643,469	3,484,795,736	5,800,657,566

Assets held for managing liquidity risk (contractual maturity dates)

	949,600,684	484,029,386	1,277,503,844	1,669,171,163	2,758,751,813	7,139,056,890
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As at 31st December 2016

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	No Specific Maturity \$	Total \$
Members' saving deposits	1,739,205,275	80,893,269	141,563,220	60,669,951	-	2,022,331,715
Members' voluntary shares	-	1,250,945,400	-	-	-	1,250,945,400
Non-interest bearing liabilities	105,162,702	28,341,149	-	-	-	133,503,851
Total financial liabilities (contractual maturity dates)	1,844,367,977	1,360,179,818	141,563,220	60,669,951	-	3,406,780,966
Assets held for managing liquidity risk (contractual maturity dates)	732,381,883	1,059,887,621	1,916,933,176	778,597,324	141,482,792	4,629,282,796

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(b) Liquidity risk - Cont'd:

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and bank balances, items in the course of collection, investment securities and other eligible bills, and loans and advances to members. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Credit Union is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

Off-statement of financial position items

Undrawn loan commitments, as discussed in Note 4(a), will expire in less than one year.

(c) Market risk

The Credit Union is exposed 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 risk mainly arises from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Accounting Department which carries out research and monitor the price movement of financial assets.

There has been no change to the Credit Union's exposure to market risk or the manner in which it manages and measures the risk.

Foreign Currency risk

Currency risk is the risk that the fair value or financial instruments will fluctuate due to changes in foreign exchange rates. The Credit Union is exposed to foreign exchange risk primarily with respect to the US dollar. The statement of financial position at 31st December 2017 includes aggregate foreign assets the equivalent of \$145,802,521 (2016 - \$131,539,082).

The Credit Union manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Credit Union further manages this risk by holding foreign currency balances.

Foreign currency sensitivity

The following table indicates the currencies to which the Credit Union had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the percentage changes in foreign currency rates as indicated below. The sensitivity of the net surplus was as a result of US dollar-denominated reverse repurchase agreements and financial investments. There would be no impact on equity other than through net surplus.

	Change in Currency Rate 2017 %	Effect on Net Surplus 2017 \$	Change in Currency Rate 2016 %	Effect on Net Surplus 2016 \$
Devaluation	4	5,832,101	6	7,892,345
Revaluation	2	(1,458,025)	1	(1,315,391)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(c) Market risk –Cont'd

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Interest rate risk is managed through monitoring interest rate gaps and having pre-approved limits for re- pricing bands. The Credit Union's policy is to monitor positions on a daily basis and strategies are used to ensure positions are maintained within the established limits. This is monitored by the Accounting Department.

The following tables summarise the Credit Union's exposure to interest rate risk. It includes the Credit Union's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Financial Assets

	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	2017 Over 5 Years \$	No Specific Maturity Date \$	Non-Interest Bearing \$	Total \$
Earning Assets							
Liquid assets							
Deposits	142,977,180	-	-	-	-	-	142,977,180
Short-Term Investments	127,407,945	148,360,096	-	-	-	-	275,768,041
Reversed Repurchase agreements	115,588,824	584,258,911	-	-	-	-	699,847,735
Financial investments	71,283,185	256,871,764	265,074,422	421,614,818	-	-	1,014,844,189
Loans to members after provision for impairment	387,883,858	93,524,279	1,539,230,714	2,101,202,529	-	-	4,121,841,380
Non-earning assets	-	-	-	-	822,135,512	-	822,135,512
Total financial assets	845,140,992	1,083,015,050	1,804,305,136	2,522,817,347	822,135,512	-	7,077,414,038
Financial liabilities							
Interest bearing liabilities							
Members' saving deposits	103,602,446	285,452,986	139,507,518	1,529,157,047	1,034,654,625	-	3,092,374,622
Members' voluntary shares	-	-	-	-	-	2,450,141,111	2,450,141,111
Bank Overdraft (Unsecured)	4,662,083	-	-	-	-	-	4,662,083
Non-interest bearing liabilities	31,855,197	141,800,214	-	-	-	-	173,655,411
External Credit	-	-	-	84,486,422	-	-	84,486,422
Equity	-	-	-	-	-	1,272,094,389	1,272,094,389
Total financial liabilities	140,119,726	427,253,200	139,507,518	1,613,643,469	1,034,654,625	3,722,235,500	7,077,414,038
Total Interest Rate Sensitivity Gap	705,021,266	655,761,850	1,664,797,618	909,173,878	(212,519,113)	(3,722,235,500)	-

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(c) Market risk -Cont'd

Interest rate risk

Financial Assets

	<u>2016</u>					
	Within 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	No Specific Maturity Date \$	Total \$
Earning Assets						
Liquid assets						
Deposits	63,977,322	-	-	-	-	63,977,322
Short-Term Investments	7,967,237	-	-	-	-	7,967,237
Reversed Repurchase agreements	745,807,702	284,654,505	-	-	-	1,030,462,207
Financial Investments	201,977,341	36,067,382	281,325,583	255,109,411	-	774,479,717
Loans to members after provision for Impairment	7,370,619	206,281,280	1,431,754,668	453,028,766	-	2,098,435,333
Non-earning assets	-	-	-	-	107,020,877	107,020,877
Total financial assets	1,027,100,221	527,003,167	1,713,080,251	708,138,177	107,020,877	4,082,342,693
Financial liabilities						
Interest bearing liabilities						
Members' saving deposits	1,739,205,275	80,893,269	164,067,507	38,165,664	-	2,022,331,715
Members' voluntary shares	-	1,272,188,810	-	-	-	1,272,188,810
Non-interest bearing liabilities	167,626,714	-	-	-	-	167,626,714
Total financial liabilities	1,906,831,989	1,353,082,079	164,067,507	38,165,664	-	3,462,147,239
Total Interest Rate Sensitivity	(879,731,768)	(826,078,912)	1,549,012,744	669,972,517	107,020,877	620,195,454

The sensitivity of the net surplus is the effect of the assumed changes in interest rates on net income based on the floating rate non-trading financial assets and financial liabilities. There is sensitivity with respect to other components of equity, as the Credit Union has fixed rate available-for-sale investments. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be analysed on an individual basis.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

(c) Market risk -Cont'd

Interest rate risk- Cont'd:

Interest rate sensitivity

Change in Basis Points 2017 \$	Effect on Net Surplus 2017 \$	Change in Basis Points 2016 \$	Effect on Net Surplus 2016 \$
-100	-	-100	(3,975,322)
+100	-	+250	9,938,305

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

	Within 3 Months %	3 to 12 Months %	2017 1 to 5 Years %	Over 5 Years %	Weighted Average %
Earning Assets					
Liquid assets-					
Deposits	1.09	1.09			
Short-term investments	2.30				2.30
Reversed Repurchase Agreements	4.60	4.80	5.00		4.80
Financial Investments	4.60	5.00	6.20	7.00	5.70
External Loans (Mortgage Loan)				8.00	8.00
Loans (1)	13.40	13.59	13.60	11.50	13.00
Interest bearing liabilities					
Members' Deposits (2)	3.00				1.50
Members' Voluntary Shares	1	1.75	2	2	1.75

	Within 3 Months %	3 to 12 Months %	2016 1 to 5 Years %	Over 5 Years %	Weighted Average %
Earning Assets					
Liquid assets-					
Deposits	2.95				2.95
Short-Term Investments	7.21	-	-		0.90
Reversed Repurchase Agreements	5.20	6.34			6.19
Financial Investments	5.40	10.43	6.67	11.01	7.12
Loans (1)	13.05	13.61	13.65	11.17	12.72
Interest bearing liabilities					
Members' deposits (2)	1.70	4.22	6.03	5.57	2.32
Members' voluntary shares	-	1.18	-	-	1.18

(1) Yields are based on book values, net of allowances for credit losses and contractual interest rates.

(2) Yields are based on contractual interest rates.

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than financial risks such as those arising from legal and regulatory requirements.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to identify operational risk is assigned to the Board and management. This responsibility is supported by overall Credit Union standards for the management of operational risk in the following areas:

- (i) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- (ii) Requirements for the appropriate segregation of duties, including the independent authorisation of transactions.
- (iii) Requirements for the reconciliation and monitoring of transactions.
- (iv) Compliance with regulatory and other legal requirements.
- (v) Documentation of controls and procedures.
- (vi) Requirements for the reporting of operational losses and proposed remedial action.
- (vii) Development of contingency plans.
- (viii) Training and professional development
- (ix) Ethical and business standards
- (x) Risk mitigation, including insurance where this is effective.

Compliance with Credit Union policies is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Supervisory Committee, senior management and the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

e) Capital Management

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

- (i) To comply with the capital requirements set by the League and the proposed Bank of Jamaica (BOJ) Credit Union Regulations, under which entities within the credit union movement operate;
- (ii) To safeguard the Credit Union's ability to continue as a going concern so that it can continue to provide returns for members and benefits for other stakeholders;
- (iii) To maintain a strong capital base to support the development of its business; and
- (iv) To maintain the members' confidence in the safety and viability of the Credit Union.

Capital adequacy and the use of regulatory capital are monitored by the Credit Union's management, based on the guidelines in its Capital Management Policy.

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

- (i) Hold a minimum level of the regulatory capital of 6% of total assets; and
- (ii) Maintain a ratio of total regulatory capital to risk-weighted assets at or above 10%.
- (iii) At least twenty percent (20%) of net income must be transferred to Institutional Capital at the end of each financial year before any appropriation of surplus.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

In determining the Credit Union's capital base (Institutional Capital), the Institutional Capital of the acquired Credit Union, (see below) was included. As at the date of transfer of engagements/amalgamations, the relevant Credit Union had Institutional Capital as stated below which comprised the following balance:

	<u>Merger Date</u>	<u>Statutory Reserve</u>
Hanover Co-Operative Credit Union Limited	1st January 2017	<u>100,689,871</u>

All League and Bank of Jamaica regulatory capital requirements were met during the year ended 31st December 2017.

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

f) Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists, as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of financial assets and liabilities held and issued by the Credit Union. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the statement of financial position date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The following methods and assumptions have been used:

- (a) Financial investments classified as fair value through profit or loss and available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques. Unquoted equities are measured at historical cost less impairment, as their fair values cannot be reliably determined;
- (b) Financial investments classified as held-to-maturity are measured at amortised cost with a carrying value of \$658,419,021 (2016 \$344,929,941).
- (c) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets, with the exception of unquoted equities and the short-term elements of all other financial assets and financial liabilities;
- (d) The fair value of members' deposits with no specific maturity is assumed to be the amount payable on demand at the statement of financial position date;
- (e) The estimated fair values of the off-statement of financial position financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis;
- (f) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;
- (g) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans, the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.

Financial instruments that are measured in the statement of financial position at fair value are grouped based on the degree to which their fair value is observable:

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

4. Financial Instruments and Financial Instruments Risk Management (Cont'd):

f) Fair Value of Financial Instruments Cont'd:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Credit Union's financial assets that are measured at fair value at 31 December:

	2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>Available for sale-</u>				
Unquoted equities	-	-	244,102,528	244,102,528
Quoted equities	59,190,572	-	-	59,190,572
Fixed and other deposits	-	658,419,021	-	658,419,021
	<u>59,190,572</u>	<u>658,419,021</u>	<u>244,102,528</u>	<u>961,712,121</u>

	2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>Available for sale-</u>				
Unquoted equities	-	61,013,675	-	61,013,675
Quoted equities	57,369,995	-	-	57,369,995
Fixed and other deposits	-	602,963,979	-	602,963,979
	<u>57,369,995</u>	<u>663,977,654</u>	<u>-</u>	<u>721,347,649</u>

There were no transfers between levels 1 and 2 during the year. There are no revalued financial assets grouped in level 3.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

5. Earning Assets-Liquid Assets:

	2017	2016
	\$	\$
Savings Account Balances & Demand Deposits	142,977,180	63,977,322
<u>Short Term Investments</u>		
Jamaica Co-operative Credit Union League	275,768,041	7,967,237
Other Financial Institutions	699,847,735	1,030,462,207
	<u>1,118,592,956</u>	<u>1,102,406,766</u>

6. Loan to Members:

	2017	2016
	\$	\$
Balance at Beginning of Year	2,154,672,574	1,943,642,076
Acquired on business combination	1,178,384,169	-
Loans Granted	2,457,938,420	1,232,710,433
	5,790,995,163	3,176,352,509
Less Repayments and Transfers	(1,670,418,170)	(1,021,679,935)
	4,120,576,992	2,154,672,574
Less Provision for Loan Impairment	(25,882,472)	(72,445,317)
	4,094,694,520	2,082,227,257
Add Interest Receivable	27,146,860	16,208,076
	<u>4,121,841,380</u>	<u>2,098,435,333</u>

7. Provision for Loan Impairment:

(a) The movement in the provision for loan impairment determined under the requirements of IFRS is as follows:

	2017	2016
	\$	\$
Balance, January 1	72,445,317	67,023,024
Arising on business combination	4,735,234	-
(Decrease)/Increase in Provision for the year	(21,455,661)	5,422,293
Recoveries	4,949,527	-
Charge off Loans	(34,791,945)	-
IFRS Loan Impairment	25,882,472	72,445,317
JCCUL regulatory requirement (Note b)	(87,838,473)	(61,684,815)
	<u>(61,956,001)</u>	<u>10,760,502</u>

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

7. Provision for Loan Impairment Cont'd:

(b) Net Movement on Loan Impairment Provision

	2017	2016
	\$	\$
Additional amounts provided for during the year (IFRS)		
Charged to Statement of Comprehensive Income	(52,900,091)	-

Provision for loan losses determined under JCCUL Regulatory requirements is as follows:

2017						
Number of Months in Arrears	Number of Loans	Delinquent Loans	Provision Rate	Savings Held Against Loans	Exposure	Loan Loss Provision
		\$	%	\$	\$	\$
Less than 2	107	77,330,696	-	15,175,697	62,154,999	-
2 to 3	53	33,019,176	10	4,860,961	28,158,215	3,301,918
3 to 6	47	27,026,044	30	4,240,640	22,785,404	8,107,813
6 to 12	80	32,404,822	60	2,741,393	29,663,429	19,442,893
Over 12	14	56,985,849	100	-	56,985,849	56,985,849
	<u>301</u>	<u>226,766,587</u>		<u>27,018,690</u>	<u>199,747,897</u>	<u>87,838,473</u>

2016						
Number of Months in	Number of Loans	Delinquent Loans	Provision Rate	Savings Held Against Loans	Exposure	Loan Loss Provision
		\$	%	\$	\$	\$
Less than 2	33	20,797,908	-	4,320,717	16,477,191	-
2 to 3	41	20,443,765	10	1,321,100	19,122,665	2,044,377
3 to 6	37	7,780,548	30	1,794,911	5,985,637	2,334,164
6 to 12	48	8,122,063	60	1,738,470	6,383,593	4,873,238
Over 12	<u>396</u>	<u>52,433,036</u>	100	-	<u>52,433,036</u>	<u>52,433,036</u>
	<u>555</u>	<u>109,577,318</u>		<u>9,175,198</u>	<u>100,402,122</u>	<u>61,684,815</u>

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

8. Financial Investments:

	2017 \$	2016 \$
<u>Available-for-sale, at fair value through other comprehensive income</u>		
Unquoted Equities		
(a) Jamaica Co-operative Credit Union League Ltd	9,437,426	5,572,379
Jamaica Money Market Brokers Limited	1,628,016	-
(b) Quality Network Co-operative Limited (QNET)	2,335,771	-
Other - Mystic Mountain	10,000,000	10,000,000
Quoted Equities		
Other - Sagicor Real Estates	58,876,984	57,369,995
(c) Credit Union Fund Management Company Limited	15,801,315	13,509,963
Central Strategic Service	5,000,000	-
Jamaica Co-operative Insurance Agency	1,000,000	-
Other		
Government of Jamaica Securities	198,900,000	31,931,333
	<u>302,979,512</u>	<u>118,383,670</u>
<u>Held for trading, at fair value through profit or loss</u>		
<u>Quoted Equities</u>		
Jamaica Money Market Brokers Limited	203,847	-
Mayberry Investments Limited	109,741	-
	<u>313,588</u>	<u>-</u>
<u>Held-to-Maturity</u>		
Placement with Other Financial Institutions	280,428,714	258,034,038
Government of Jamaica Securities	377,990,306	344,929,941
	<u>658,419,021</u>	<u>602,963,979</u>
	<u>961,712,121</u>	<u>721,347,649</u>

- (a) Unquoted equities represents shares held in the League. A minimum of 1,000,000 shares with a par value of \$1.00 each must be held with the league for the Credit Union to retain membership status.
- (b) The unquoted equity investment in Quality Network Co-operative Limited represents 2.7% of the issued ordinary share capital of the company.
- (c) The rules of the League stipulate that the Credit Union must invest 5% of the net increase in the members' share accounts in the League's mortgage fund instruments. These investments are used to secure joint mortgage facilities, which are extended to the members of the Credit Union.

9. Investment Property:

	2017 \$	2016 \$
At beginning of year	53,132,068	53,132,068
Fair value gain	-	-
At end of year	<u>53,132,068</u>	<u>53,132,068</u>

Investment property comprises the following:

Earning assets -50% of the building located at 20 Church Street, Montego Bay and designated for rental purposes.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

9. Investment Property (Cont'd):

The income earned and direct operating expenses incurred in connection with investment property were as follows:

	2017	2016
	\$	\$
Rental income	5,337,904	5,552,630
Maintenance fees	<u>550,000</u>	<u>600,000</u>

10. (A) Cash and Cash Equivalents

	2017	2016
	\$	\$
Current Accounts	65,783,265	9,714,660
Cash in hand	<u>70,320,381</u>	<u>43,538,339</u>
	<u>136,103,646</u>	<u>53,252,999</u>

(B) Bank Overdraft

This represents the company's liability to its bankers on its current accounts after taking into account all cheques issued but not presented for encashment in the year ended.

11. Other Receivables & Prepayments

	2017	2016
	\$	\$
Other Receivables	2,382,431	18,535,311
Prepayments	<u>17,647,592</u>	<u>34,195,971</u>
	20,030,022	52,731,282
Less Impairment Provision	<u>(638,620)</u>	<u>(638,620)</u>
	<u>19,391,402</u>	<u>52,092,662</u>

12. Intangible Assets

	2017	2016
	\$	\$
<u>At Cost:</u>		
1st January	11,990,668	11,704,327
Additions	<u>-</u>	<u>286,341</u>
31st December	<u>11,990,668</u>	<u>11,990,668</u>
<u>Accumulated Amortisation:</u>		
1st January	11,799,773	11,131,184
Charge for the year	<u>190,894</u>	<u>668,589</u>
31st December	<u>11,990,667</u>	<u>11,799,773</u>
<u>Net Book Value</u>	<u>1</u>	<u>190,895</u>

Intangible assets comprise computer accounting software acquired by the Credit Union and implementation costs of this software. The cost is amortised over the expected useful life of these assets which is estimated by management to be three years.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

13. Property, Plant & Equipment:

At Cost or Valuation:

	Land \$	Buildings & Infrastructure \$	Machinery & Office Equipment \$	Computer Equipment \$	Furniture & Fixtures \$	Total \$
31st December 2015	3,535,000	63,873,741	26,956,651	49,803,496	10,228,462	154,397,350
Additions	-	-	1,616,643	1,184,330	564,163	3,365,136
31st December 2016	3,535,000	63,873,741	28,573,294	50,987,826	10,792,625	157,762,486
Fair Value Gain/(Loss) on Business Combination	-	289,484,130	(18,855,734)	3,104,973	664,938	274,398,307
Additions	-	3,383,558	5,773,524	24,614,874	328,750	34,100,705
Arising on business combination	15,000,000	198,290,169	38,445,677	27,628,439	3,168,912	282,533,197
Disposal/Write Off	-	-	(27,205)	-	-	(27,205)
31st December 2017	18,535,000	555,031,598	53,909,556	106,336,112	14,955,225	748,767,490

Depreciation:

31st December 2015	-	12,576,464	17,724,123	34,058,838	7,920,670	72,280,095
Charge for year	-	1,539,160	2,550,212	7,124,657	809,235	12,023,264
31st December 2016	-	14,115,624	20,274,335	41,183,495	8,729,905	84,303,359
Charge for year	-	5,400,308	8,872,570	4,054,397	604,150	18,931,426
Arising on business combination	-	10,575,533	7,485,217	24,211,511	1,588,191	43,860,452
Reclassification/Write Off/Transfer	-	-	(27,205)	-	-	(27,205)
31st December 2017	-	30,091,465	36,604,917	69,449,403	10,922,246	147,068,032

Net Book Value:

31st December 2017	18,535,000	524,940,133	17,304,639	36,886,709	4,032,978	601,699,458
31st December 2016	3,535,000	49,758,117	8,298,959	9,804,331	2,062,720	73,459,127
31st December 2015	3,535,000	51,297,277	9,232,528	15,744,658	2,307,792	82,117,255

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

14. Retirement Benefit Assets:

The Credit Union participates in a multi-employer defined pension plan. The pension plan is generally funded by payments from employees and the Credit Union, taking into account the recommendation of independent qualified actuaries. A defined benefit plan is a pension plan that defines the amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation.

The following represents the Credit Union's share of amounts allocated to participating credit unions:

	2017	2016
	\$	\$
Fair value of plan assets	257,346,000	159,879,000
Present value of funded obligations	(195,014,000)	(113,354,000)
Asset in the statement of financial position	62,332,000	46,525,000

The movement in the fair value of plan assets during the year was as follows:

	2017	2016
	\$	\$
At beginning of year	159,879,000	149,582,000
Business Combination	63,925,000	-
Re-measurements on plan assets	4,558,000	(6,186,000)
Employer contributions	8,078,000	5,949,000
Employee contributions	8,482,000	6,817,000
Interest income	20,594,000	12,898,000
Administrative expenses	(1,650,000)	(742,000)
Benefits paid	(6,520,000)	(8,439,000)
At end of year	257,346,000	159,879,000

The movement in the present value of the defined benefit obligation during the year was as follows:

	2017	2016
	\$	\$
At beginning of year	113,354,000	106,934,000
Current service cost	5,887,000	3,937,000
Interest cost	14,369,000	9,020,000
	20,256,000	12,957,000
Re-measurements-		
Actuarial loss from change in financial assumptions	9,829,000	4,558,000
Actuarial loss -experience adjustments	4,290,000	(9,475,000)
Experience loss	14,119,000	(4,916,000)
Employee's Contribution	8,482,000	6,817,000
Benefits paid	(6,520,000)	(8,439,000)
Business Combination	45,323,000	-
At end of year	195,014,000	113,354,000

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

14. Retirement Benefit Assets Cont'd:

The amounts recognised in the statement of comprehensive income are as follows:

	2017	2016
	\$	\$
Included in administrative expenses-		
Current service cost	5,887,000	3,937,000
Interest cost	14,369,000	9,020,000
Interest income on plan	(20,594,000)	(12,898,000)
Administrative expense	1,650,000	742,000
Staff costs	<u>1,312,000</u>	<u>802,000</u>
Included in other comprehensive income (OCI)-		
Actuarial loss on obligation	14,119,000	(4,916,000)
Actuarial gain on plan assets	<u>(4,558,000)</u>	<u>6,186,000</u>
Total components of defined benefit cost recorded in OCI	<u>9,561,000</u>	<u>1,270,000</u>
Defined benefit cost	<u>10,873,000</u>	<u>2,072,000</u>

Expected contributions to the plan for the year ending 31st December 2018 amount to \$21,046,690, which is based on contribution rate of 8% Pensionable Salaries.

Movement in the pension asset recognised in the statement of financial position:

	2017	2016
	\$	\$
At beginning of year	46,525,000	42,648,000
Effect of Business Combination	18,602,000	-
Amounts recognised in the statement of comprehensive income	(1,312,000)	(802,000)
Total re-measurements included in other comprehensive income	(9,561,000)	(1,270,000)
Employers' contribution	<u>8,078,000</u>	<u>5,949,000</u>
At end of year	<u>62,332,000</u>	<u>46,525,000</u>

The principal actuarial assumptions used in valuing post-employment benefits were as follows:

	2017	2016
	\$	\$
Discount rate	8.00	9.00
Price inflation (CPI)	5.00	6.00
Pension increases	2.50	3.00
Future salary increases	<u>6.00</u>	<u>7.00</u>

Post-employment mortality for active members and mortality for pensioners and deferred pensioners is based on the 1983 Credit Union Annuity Mortality (sex differentiated rates).



NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017

(Expressed in Jamaican Dollars unless otherwise stated)

GATEWAY CO-OPERATIVE
CREDIT UNION (2017) LTD.
"Opening the way to your financial success"

14. Retirement Benefit Assets Cont'd:

The distribution of plan assets was as follows:

	2017		2016	
	%	\$	%	\$
Quoted equities	14.39	37,034,000	7.86	17,600,000
Local Registered Stocks	6.89	17,739,000	-	-
Real Estate investment trust	0.96	2,473,000	0.90 - 16	11,670,000
Government of Jamaica bonds	47.88	123,229,000	46.47	104,013,000
Repurchase agreements	3.65	9,391,000	11.87	26,563,000
US\$ bonds	4.44	11,421,000	7.23	16,171,000
Investment properties	16.19	41,660,000	15.10	24,137,000
US Certificate of deposit	3.10	7,973,000	6.22	9,950,000
Other	2.50	6,427,000	4.34 - 10.57	13,699,000
		<u>257,347,000</u>		<u>223,804,000</u>

The five year trend for the fair value of plan assets, the defined benefit obligations, the surplus in the pension plan, and experience adjustments for plan assets and liabilities were as follows:

	2013	2014	2015	2016	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Fair Value of Plan Assets	-	-	-	223,804	257,346
Defined Benefit Obligation	-	-	-	158,677	195,014
Surplus	-	-	-	65,127	62,332
<u>Experience adjustments-</u>					
Fair Value of Plan Assets	-	-	-	-	4,559
Defined Benefit Obligation	-	-	-	-	3,479

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

14. Retirement Benefit Assets Cont'd:

Risk associated with pension plans and post-employment plans

Through its defined benefit pension plans and post-employment medical plans, the Credit Union is exposed to a number of risks, the most significant of which are detailed below:

Asset Volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the League intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities in the event that discretionary pension increases are granted. The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The League ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension plan. Within this framework, the League's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The League actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The League has not changed the processes used to manage its risks from previous periods. The League does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consists of Government of Jamaica bonds and Investment Properties.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

15. Members' Voluntary Shares:

	2017 \$	2016 \$
Balance at Beginning of Year	1,224,676,657	1,070,188,456
Arising on business combination	833,765,622	-
Add: Deposits during the year	2,572,382,471	1,337,323,628
Interest paid during the year (relating to prior year)	22,336,279	13,624,375
	4,653,161,029	2,421,136,459
Less: Withdrawal and transfers	(2,228,108,411)	(1,196,459,802)
	2,425,052,618	1,224,676,657
Interest accrued on Member's voluntary shares	25,088,493	26,268,743
Balance at End of Year	2,450,141,111	1,250,945,400

16. Savings Deposits

	2017 \$	2016 \$
Movements on deposit balances during the year:		
(a) Members' Special and Fixed		
Balance at beginning of year	747,017,883	703,142,654
Arising on business combination	704,710,744	-
Add: Deposits during the year	1,765,363,179	677,340,687
Interest during the year	32,536,789	15,889,203
	3,249,628,595	1,396,372,544
Less: Withdrawals and transfers	(1,638,965,981)	(649,354,661)
	1,610,662,614	747,017,883
(b) Members' Ordinary Deposits		
Balance at beginning of year	1,275,313,832	1,103,867,613
Arising on business combination	76,399,817	-
Add: Deposits during the year	2,505,304,917	1,888,514,913
Interest during the year	16,521,613	18,345,003
	3,873,540,179	3,010,727,529
Less: Withdrawals and transfers	(2,391,828,171)	(1,735,413,697)
	1,481,712,008	1,275,313,832
Total Savings deposits	3,092,374,622	2,022,331,715
Interest accrued on members' deposits	73,799,852	52,842,257
	3,166,174,474	2,075,173,972

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

16. Savings Deposits Cont'd:

	2017	2016
	\$	\$
i Ordinary Members' Deposits	1,481,712,008	1,275,313,832
ii Passbook Savings	784,181,430	146,797,863
iii Golden Harvest Saving Plan	278,931,103	223,401,019
iv Certificate of Deposit/Fixed Deposit	361,129,138	262,258,676
v GCCU Gift Certificate	5,080	5,080
vi GCCU Partner Plan	186,415,863	114,555,245
	<u>3,092,374,622</u>	<u>2,022,331,715</u>

i Ordinary Members' Deposit

A regular savings account which allows members to save and withdraw as necessary. The amount in this account can be used as security for loans.

ii Passbook Savings

It requires an amount of \$5,000 to start this account which attracts .5% higher than the ordinary deposit account. In order to capitalize on this benefit, a minimum balance of \$5,000 must be maintained.

iii Golden Harvest Deposits

A savings instrument with a free decreasing term life insurance. It is designed for financial success and protection and your monthly deposit guarantee the achievement of your goal. Its insured against total and permanent disability and death. Once the contract is signed and the first deposit made, the total goal is assured.

iv Certificate of Deposits/Fixed Deposit

This instrument requires a minimum of \$20,000 to start and is matured/rolled over every 30-day. It has an interest tier of 1%-4% based on the amount fixed.

v GCCU Gift Certificate

Members are encouraged to use this option to reward their children or give gifts to friends and relatives on certain occasions. The funds are deposited in the account and a certificate is produced for the member. In cases where GCCU rewards children with Gift Certificates; the certificate is used to open their account at GCCU. It is not exchangeable.

vi GCCU Partner Plan

GCCU Partner Plan is similar to that of the traditional Partner Plan. A fixed amount, minimum \$500 per week, is deposited to the account on a particular day each week. A Member may select from the following options; 16, 24, 36 of 48 weeks to save. A bonus is paid at maturity.

17. Borrowings

	2017	2016
	\$	\$
External Loan- JCCUL Mortgage Loan	<u>84,486,422</u>	<u>-</u>

This represents commercial mortgage loan with Jamaica Co-operative Credit Union League (JCCUL) for \$100,000,000 borrowed in February 2013. This Stabilisation Loan Fund facility is repayable over 180 months. There was a moratorium of 2 years on the Principal payment. The loan attracts an interest rate of 8.0% per annum.

The following security is held in support of the credit facilities:

- Charge over deposits in the amount of \$5,050,000 over deposits maintained by the Borrower over funds maintained at the Lender on its behalf, omitting funds held to meet the Borrower's Liquidity Reserve
- First Legal Mortgage to \$94,950,000 over commercial property located on Main Street, Lucea, Hanover.
- Peril Insurance with sum insured of \$80,000,000 over the mortgaged premises to be assigned to the Lender.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

17. Borrowings (cont'd)

Borrowing costs that were directly attributable to the acquisition, construction or production of the building at Main Street, Lucea form part of the cost of that asset and, therefore, had been capitalised in 2013 and 2014. Other borrowing costs are recognised as an expense.

18. Accounts & Other payables & Accruals

	2017	2016
	\$	\$
Statutory Deductions	1,706,125	9,649,234
Family Indemnity Plan	20,602,875	16,519,117
Other Payables	30,862,455	26,152,094
	<u>53,171,455</u>	<u>52,320,445</u>
Accrued Charges	46,684,104	28,341,149
	<u>99,855,558</u>	<u>80,661,594</u>

19. Members' Permanent Share Capital:

	2017	2016
	\$	\$
Balance at Beginning of Year	68,311,393	63,181,253
Arising on business combination	38,034,192	-
Add Permanent Share Capital Subscribed	15,147,150	5,130,140
Balance at End of Year	<u>121,492,735</u>	<u>68,311,393</u>

The Credit Union has issued share capital which is not withdrawable by members but is invested as risk capital. Share Capital in the Credit Union is unlimited and represents shares of \$1.00 each invested by members. To satisfy membership, each member must maintain a minimum share capital value of \$2,000.

Dividend may be paid on members' share capital subject to the profitability of the Credit Union.

20. Non-Institutional Capital:

	2017	2016
	\$	\$
a) Investment Property Reserves	75,056,663	75,056,663
b) Retirement Benefit Reserves	62,332,000	46,525,000
c) General Reserves	576,428	576,428
d) Share Transfer Fund	2,000,000	2,000,000
e) Fair Value Reserves	29,135,877	26,950,456
f) Loan Loss Reserves	61,956,001	-
g) Infrastructure Development Reserves	21,000,000	21,000,000
Accumulated Surplus	84,125,129	64,907,774
	<u>336,182,098</u>	<u>237,016,321</u>

(a) Investment Property Reserve

This reserve comprises the unrealised surplus on the periodic revaluation of the investment properties.

(b) Retirement Benefit Asset Reserve

This reserve was created to match the value of the retirement benefit asset of the Credit Union. Movement on reserve is dealt with as an appropriation to or from the accumulated surplus.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

20. Non-Institutional Capital (cont'd):

(c) General Reserve

The general reserve was established for the purpose of providing funding for the possible merger opportunities with other credit unions.

(d) Share Fund Transfer

The share fund transfer was established in accordance with Rule 15 of the Credit Union's rules, for the purpose of redeeming permanent shares from a member of the Credit Union.

(e) Fair Value Reserve

This reserve comprises the unrealised fair value gain on available-for-sale financial assets.

(f) Loan Loss Reserve

This represents the excess of the Credit Union's internally assessed provision for loan impairment over the amount required under IFRS. This amount is an appropriation from the accumulated surplus.

(g) Infrastructure Development Reserve

This reserve was established for the purpose of providing funding for future capital expenditure.

21. Institutional Capital:

	2017	2016
	\$	\$
Permanent Reserve	287,573,864	287,573,864
Business Combination Reserve	328,769,092	-
Statutory & Legal Reserves (Note 29)	198,076,598	169,199,808
	<u>814,419,554</u>	<u>456,773,672</u>

Permanent Reserve

Permanent reserve comprises amounts transferred from accumulated surplus, from time to time on the recommendation of the directors to assist in maintaining the capital base of the Credit Union.

Statutory & Legal Reserves

As required by the Co-operative Societies Act and the rules of the Credit Union, a minimum of twenty percent (20%) of the annual surplus before entrance fees, and amounts collected from entrance fees, must be transferred to this reserve.

Business Combination Reserve

The business combination reserve is a reserve arising on the merger of two or more co-operatives and is not available for distribution. It is being retained to maintain the capital base of the Credit Union.

22. Interest Income

	2017	2016
	\$	\$
Loan and advances	476,757,315	276,178,636
	<u>476,757,315</u>	<u>276,178,636</u>
Financial Investments		
Available-for-sale Investments	23,746,561	2,989,116
Held-to-Maturity investments	36,239,666	26,903,050
Unit Trust Income	9,302,423	9,079,806
Reverse repurchase agreement	39,091,398	61,598,298
Deposits and Other	18,077,825	5,723,364
	<u>126,457,872</u>	<u>106,293,634</u>
	<u>603,215,188</u>	<u>382,472,270</u>

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

23. Interest Expense

	2017	2016
	\$	\$
Members' fixed deposits	10,861,897	6,715,684
Members' ordinary deposits	22,062,010	18,643,309
Members' voluntary shares	21,267,925	16,313,295
Members' other deposits	31,972,867	16,292,488
	<u>86,164,700</u>	<u>57,964,776</u>

24. Insurance Protection

	2017	2016
	\$	\$
Life Savings and Loan Protection Insurance	25,011,300	14,817,422
Golden Harvest Insurance	2,926,447	2,392,449
Security Processing	1,076,819	597,833
General Insurance	5,777,675	2,375,462
	<u>34,792,241</u>	<u>20,183,166</u>

25. Other Financial Costs

	2017	2016
	\$	\$
Bank Charges and Interest	3,235,435	2,229,040
Loan Interest Expense	6,999,301	-
	<u>10,234,737</u>	<u>2,229,040</u>

26. Fees and Other Income:

	2017	2016
	\$	\$
Statement and other credit information	23,324,104	18,011,008
Gain on Foreign Exchange	2,144,671	9,092,221
Dividends and Gains	15,551,557	1,143,279
Gain on Disposal of Property, Plant and Equipment	100,000	-
Other Fees	17,657,722	554,596
	<u>58,778,055</u>	<u>28,801,104</u>

27. Operating Expenses:

Personnel Expenses:

	2017	2016
	\$	\$
Employee Salaries and Wages	184,481,597	117,984,986
Other Employee Benefits	48,249,507	27,852,968
Statutory contributions	20,237,748	14,996,669
Pension Cost	1,312,000	802,000
	<u>254,280,853</u>	<u>161,636,623</u>

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

27. Operating Expenses (cont'd):

Administrative Expenses:

	2017	2016
	\$	\$
Utilities	20,310,007	12,436,235
Depreciation and Amortisation	19,179,466	12,691,852
Property Expenses	22,511,107	7,660,039
Auditors' remuneration	5,200,279	3,100,000
Security	8,875,941	5,772,769
Data Processing - User support fees	-	7,755,266
Printing, Stationery and Postage	14,642,335	4,887,751
Insurance Protection (Note 24)	34,792,241	20,183,166
Legal and Other professional fees	10,423,530	1,250,971
Transportation and Communication	6,038,648	1,821,426
Awards and Donations	734,802	549,924
Miscellaneous & Other Expense	394,650	1,743,510
Unrecoverable General Consumption Tax	11,934,259	7,116,793
Merger Expenses	4,240,798	-
	<u>159,278,061</u>	<u>86,969,702</u>

Marketing and Promotion:

	2017	2016
	\$	\$
Publicity and Promotion	27,786,597	10,861,129
Seminars and Meetings	-	892,686
Public Relations	322,890	1,208,488
	<u>28,109,487</u>	<u>12,962,303</u>

Representation and Affiliation:

	2017	2016
	\$	\$
League and Other Dues	32,924,897	13,470,891
Board of Directors & Committees	6,275,135	3,477,496
Annual General Meetings	1,815,484	3,266,054
Meetings/ Special Functions	5,352,438	818,250
	<u>46,367,954</u>	<u>21,032,691</u>

TOTAL OPERATING EXPENSES

488,036,356 282,601,319

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

28. Appropriations:

	2017	2016
	\$	\$
Dividend on Permanent Shares	-	11,984,830
Permanent Reserve	-	40,000,000
Transfer to Infrastructure Development	-	10,000,000
	<u>-</u>	<u>61,984,830</u>

29. Statutory and Legal Reserves:

	2017	2016
	\$	\$
Balance at beginning of year	169,199,808	154,628,893
20% Statutory Reserves	27,269,089	13,841,715
Entrance Fees	<u>1,607,701</u>	<u>729,200</u>
Balance at End of Year	<u>198,076,598</u>	<u>169,199,808</u>

Statutory and Legal Reserves are maintained in accordance with the provisions of the Co-operative Societies Act which requires that a minimum of 20% of Net Income be carried to a reserve fund. Upon application by a Registered Society, the Registrar may allow the required percentage to be reduced but not below 10%.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

30. Commitments

To meet the financial needs of members, the Credit Union enters into various irrevocable commitments.

- (a) At 31st December 2017, there were commitments of approximately \$67,985,174 (2016: \$28,626,439) in respect of loans approved, but not disbursed.
- (b) At 31st December 2017, there were no commitments in respect of educational grants approved for employees but not disbursed (2016 - \$0)

31. Insurance

(a) Fidelity Insurance Coverage

Fidelity insurance coverage was maintained during the year.

(b) Life Savings and Loan Protection Insurance

There were life and savings and loans protection insurance during the year.

32. Related Party Transactions and Balances

Related parties of the Credit Union include staff members, committee members and the Board of Directors.

- (a) At year end, staff members and key management of the Credit Union (and their families) maintained the following balances with the Credit Union:

	2017	2016
	\$	\$
<u>Directors and Committee Members-</u>		
Shares and savings	18,054,679	12,073,762
Loans, including interest	<u>36,296,807</u>	<u>23,197,932</u>
<u>Staff Members-</u>		
Shares and savings	58,513,157	19,665,629
Loans, including interest	<u>164,796,968</u>	<u>63,180,421</u>
<u>Family members of key management-</u>		
Shares and savings	23,579,277	11,392,706
Loans, including interest	<u>34,535,915</u>	<u>3,307,561</u>

During the year, no related parties received loans which necessitated waivers. Loans owing by directors, committee members and staff members were being repaid in accordance with their loan agreements.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

32. Related Party Transactions and Balances-Cont'd

(b) Purchase of goods

Supplies for the on-site staff canteen are usually purchased from a committee member. Purchases of such items during the year amounted to approximately \$1,265,847 (2016 - \$732,405. Year- end payable balances due to related parties in respect of these purchases are \$112,016 (2016- \$0).

(c) Key management compensation

	2017	2016
	\$	\$
Salaries and other short-term employee benefits	45,370,558	31,548,292
Post-employment benefits	5,615,943	2,497,268
	<u>50,986,501</u>	<u>34,045,560</u>

33. Comparison of Ledger Balances

	Share Capital	Voluntary Shares	Deposits	Loans
	\$	\$	\$	\$
Balance as per General Ledger	121,492,735	2,450,141,111	3,092,374,622	4,120,576,992
Balance as per Members Ledger	<u>121,492,735</u>	<u>2,450,141,111</u>	<u>3,092,374,622</u>	<u>4,120,576,992</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These balances do not include interest accrued and impairment provisions.

34. Comparative Information:

Where necessary, comparative figures have been re-classified to conform with changes in presentation in the current year.

35. Contingent Liabilities:

There are two claims pending against the Credit Union:

- With Calis Kerr for \$1,050,000 for a breach of contract re funds stolen from a Bailiff which came up for trial on 13th February 2017 but was adjourned for March 2018; and
- With a building contractor who claims that he is owed \$9,300,000 for breach of contract in connection with the building construction to remedy certain defects, some of which had already been undertaken by the Credit Union. Legal proceedings are pending.

NOTES TO THE FINANCIAL STATEMENTS Cont'd

For the year ended 31st December 2017
(Expressed in Jamaican Dollars unless otherwise stated)

36. Business Combination:

Effective January 1, 2017, Montego Co-operative Credit Union Limited (MCCU) and Hanover Co-operative Credit Union Limited (HCCU) merged to form Gateway Co-operative Credit Union (2017) Limited (GCCU). In accordance with IFRS 3- *Business Combinations*, the transaction was deemed to be a reverse acquisition. In reverse acquisitions, the legal acquirer, GCCU is not deemed to be the acquirer for accounting purposes, and one of the previously existing entities being deemed the acquirer. MCCU was identified as the acquirer as prescribed by IFRS 3 qualifying factors. The then members of both MCCU and HCCU became members of GCCU, through the issue of shares by GCCU. As MCCU was deemed to be the acquirer, the value ascribed to the shares issued to the legacy HCCU members was determined by reference to the fair value of the equity in HCCU at acquisition date that was given up by the legacy HCCU members, to obtain the equity received in MCCU. The value so determined was \$38,034,192. There was no goodwill or negative goodwill arising on the acquisition, and any difference between the fair value of the net assets acquired and deemed value for the shares issued, was credited to the retained earnings reserve in equity.

Details of net assets acquired and net cash outlay on acquisition are as follows:

	<u>HCCU</u>
	\$
Liquid Assets	361,121,238
Loans to Members after Provision for Impairment	1,130,488,197
Financial Investments	59,617,752
Cash and Cash Equivalents	23,048,976
Other Receivables & Prepayments	911,161
Property, Plant and Equipment	513,071,052
Retirement Benefit Asset	18,602,000
Members' Voluntary Shares	(833,765,622)
Members' Saving Deposits	(784,019,167)
Borrowing	(89,936,939)
Accounts Payable	<u>(32,335,364)</u>
	366,803,284
Members' Permanent Share Capital	<u>38,034,192</u>
Business Combination Reserve	<u>328,769,092</u>
<u>Cash Acquired</u>	
Liquid Assets - Non-Earning	361,121,238
Liquid Assets - Earning	<u>23,048,976</u>
	<u>384,170,214</u>

GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
COMBINED SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS OF
MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
FOR THE YEARS ENDED 31ST DECEMBER 2016 & 2015

I N D E X

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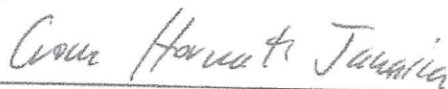
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REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
GATEWAY CO-OPERATIVE CREDIT UNION (2017) LIMITED
ON SUPPLEMENTARY INFORMATION OF
MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED

The supplementary information in this special purpose report on statements 2 to 7 reflects the combined accounting records of the Montego Co-operative Credit Union Limited (MCCU) and Hanover Co-operative Credit Union Limited (HCCU) had they merged to form Gateway Co-operative Credit Union (2017) Limited (GCCU) prior to 1st January 2017. It has been presented for historical reference only. It has been subjected to the tests and other auditing procedures applied in our examinations of the financial statements of the entities for the year ended 31st December 2016 and 31st December 2015.

In our opinion, the said information is fairly presented in all material respects in relation to the financial statements taken as a whole, although it is not necessary for a fair presentation of the state of affairs of the Credit Unions at 31st December 2016 and 31st December 2015 and of the results of its operations, its changes in equity and cash flows for the year then ended.

Crowe Horwath Jamaica



Crowe Horwath Jamaica

May 21, 2018

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016 & 2015

(Expressed in Jamaican Dollars unless otherwise stated)

	2016	2015
	\$	\$
<u>ASSETS:</u>		
EARNING ASSETS:		
Liquid Assets	1,463,528,004	1,017,222,653
Loans to Members after Provision for Impairment	3,281,356,567	2,887,065,102
Financial Investments	780,965,401	867,264,274
Investment Property	53,132,068	53,132,068
Total Earning Assets	<u>5,578,982,040</u>	<u>4,824,684,097</u>
NON-EARNING ASSETS:		
Cash and Cash Equivalents	76,301,975	68,660,872
Inventories	1,675,216	1,683,398
Other Receivables & Prepayments	65,342,334	30,953,429
Intangible Assets	190,895	573,143
Property, Plant and Equipment	312,131,874	326,282,705
Retirement Benefit Asset	65,127,000	59,729,000
Total Non-Earning Assets	<u>520,769,294</u>	<u>487,882,547</u>
TOTAL ASSETS	<u>6,099,751,334</u>	<u>5,312,566,644</u>

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2016 & 2015

(Expressed in Jamaican Dollars unless otherwise stated)

	2016	2015
	<u>\$</u>	<u>\$</u>
<u>LIABILITIES :</u>		
INTEREST BEARING LIABILITIES:		
Members' Voluntary Shares	2,084,711,022	1,779,052,301
Members' Saving Deposits	2,803,442,276	2,459,166,738
Borrowing	89,936,943	94,294,288
Bank Overdraft (Unsecured)	33,635,363	-
Total Interest Bearing Liabilities	<u>5,011,725,604</u>	<u>4,332,513,327</u>
NON-INTEREST BEARING LIABILITIES:		
Accounts Payable		
Accounts & Other payables & A	111,414,240	85,154,805
Accrued Interest on Members' Deposits	57,333,581	47,063,518
Total Non Interest Bearing Liabilities	<u>168,747,821</u>	<u>132,218,323</u>
TOTAL LIABILITIES	<u>5,180,473,425</u>	<u>4,464,731,650</u>
<u>EQUITY:</u>		
Members' Permanent Share Capital	106,345,585	98,766,677
Non-Institutional Capital	255,468,781	251,705,677
Institutional Capital	557,463,543	497,362,640
Total Capital	<u>919,277,909</u>	<u>847,834,994</u>
TOTAL LIABILITIES AND EQUITY	<u>6,099,751,334</u>	<u>5,312,566,644</u>

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31ST DECEMBER 2016 & 2015
(Expressed in Jamaican Dollars unless otherwise stated)

	2016	2015
	\$	\$
INTEREST INCOME:		
Loans to Members	429,945,761	387,520,858
Liquid Assets & Financial Investments	124,569,252	108,594,632
	<u>554,515,013</u>	<u>496,115,490</u>
INTEREST EXPENSE:		
Interest Expense on Members' Voluntary Shares	22,152,720	13,258,480
Savings Deposits	59,681,521	59,074,471
	<u>81,834,241</u>	<u>72,332,951</u>
Other Financial Cost	11,977,072	1,074,774
	<u>93,811,313</u>	<u>73,407,725</u>
NET INTEREST INCOME	460,703,700	422,707,765
Net Movement in Provision for Loan Impairment	13,129,139	7,853,459
NET INTEREST INCOME AFTER PROVISION	447,574,561	414,854,306
NON - INTEREST INCOME		
Rental - Investment Property	6,152,630	5,336,260
Fee & Other Income	52,761,078	36,999,142
GROSS INCOME	506,488,269	457,189,707
Less Operating Expenses	<u>421,875,527</u>	<u>388,906,731</u>
NET INCOME BEFORE HONORARIA	84,612,742	68,282,976
Honoraria	3,195,955	
NET INCOME AFTER HONORARIA	<u>81,416,787</u>	<u>68,282,976</u>
OTHER COMPREHENSIVE INCOME		
Items that will never be classified to Profit or Loss:		
Minimum Business Tax	(120,000)	(120,000)
Unrealised Fair Value ((Loss)/Gain - Available for sale investments)	(2,630,045)	20,196,834
Re-measurement of Defined Benefit Pension Plan	(882,000)	(9,730,000)
	<u>(3,632,045)</u>	<u>10,346,834</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>77,784,742</u>	<u>78,629,810</u>

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF CHANGES IN EQUITY- SUMMARY
FOR THE YEARS ENDED 31ST DECEMBER 2016 & 2015
(Expressed in Jamaican Dollars unless otherwise stated)

	Members' Permanent Share Capital \$	Non- Institutional Capital \$	Institutional Capital \$	Total \$
Balance at 31st December 2015	98,766,677	251,705,678	497,362,640	847,834,995
Total Comprehensive Income for the year after Honoraria	-	77,396,742		77,396,742
Transactions with owners				
Transfer -20% of net Income before 2016 Honoraria	-	(16,922,548)	16,922,548	-
Amount subscribed-Shares	7,578,908	-	-	7,578,908
Transfer from general reserve		-		-
Entrance fees	-	-	1,249,000	1,249,000
Appropriation of Net Surplus for 2015				
Dividend Paid on Members' Permanent Shares	-	(11,984,830)	-	(11,984,830)
Transfer from Capital Expenditure Reserve		(1,929,355)	1,929,355	-
Transfer to institutional capital	-	(40,000,000)	40,000,000	-
Merger Expenses	-	(2,796,906)		(2,796,906)
Total transactions with owners	7,578,908	(73,633,639)	60,100,903	(5,953,828)
Balance at 31st December 2016	106,345,585	255,468,781	557,463,543	919,277,909

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF CHANGES IN EQUITY -NON-INSTITUTIONAL CAPITAL
FOR THE YEARS ENDED 31ST DECEMBER 2016 & 2015
(Expressed in Jamaican Dollars unless otherwise stated)

	Investment Property Reserves	Retirement Benefit Asset Reserve	General Reserve	Capital Expenditure Reserve	Share Transfer Fund	Fair Value Reserve	Accumulated Surplus	Loan Loss Reserve	Infrastructure Development Reserve	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 31st December 2015	75,056,663	59,729,000	4,067,432	1,929,355	2,042,920	29,852,358	65,498,802	2,529,148	11,000,000	251,705,678
Net Income after Honoraria	-	-	-	-	-	-	81,416,787	-	-	81,416,787
Other Comprehensive Income										
Minimum Business Tax	-	-	-	-	-	-	(120,000)	-	-	(120,000)
Unrealised fair value losses on available-for-sale financial assets	-	-	-	-	-	(2,630,045)	-	-	-	(2,630,045)
Re-measurement of Pension Asset	-	-	-	-	-	-	(1,270,000)	-	-	(1,270,000)
Total Comprehensive Income for the year	-	-	-	-	-	(2,630,045)	80,026,787	-	-	77,396,742
Transactions with owners										
2016 before Honoraria	-	-	-	-	-	-	(16,922,548)	-	-	(16,922,548)
Appropriation from 2015 Surplus:										
Dividend on members' shares	-	-	-	-	-	-	(11,984,830)	-	-	(11,984,830)
Transfer to infrastructure development	-	-	-	-	-	-	(10,000,000)	-	10,000,000	-
Transfer to institutional capital	-	-	-	(1,929,355)	-	-	(40,000,000)	-	-	(41,929,355)
Increase in Retirement Benefit Reserve	-	5,398,000	-	-	-	-	(5,398,000)	-	-	-
Merger Expense	-	-	(2,796,906)	-	-	-	-	-	-	(2,796,906)
Total transactions with owners	-	5,398,000	(2,796,906)	(1,929,355)	-	-	(84,305,378)	-	10,000,000	(73,633,639)
Balance at 31st December 2016	75,056,663	65,127,000	1,270,526	-	2,042,920	27,222,313	61,220,211	2,529,148	21,000,000	255,468,781

MONTEGO AND HANOVER CO-OPERATIVE CREDIT UNIONS LIMITED
COMBINED STATEMENT OF CHANGES IN EQUITY - INSTITUTIONAL CAPITAL
FOR THE YEARS ENDED 31ST DECEMBER 2016 & 2015
(Expressed in Jamaican Dollars unless otherwise stated)

	Statutory & Legal Reserves	Permanent Reserves	Total
	\$	\$	\$
Balance at 31st December 2015	249,788,776	247,573,864	497,362,640
Transfer of 20 % of Net Income for the Year before Honoraria	16,922,548	-	16,922,548
Transfer from Capital Expenditure Reserve	1,929,355	-	1,929,355
Transfer from Undistributed Net Income to Institutional Capital	-	40,000,000	40,000,000
Entrance Fees	<u>1,249,000</u>	<u></u>	<u>1,249,000</u>
Balance at 31st December 2016	<u>269,889,679</u>	<u>287,573,864</u>	<u>557,463,543</u>

Report *of The* Credit Committee



L-R. Marsha Waitworth-McIntyre, Earl Green, Vivenne Frankson (Secretary), Peter Reid (Chairman)
Errol Chattoo (missing)

*"Growth is never by mere chance, it is the result of
forces working together"*

James Penney

The genesis of Gateway Co-operative Credit Union Limited commenced with the merger of the Hanover and Montego Credit Unions. With this merger, our loan portfolio as at January 3, 2017 stood at \$3.3B. Both Hanover and Montego Co-operatives were very strong financially; based on the similarities of both credit unions, combining their strengths was an easy decision. Together we delivered stronger financial performance and offered a wider range of financial products to an expanded membership base. The merger further resulted in a revision of our loan policies and product offerings; causing an increase in the loan limits, reduction in interest rates and loan fees.

This partnership strengthened the long-term options and resiliency of this new \$6.0B organization. As a larger credit union, the merger created new opportunities for our members with respect to providing faster, cheaper and more attractive loan offerings. Changes to our credit offerings included but were not limited to:

- A 1% reduction in processing fees
- Removal of fees for Within Share loans
- Lower fees on cash secured loans
- A new and improved mortgage loan policy with an approximate 4% reduction in interest rate
- A reduction in unsecured loan interest rate from 25% to 22.5%
- Increase of our Unsecured loan ceiling from \$500,000.00 to \$800,000.00
- A revised staff loan policy allowing members of staff to borrow at attractive loan terms



"Opening the way to your financial success"



- Quarterly loan specials with attractive terms and conditions
- An overall higher loan ceiling

In addition, post-merger our members had the added convenience of an expanded branch network, as our members were able to process their loans from any of our locations.

There were a number of remarkable record achievements in the area of credit. History was made for the months of May and August 2017. The month of May saw the Credit Union realizing the highest disbursement in the history of the Lucea branch at a peak of \$112.0 million; and the second highest disbursement for the Montego Bay Branch at a peak of \$147.0 Million. Totalling 260.0 million (an estimated \$60.0 million above the month's target). Total disbursements for the month of August closed at a record high of \$268.0M. Our loan portfolio moved from \$3.3B TO \$4.1B which represented an overall 24% increase in net loans; continuing our momentum. Having operated for a full year under our new lending criteria, we now have numerous members being able to access loans who may not have qualified in the past.

It is noticeable achievements like these that assisted Gateway in keeping its promise to our members, congruent with one of our core values- "being committed to our members' social and economic development." This reinforces the confidence that our members have in the long-term viability of this institution and the onus is upon us to ensure that we do not betray that trust.

The Credit Committee continues to exercise oversight responsibility as a mandated body of volunteers given the task to oversee all loan applications and proceedings. In this functional framework of volunteerism, our primary mandates were as follows:

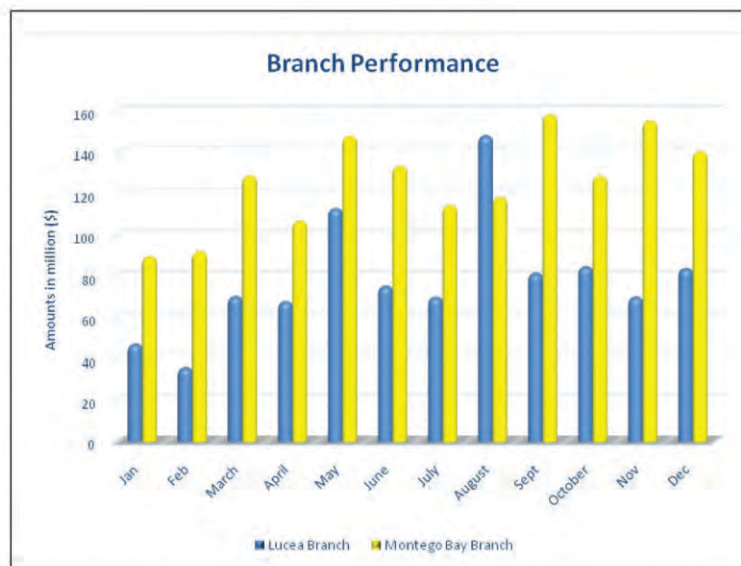
1. To process and approve all loan applications in keeping with Credit Union policies and procedures.
2. To review, amend and implement loan policies as approved by the Board of Directors.
3. To audit loans processed and approved by the In-house credit committee.

A breakdown of loans issued during the year is set out hereunder:

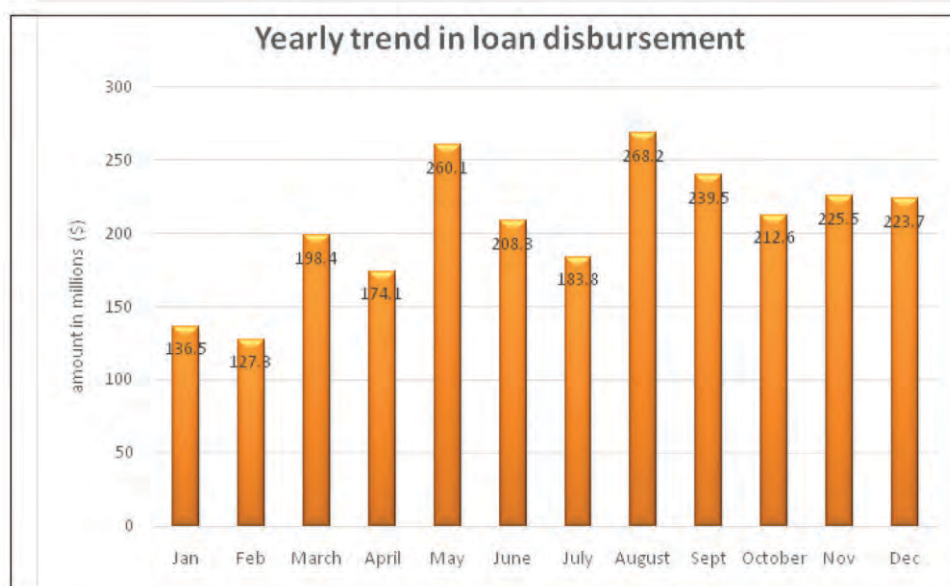
Loan Purpose	Number	VALUE
Cash Secured (internal)	4311	704,824,100.69
Cash secured (external)	28	31,242,352.16
Motor Vehicle (private)	437	785,137,785.09
Motor Vehicle (commercial)	150	341,686,109.00
Mortgage (residential)	35	153,173,009.45
Mortgage (commercial)	6	32,988,204.13
Real Estate (Home Equity)	6	12,852,000.00
Unsecured (Inc. line of credit)	<u>1182</u>	<u>396,034,859.42</u>
	6155	2,457,938,419.94

Staff loans taken throughout the year amounted to \$59.1M

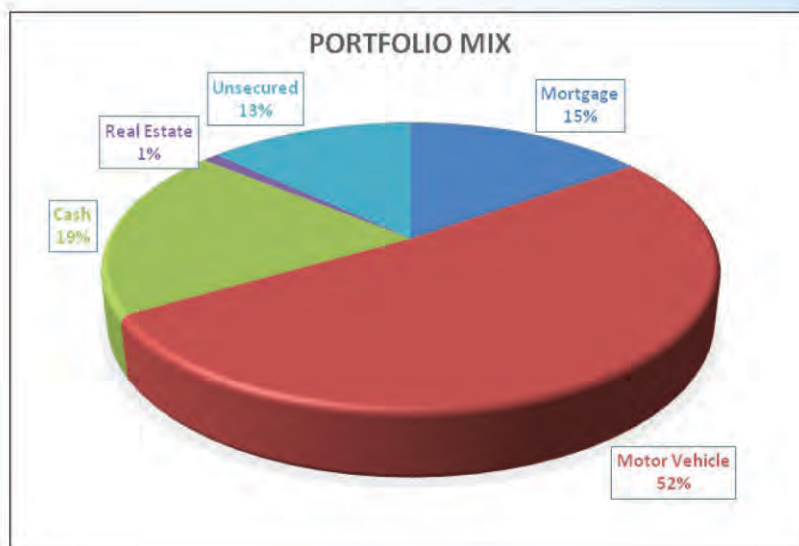
Branch Performance



Disbursement per quarter



Portfolio Mix



Credit Risk Management

The major purpose of credit analysis is to identify the risk in credit situations. It further involves the overall risk associated with the Loan portfolio. Credit risk is diversifiable but impossible to eliminate and therefore poses significant challenges. The Credit Committee identified a number of risks as it related to Credit and have further devise mitigating strategies to combat these risks.

Training and Development

In order to remain relevant with industry trends and developments committee members participated in completing online courses in the Proceeds of Crime Act (POCA) and as such, all committee members completed their online POCA training and exams in the following areas: Know your customers (KYC); Know your employees (KYE), Introduction to POCA, Roles and responsibilities of Specific Volunteers, Money Laundering and Terrorism. We all attained passing grades and we continue to use information provided through this medium to carry out our mandate more effectively and efficiently.

Loss control

Delinquency consistently closed below 5% each month, which was a move in the right direction. Our capable delinquency team monitored all loans that fell into arrears and worked with members from start in an effort to find solutions that met both the needs of the member and those of the Credit Union. It is essential that members make contact with the Delinquency Department as soon as difficulties arise and continue to co-operate and communicate with the Credit Union throughout the process. In circumstances where members did not engage with the Credit Union, our Delinquency team pursued the recovery of debts through all means necessary. This included contacts via letters, telephone, the use of collection agencies and where necessary, legal proceedings. The Credit Committee wishes to acknowledge those members who are keeping up with their loan repayments as we strive to carry-on the legacy of the Credit Union which is that of "people helping people succeed."

Attendance

A total of 24 meetings were convened by the committee all of which were well attended with a few absences as a result of extenuating circumstances. A record is shown hereunder:

Members	Possible	Actual	Absent
Peter Reid	24	21	3
Vivienne Frankson	24	23	1
Errol Chattoo	24	24	0
Marsha Waitworth	24	16	8
Earl Green	24	24	0

REFLECTION & FORWARD THINKING

We are proud to celebrate a successful year for Gateway Co-operative Credit Union (2017) Limited and for our members. During 2017, we maintained our commitment to improving the financial well-being of our member-owners. Our goal, as our tagline boasts is to open the way to our members financial success. As the Credit Committee, in keeping with that goal, we will continue to search for improvements and ways to provide innovative and attractive loans products to meet the changing and diverse needs of our members primarily through low interest, low cost financing. We are aware that although our offerings may be attractive, we must constantly remain relevant and it is against that background that an interest rate review was undertaken in the last quarter of 2017, to take effect 2018. There is still much potential as it relates to commercial and residential mortgages and small business

lending – a market we must consider tapping into as much as possible.

Acknowledgement

We credit the success we experienced in 2017 to the Management and staff of Gateway Co-operative Credit Union (2017) Limited; their day-to-day involvement made all our strategic plans possible. The Credit Manager and her team for a job well done and most of all our valued members, our success would be farfetched if you did not believe in us. Thank you and we look forward to serving you in 2018 and beyond as we continue to open new frontier to financial freedom.

Peter Reid
Chairman

Report *of The* Supervisory Committee



L-R. Angella Morris, Andreene Williams (Secretary), Keita Mendes (Chairman), Charlene Soares, Loraine Scringer

*"Coming together is the beginning.
Keeping together is progress.
Working together is success."*

Henry Ford

On January 1, 2017, the Montego and Hanover Co-operative Credit Unions amalgamated to form Gateway Co-operative Credit Union (2017) Limited (Gateway). This amalgamation is strategic; Gateway is provided the platform to serve a wider populace with a menu of exciting products and efficient service delivery, while building its capacity as the premier Credit Union in Western Jamaica. With a new vision and mission, Gateway is marching from strength to strength, making bold strides in uncharted territory. This movement is guided by our

energized and committed Directorate, complemented by our dedicated and invaluable Leadership Team and Members of Staff.

CONSTITUTION

Consistent with the Rules of Gateway, five (5) persons were selected to serve on the Supervisory Committee, for the year 2017-2018, namely:

Mr. Dwayne Butt	- Chairman
Miss Loraine Scringer	-Deputy Chairman
Miss Andreene Williams	-Secretary
Miss Angella Morris	-Asst. Secretary
Miss Charlene Soares	- Member

In August 2017, Mr. Keita Mendes was elected to serve as Chairman, consequent to the resignation of Mr. Dwayne Butt. The Supervisory

Committee, on behalf of the Board of Directors, Staff and Members of Gateway, use this opportunity to thank Mr. Butt for his sterling contribution to our growth and development

ROLE AND RESPONSIBILITIES

In accordance with the Co-operative Societies Regulations, 1950, the Supervisory Committee, elected by the members of the credit union at the Annual General Meeting, is mandated to conduct audits and provide general supervision relative to the business of the credit union. In general, the Committee acts as the 'watchdog' of Gateway, working assiduously to ensure that the operations/procedures and processes align with the legislative and administrative requirements as well as with our mission and vision. In executing our responsibilities, the Committee is generally supported by the Internal Audit function. The responsibilities include:

- authorizing and ratifying audit investigations;
- conducting investigations on its own volition;
- recommending measures to strengthen the governance processes;
- receiving and investigating any complaint made by any member affecting the management of the business of Gateway.

With this in mind, the Committee developed an Internal Audit Plan which guided its role throughout the year under review. A summary of the audits and activities for the year under review appears below:

AREAS OF FOCUS:

- Ensuring compliance with the reporting requirements under the Proceeds of Crime Act (POCA) and the Regulations

thereunder as well as the Terrorism Prevention Act (TPA) and Regulations, specific to the Threshold Transaction Reports (TTR), Suspicious Transaction Reports (STR) and 'Listed Entity Reports' (LER);

- Ensuring compliance with the taxlaws, relative to the filing of returns and payment of taxes;
- Reviewing the Minutes of the meetings of the Board of Directors;
- Reviewing Dormant Accounts;
- Conducting random cash counts;
- Checking the Claims submitted by Volunteers;
- Reviewing receipts and payments;
- Checking Bank Reconciliation;
- Conducting checks of Journal Entries;
- Performing tests on Members' Loans;
- Verifying Closed/Deceased Members' Accounts;
- Examining volunteers, employees & related family accounts;
- Assessing Investments & Internal Controls;
- Reviewing Fixed Assets;
- Reviewing Implementation Status of Audit Recommendations (ISOARs)

During our tenure, the above matters were meticulously audited and reviewed to ensure that all Standard Operating Procedures were followed. The Committee made several recommendations to the Leadership Team for implementation.

HIGHLIGHTS:

Check for Statutory Deductions and Tax Compliance

Purpose

To give an account to the Board of Directors of the fiduciary management of the monthly payroll and tax compliance of Gateway.

Scope

The Report covered the monthly/fortnightly payroll as well as tax compliance rate of Gateway. The review was very positive.

Check for Board Minutes, TTR, STR and LER Compliance

Purpose

To give an account to the Board of Directors as to the stewardship of Gateway as it relates to the POCA and TPA as well as conduct and view of the Minutes of the Board.

Scope

The Report focused on Gateway's compliance with the legislative framework (POCA and TPA) (Threshold Transactions (TTR), Suspicious Transactions (STR)) as well as observance of the formalities for the holding and recording of meetings of the Board of Directors. The matter of dormant accounts was also reviewed. The review was very positive.

Check for compliance with Standard Operating Procedures (SOPs)

Purpose

The purpose of the Report was to give an account to the Board of Directors as to the stewardship of Gateway, as it relates to the following:

- I) Bank Reconciliation;
- ii) General Ledger Entries;
- iii) Receipts and Payments;
- iv) Fixed Asset Register.

Scope

The Report examined Gateway's compliance with proper accounting procedures, as required by the legislative and administrative framework.

The review was positive.

Implementation Status of Audit Recommendations (ISOARs)

Purpose

To give our professional opinion on recommendations made by the External Auditors.

Scope

The Report covered ISOARs from our Internal Auditors, Corporate Strategic Services Limited (CSS) which were generally operational in nature.

The review was positive.

BRANCH VISITS

During the year under review, the Supervisory Committee visited the branches in a bid to improve compliance with policies, rules and other accountability framework, as well as to strengthen our knowledge and decision-making capacity.



"Opening the way to your financial success"



CHALLENGES

For the period under review, the Supervisory Committee worked without an In-House Internal Auditor, as despite several attempts by the Human Resource and Facilities Department to recruit same, a suitable candidate was not identified. Admittedly, this made the job of the Committee more difficult; however, we managed to weather the storm. Thankfully, going forward, the situation will improve, as a competent person has been identified for the position.

The Supervisory Committee is satisfied with the overall management of Gateway during its first full year of operation. The Supervisory Committee acknowledges the Board of Directors, Leadership Team, the Administrative Support Staff, Credit Committee and Sub-committees for their continued support and co-operation towards the work of this Committee. We use this opportunity to assure all stakeholders that your financial assets are safe and secure when you do

business with Gateway Co-operative Credit Union (2017) Limited.

As Chairman, I express thanks to the members of this Committee for placing service above self. Going forward, let us endeavour to ensure that all our Members can, indeed, open the way to their financial success.

God Bless You All

Mr. Keita Mendes

Chairman, Supervisory Committee



"Opening the way to your financial success"



Report *of The* Nominating Committee

The Nominating Committee, as appointed by the Board of directors of Gateway Co-operative Credit Union (2017) Limited comprise of: Mr Basel McFarlane-Chairman, Mrs, Lorna Rampasard-Secretary and Mr. Daniel Hutchinson, Member Representative.

The committee had several meetings to discuss, peruse and nominate the members for the different committees to serve as volunteers to the Co-operative.

The meetings were held accordingly:

Monday, June 18, 2018
Thursday, June 26, 2018
Thursday, June 28, 2018
Tuesday, July 17, 2018
Thursday, July 19, 2018
Tuesday, July 24, 2018
Friday, July 27, 2018

Twenty-two nominations were received. After processing the nominating documents the following persons were selected to serve in keeping with the quota under the Governance Structure of the Merger Agreement. The Terms of Reference for Nominating Committee, The Merger Agreement and The Rules of the Gateway Co-operative Credit Union (2017) Limited were used to guide decisions.

The criteria used for selection included experience and service at the cooperative level, skills set and other civic or community involvement. The members selected to serve on for the different committees are listed below

BOARD OF DIRECTORS

Montego Bay:

Cleveland Parker, Horace Smith,
Lambert Johnson, Synandre Montague-Dwyer,
Vincent Rose

Hanover:

Rodcliffe Robertson, Alfred Graham,
Glenroy Clarke, Bruce Grant

SUPERVISORY COMMITTEE

Montego Bay:

Charlene Soares, Angella Morris,
Atherine Dehaney-Archer

Hanover:

Keith Mendes, Lorraine Scringer

CREDIT COMMITTEE

Montego Bay:

Peter Reid, Errol Chattoo, Vivienne Frankson

Hanover:

Earl Green, Andreene Williams

Please find below the recommended distribution of term limit:

Board of Directors

NAMES	Recommended Terms (Tears)
Lambert Johnson	2
Cleveland Parker	2
Horace Smith	2
Synandre Montague-Dwyer	1
Vincent Rose	1
Radcliffe Robertson	2
Alfred Graham	2
Glenroy Clarke	1
Bruce Grant	1


Supervisory Committee

NAMES	Recommended Terms (Tears)
Charlene Soares	1
Angella Morris	1
Autherine Dehaney-Archer	1
Keith Mendes	1
Loraine Scringer	1

Credit Committee

NAMES	Recommended Terms (Tears)
Peter Reid	2
Errol Chatto	1
Vivienne Frankson	2
Andreene Williams	1
Earl Green	2

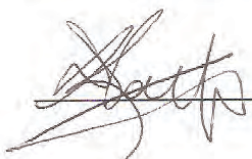
Mr. Basel McFarlane
Chairman

 27/7/18

Mr. Daniel Hutchinson
Member Representative

 27/7/18

Mrs Lorna Rampasard
Secretary

 27/7/2018



Senior Leadership Team

FRONT L-R:

Brad Clarke – IT Manager, **Jennifer Taylor-Wilson** – General Manager Operations,
Ornell Bedasse – Chief Executive Officer, **Felecia Spence** – Delinquency Manager,
Donna Scott – HR & Facilities Manager, **Keith Miller** – Business Development, Marketing & Sales Manager

BACK L-R:

Kadian Kerr-Shaw – Branch Manager Lucea, **Tashica Watson** – Finance Manager,
Rhamona Samuels – Branch Manager Montego Bay, **Nicole Houghton-Johnson** – Credit Manager



Branch Office Lucea



Front Row, L-R: Sandra Campbell, Francena McLaren, Saneisha Campbell, Yanique Spencer, Christine Whyte-Sinclair, Orville Henry, Caroline Solomon, Jhanelle James.

Middle Row, L-R: Shanique Noble, Syheedi Essor, Ann Marie Kistner-Frazer, Beverly Dickson, Andean Campbell, Ionie Chambers, Nisheda Gordon, Roxanne Duncan-Campbell, Conrad Facey, Carlene Henry.

Back Row, L-R: Garvin Lawrence, Ricardo Malcolm, Althea Smart-Birch, Shakele Parks, Nadine Brissett, Donnamarie McPherson, Lajay Chambers.



Montego Bay Branch

- **Seated, L-R:**

Tashica Watson, Cindy Brown, Sharon Lawrence, Keshia Haughton, Sandina Williams, Monique James, Ceceila Blake-Wollaston, Rhamona Samuels.

- **Middle Row, L-R:**

Paul Green, Angillique Owens, Radcliffe Griffiths, Antioie Thompson, Samantha Powell, Petagay Beckford, Tashna Lyle, Careen Sylvester, Aquille Dennis, Carol Grant-Barrett, Othniel Brissett, Camala Stewart-Brissett, Shevanie Smith, Danielle Wiles, Aimesh Francis.

- **Back Row, L-R:**

Jacqueline Scott-Taylor, Christopher Johnson, Melissa Lawrence, Noel Brown, Shaquille Brown, Shedene Campbell, Antoinette Blake, Shamoy Perry, Shantelle Heavens, Syreka Wolliston, Venetia Campbell, David Craig, Marvin Phillips, Shavorn Bailey, Manuel Laing.



Christmas Treat

Cornwall Regional Hospital Paediatric



Quiz Competition





Media Launch



Prayer of St. Francis

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. Amen





"Phases of Life"

...own your tomorrow

Baby on Board

Get a free account of \$1000 for your child and start saving for his future.

Treasure Chest

Give your child a chest full of benefits.

Golden Harvest Savings Plan

Save today for a rainy day. Get up to \$4m free insurance.

Solid Saver

Enjoy the discipline of saving while reaping great rewards.

JCIA Insurance

For only \$4000 per annum, get a \$1m life insurance policy.

Student Loan

Get up to \$6,000,000 and start repayment 6 months after completion of your studies.

Business Loan

It's simple to apply! Come with your plans and ideas.

Motor Vehicle Loan

Drive away with your dream vehicle from Gateway.

Mortgage Loan

Acquire your home and plan for your future with Gateway.

Family Indemnity Plan (FIP)

Affordable insurance for you and your family.

Head Office & Montego Bay Branch

6 Sam Sharpe Square | P.O. Box 885, Montego Bay St. James

Tel.: 876-952-1190-2/876-952-7047/940-7710 | Fax: 876-952-8522/ 876-971-5443

Lucea Branch

Main Street, Lucea | Hanover

Tel.: 876-956-3030 / 876-956-2357 | Fax: 876-956-3881

Website: www.gatewayja.com

